ASSURANT INC
Form 10-K
February 25, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 001-31978

Assurant, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**39-1126612**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

One Chase Manhattan Plaza, 41st Floor

New York, New York	**10005**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant s telephone number, including area code:

(212) 859-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, $0.01 Par Value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

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

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

The aggregate market value of the Common Stock held by non-affiliates of the registrant was $2,826 million at June 30, 2009 based on the closing sale price of $24.09 per share for the common stock on such date as traded on the New York Stock Exchange.

The number of shares of the registrant s Common Stock outstanding at February 16, 2010 was 116,485,888.

Documents Incorporated by Reference

Certain information contained in the definitive proxy statement for the annual meeting of stockholders to be held on May 13, 2010 (2010 Proxy Statement) is incorporated by reference into Part III hereof.

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ASSURANT, INC.

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended December 31, 2009

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Amounts are presented in United States of America (U.S.) dollars and all amounts are in thousands, except number of shares, per share amounts, registered holders, number of employees, beneficial owners and number of loans.

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FORWARD-LOOKING STATEMENTS

Some of the statements under Business, Management s Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this report, particularly those anticipating future financial performance, business prospects, growth and operating strategies and similar matters, are forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they may use words such as will, may, anticipates, expects, estimates, projects, intends, plans, believes, forecasts, potential, approximately, or the negative version of those words and other words and terms with a similar meaning. Any forward-looking statements contained in this report 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 or any other person that the future plans, estimates or expectations contemplated by us will be achieved. Our actual results might differ materially from those projected in the forward-looking statements. The Company undertakes no obligation to update or review any forward-looking statement, whether as a result of new information, future events or other developments.

In addition to the factors described in the section below entitled Critical Factors Affecting Results, the following risk factors could cause our actual results to differ materially from those currently estimated by management: (i) general global economic, financial market and political conditions (including difficult conditions in financial, capital and credit markets, the global economic slowdown, fluctuations in interest rates, mortgage rates, monetary policies, unemployment and inflationary pressure); (ii) failure to maintain significant client relationships, distribution sources and contractual arrangements; (iii) failure to attract and retain sales representatives; (iv) deterioration in the Company s market capitalization compared to its book value that could impair the Company s goodwill; (v) negative impact on our business and negative publicity due to unfavorable outcomes in litigation and/or regulatory investigations; (vi) current or new laws and regulations, including proposed legislation relating to health care reform, that could increase our costs and/or decrease our revenues; (vii) inadequacy of reserves established for future claims losses; (viii) failure to predict or manage benefits, claims and other costs; (ix) losses due to natural and man-made catastrophes; (x) increases or decreases in tax valuation allowances; (xi) fluctuations in exchange rates and other risks related to our international operations; (xii) unavailability, inadequacy and unaffordable pricing of reinsurance coverage; (xiii) diminished value of invested assets in our investment portfolio (due to, among other things, the recent volatility in financial markets, the global economic slowdown, credit and liquidity risk, other than temporary impairments, and inability to assume an appropriate overall risk level); (xiv) inability of reinsurers to meet their obligations; (xv) insolvency of third parties to whom we have sold or may sell businesses through reinsurance or modified co-insurance; (xvi) credit risk of some of our agents in Assurant Specialty Property and Assurant Solutions; (xvii) a decline in our credit or financial strength ratings (including the risk of ratings downgrades in the insurance industry); (xviii) failure to effectively maintain and modernize our information systems; (xix) failure to protect client information and privacy; (xx) failure to find and integrate suitable acquisitions and new insurance ventures; (xxi) inability of our subsidiaries to pay sufficient dividends; (xxii) failure to provide for succession of senior management and key executives; and (xxiii) significant competitive pressures in our businesses and cyclicality of the insurance industry. These risk factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report. For a more detailed discussion of the risk factors that could affect our actual results, please refer to the Critical Factors Affecting Results in Item 7 and Risk Factors in Item 1A of this Form 10-K.

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PART I

Item 1. *Business*

Legal Organization

Assurant, Inc. (Assurant or the Company) is a Delaware corporation, formed in connection with the initial public offering (IPO) of its common stock, which began trading on the New York Stock Exchange (NYSE) on February 5, 2004. Prior to the IPO, Fortis, Inc., a Nevada corporation, formed Assurant and merged into it on February 4, 2004. The merger was executed in order to redomesticate Fortis, Inc. from Nevada to Delaware and to change its name. As a result of the merger, Assurant is the successor to the business operations and obligations of Fortis, Inc.

Business Overview

Assurant is a provider of specialized insurance products and related services in North America and select worldwide markets. Our four operating segments Assurant Solutions, Assurant Specialty Property, Assurant Health, and Assurant Employee Benefits have partnered with clients who are leaders in their industries and have built leadership positions in a number of specialty insurance market segments in the United States of America (U.S.) and selected international markets. These segments provide debt protection administration; credit insurance; warranties and service contracts; pre-funded funeral insurance; creditor placed homeowners insurance; manufactured housing homeowners insurance; individual health and small employer group health insurance; group dental insurance; group disability insurance; and group life insurance.

Assurant s mission is to be the premier provider of specialized insurance products and related services in North America and selected international markets. To achieve this mission, we focus on the following areas:

- Building and maintaining a portfolio of diverse, specialty insurance businesses
- Leveraging a set of core capabilities for competitive advantage *managing risk; managing relationships with large distribution partners; and integrating complex administrative systems*
- Managing targeted growth initiatives
- Identifying and adapting to evolving market needs

Building and maintaining a portfolio of diverse, specialty insurance businesses We currently are made up of four operating segments, Assurant Solutions, Assurant Specialty Property, Assurant Health and Assurant Employee Benefits, each focused on serving specific sectors of the insurance market. We believe that the uncorrelated nature of the risks in our businesses allows us to maintain a greater level of financial stability since our businesses will generally not be affected in the same way by the same economic and operating trends.

Leveraging a set of core capabilities for competitive advantage We pursue a strategy of building leading positions in specialized market segments for insurance products and related services in North America as well as selected international markets. These markets are generally complex, have a relatively limited number of competitors and, we believe, offer long-term growth opportunities. In these markets, we apply our core capabilities to create a competitive advantage *managing risk; managing relationships with large distribution partners; and integrating complex administrative systems*. These core capabilities represent areas of expertise which are evident within each of our businesses. We seek to generate returns that are in the top quartile of the insurance industry 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.

Managing targeted growth initiatives Our approach to mergers, acquisitions and other growth opportunities reflects our prudent and disciplined approach to managing our businesses. Our acquisition process is designed to ensure that any new business will support our business model. We establish performance goals in our short-term incentive compensation plan for senior management based on growth in targeted areas.

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Identifying and adapting to evolving market needs Assurant s businesses adapt to changing market conditions by tailoring product and service offerings to specific client and customer needs. By understanding the dynamics of our core markets, we seek to design innovative products and services that will enable us to sustain long-term profitable growth and market leading positions.

Competition

Assurant s businesses focus on niche segments within broader insurance markets. While we face competition in each of our businesses, we believe that no single competitor competes against us in all of our business lines and the business lines in which we operate are generally characterized by a limited number of competitors. Competition in our operating segments is based on a number of factors, including quality of service, product features, price, scope of distribution, financial strength ratings and name recognition. The relative importance of these factors varies by product and market. We compete for customers and distributors with insurance companies and other financial services companies in our various businesses.

The Assurant Solutions and Assurant Specialty Property segments competitors include insurance companies, financial institutions, and, in the case of preneed life insurance, regional insurers. Assurant Health s main competitors are other health insurance companies, Health Maintenance Organizations (HMOs) and the Blue Cross/Blue Shield plans in states where we write business. Assurant Employee Benefits competitors include other benefit and life insurance companies, dental managed care entities and not-for-profit dental plans.

Segments

For additional information on our segments, see Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations and Note 23 to the Consolidated Financial Statements included elsewhere in this report.

Assurant Solutions

	For the Years Ended	
	December 31, 2009	**December 31, 2008**
Gross written premiums for selected product groupings (1):		
Domestic credit insurance	$ 526,532	$ 604,101
International credit insurance	843,225	827,457
Domestic extended service contracts and warranties (2)	1,012,670	1,530,284
International extended service contracts and warranties (2)	462,964	477,652
Preneed life insurance (face sales)	512,366	445,313
Net earned premiums and other considerations (3)	$ 2,671,041	$ 2,813,407
Segment net income	$ 120,052	$ 112,183
Equity (4)	$ 1,653,817	$ 1,540,066

(1) Gross written premiums does not necessarily translate to an equal amount of subsequent net earned premium since Assurant Solutions reinsures a portion of its premiums to third parties and to insurance subsidiaries of its clients.
(2) Extended service contracts include warranty contracts for products such as personal computers, consumer electronics and appliances.
(3)

Effective January 1, 2009, new preneed life insurance policies in which death benefit adjustments are determined at the discretion of the Company are accounted for as universal life contracts. For contracts sold prior to January 1, 2009, these preneed life insurance policies were accounted for and will continue to be accounted for under the limited pay insurance guidance. In accordance with the universal life insurance guidance, income earned on new preneed life insurance policies is presented within policy fee income net of policyholder benefits. Under the limited pay insurance guidance, the consideration received on preneed policies is presented separately as net earned premiums, with policyholder benefits expense being shown

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separately. The change from reporting certain preneed life insurance policies in accordance with the universal life insurance guidance versus the limited pay insurance guidance is not material to the statement of operations or balance sheet.

(4) Equity excludes accumulated other comprehensive income (loss).

Products and Services

Assurant Solutions targets growth in three key product areas: domestic and international extended service contracts (ESC) and warranties; preneed life insurance; and international credit insurance. In addition, we offer debt protection/debt deferment services through financial institutions.

ESC and Warranties: Through partnerships with leading retailers and original equipment manufacturers, we underwrite and provide administrative services for extended service contracts and warranties. These contracts provide consumers with coverage on appliances, consumer electronics, personal computers, cellular phones, automobiles and recreational vehicles, protecting them from certain covered losses. We pay the cost of repairing or replacing customers property in the event of damages due to mechanical breakdown, accidental damage, and casualty losses such as theft, fire, and water damage. Our strategy is to seamlessly provide service to our clients that addresses all aspects of the warranty or extended service contract, including program design and marketing strategy. We provide technologically advanced administration, claims handling and customer service. We believe that we maintain a differentiated position in the marketplace as a provider of both the required administrative infrastructure and insurance underwriting capabilities.

Preneed Life Insurance: Preneed life insurance allows individuals to prepay for a funeral in a single payment or in multiple payments over a fixed number of years. The insurance policy proceeds are used to address funeral costs at death. These products are only sold in the U.S. and Canada and are generally structured as whole life insurance policies in the U.S. and annuity products in Canada.

Effective January 1, 2009, new preneed life insurance policies in which death benefit adjustments are determined at the discretion of the Company are accounted for as universal life contracts under the universal life insurance guidance provided by the Financial Accounting Standards Board s (FASB) Accounting Standards Codification (ASC) Topic 944, *Financial Services Insurance.* Preneed policies sold prior to January 1, 2009, were accounted for and will continue to be accounted for under the limited pay insurance guidance contained within ASC Topic 944. The difference in reporting these policies in accordance with the universal life insurance guidance versus the limited pay insurance guidance is not material to the statement of operations or balance sheet.

Under the universal life insurance guidance, income earned on new preneed life insurance policies is presented within policy fee income net of policyholder benefits. Under the limited pay insurance guidance, the consideration received on preneed policies is presented separately as net earned premiums, with policyholder benefits expense being shown separately. As previously noted, the effects on net income for the twelve months ended December 31, 2009 were not material.

Credit Insurance: Our credit insurance products offer protection from life events and uncertainties that arise in purchasing and borrowing transactions. Credit insurance programs generally offer consumers the option to protect a credit card balance or installment loan in the event of death, involuntary unemployment or disability, and are generally available to all consumers without the underwriting restrictions that apply to term life insurance. For more information see Risk Factors Risks Related to Our Industry.

Regulatory changes in the U.S. have caused a shift to debt deferment products by financial institutions. The largest credit card issuing institutions and lenders have migrated from credit insurance towards debt protection programs. Consequently, we have seen a reduction in domestic gross written premiums generated in the credit insurance market which we expect to continue.

Debt Protection/Debt Deferment: Debt protection/debt deferment is coverage offered by lenders in conjunction with credit card accounts, installment loans and lines of credit. It waives or defers all or a portion of the monthly payments, monthly interest, or the actual debt for the account holder for a covered event such as death, disability, unemployment and family leave. It is similar to credit, life, disability and involuntary unemployment insurance but does not require an insurance company to underwrite the program.

We earn fee income by providing administrative services such as debt deferment and protection service programs for our clients.

Marketing and Distribution

Assurant Solutions focuses on establishing strong, long-term relationships with leading distributors of its products and services. We partner with seven of the top ten largest credit card companies to market our credit insurance and their debt protection programs, four of the ten largest consumer electronics and appliance retailers (based on combined product sales) and original equipment manufacturers to market our ESC and warranty products.

Several of our distribution agreements are exclusive. Typically these agreements have terms of one to five years and allow us to integrate our administrative systems with those of our clients.

In addition to the domestic market, we operate in Canada, the United Kingdom (U.K.), Argentina, Brazil, Puerto Rico, Chile, Germany, Spain, Italy, Mexico and China. In these markets, we primarily sell ESC and credit insurance products through agreements with financial institutions, retailers and wireless service providers. Although there has been contraction in the domestic credit insurance market, several international markets are experiencing growth in the credit insurance business. Expertise gained in the domestic credit insurance market has enabled us to extend our administrative infrastructure internationally. Systems, training, computer hardware and our overall market development approach are customized to fit the particular needs of each targeted international market.

During 2009, Assurant Solutions transferred new contracts sold in Denmark to a new underwriter (IF Group) and entered into a reinsurance agreement with that underwriter effective April 1, 2009 for the legacy business. This transfer was related to our decision in late 2008 to exit the Denmark market. Administration of all business previously written in Denmark is now provided by a third party administrator, and we are no longer writing business.

On January 9, 2009, we entered into a strategic relationship to market, administer and underwrite ESC products to Whirlpool Corporation (Whirlpool) appliance customers in the U.S. and Canada. Whirlpool is a leading manufacturer and marketer of major home appliances. The Company paid $25,000 in cash to acquire this business.

On September 26, 2008, the Company acquired the Warranty Management Group business from GE Consumer & Industrial, a unit of General Electric Co. (GE). The Company paid GE $140,000 in cash for the sale, transfer and conveyance of certain assets and assumed certain liabilities. As part of the acquisition, the Company entered into a new 10-year agreement to market extended warranties and service contracts on GE-branded major appliances in the U.S.

In a separate transaction, GE paid the Company $115,000 in cash and the Company eliminated deferred acquisition costs (DAC) by $106,000 and a receivable from GE of $9,000 in connection with the termination of the existing strategic alliance. Under the pre-existing relationship, the Company sold extended warranties directly to GE appliance purchasers and through leading retailers and paid commissions to GE. After the acquisition, the Company assumed full responsibility for operating the extended warranty business it previously co-managed and shared with GE.

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On October 1, 2008, the Company completed the acquisition of Signal Holdings LLC (Signal), a leading provider of wireless handset protection programs and repair services. The Company paid $257,400 in cash for the acquisition, transfer and conveyance of certain assets and assumed certain liabilities. Signal services extended service contracts for 4.2 million wireless subscribers.

Our preneed life insurance policies are marketed in the U.S. and Canada. We have an exclusive distribution partnership with Service Corporation International (SCI), the largest provider of deathcare products and services in North America. We also continue to develop our other growth area: independent business in Canada. We are the sole provider of preneed life insurance for SCI through September 30, 2013. In Canada, we market our preneed life insurance programs through independent and corporate funeral homes and selected third-party general agents. On July 1, 2007, we acquired 100% of the outstanding stock of Mayflower National Life Insurance Company (Mayflower) from SCI. We subsequently merged Mayflower, a leading provider of preneed insurance products and services, into one of our existing preneed life insurers, American Memorial Life Insurance Company, where we continue to write all new preneed life insurance business.

On July 12, 2007, we acquired 100% of the outstanding stock of Swansure Group (Swansure), a privately held company in the U.K. Swansure owns D&D Homecare Limited and Adminicle Limited. D&D Homecare Limited designs and distributes general insurance products, including mortgage payment protection and buildings and contents insurance. Adminicle Limited provides a range of insurance administration and outsourcing services. Assurant Solutions has decided to terminate the non-Assurant business performed by Adminicle and close the Adminicle facility in Cirencestor. This will be completed in 2010.

In addition, on October 1, 2007, we acquired 100% of the outstanding stock of Centrepoint Insurance Services Limited (Centrepoint), a privately held company in the U.K. Centrepoint is a leading insurance broker of building and contents and mortgage payment protection insurance.

Underwriting and Risk Management

We write a significant portion of our contracts on a retrospective commission basis. This allows us to adjust commissions based on claims experience. Under these commission arrangements, the compensation of our clients is based upon the actual losses incurred compared to premiums earned after a specified net allowance to us. We believe that these arrangements align our clients interests with ours and help us to better manage risk exposure.

Our extensive experience and risk management expertise in the credit, ESC, and warranty areas, along with our sophisticated claims handling capabilities allow us to address the complexities of pricing, marketing, training, risk retention and client service that are inherent in our products.

Profits from our preneed life insurance programs are generally earned from interest rate spreads the difference between the death benefit growth rates on underlying policies and the investment returns generated on the assets we hold related to those policies. To manage these spreads, we regularly adjust pricing to reflect changes in new money yield.

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Assurant Specialty Property

	For the Years Ended December 31, 2009	December 31, 2008
Net earned premiums and other considerations by major product grouping:		
Homeowners (creditor-placed and voluntary)	$ 1,369,031	$ 1,471,012
Manufactured housing (creditor-placed and voluntary)	219,960	225,209
Other (1)	358,538	352,017
Total	$ 1,947,529	$ 2,048,238
Segment net income	$ 405,997	$ 405,203
Loss ratio (2)	34.1%	38.3%
Expense ratio (3)	41.5%	39.0%
Combined ratio (4)	74.7%	76.4%
Equity (5)	$ 1,184,798	$ 1,276,603

(1) This primarily includes flood, miscellaneous specialty property and renters insurance products.
(2) The loss ratio is equal to policyholder benefits divided by net earned premiums and other considerations.
(3) The expense ratio is equal to selling, underwriting and general expenses divided by net earned premiums and other considerations and fees and other income. (Fees and other income is not included in the above table)
(4) The combined ratio is equal to total benefits, losses and expenses divided by net earned premiums and other considerations and fees and other income. (Fees and other income is not included in the above table)
(5) Equity excludes accumulated other comprehensive income (loss).

Products and Services

Assurant Specialty Property s business strategy is to pursue long-term growth in creditor-placed homeowners insurance and expand its strategy into other emerging markets with similar characteristics, such as creditor-placed automobile and renters insurance. Assurant Specialty Property also writes other specialty products.

Creditor-placed and voluntary homeowners insurance: The largest product line within Assurant Specialty Property is homeowners insurance, consisting principally of fire and dwelling hazard insurance offered through our creditor-placed programs. The creditor-placed program provides collateral protection to our mortgage lending and servicing clients in the event that a homeowner does not maintain insurance on a mortgaged dwelling. The majority of our mortgage lending and servicing clients outsource their insurance processing to us. As part of our creditor-placed homeowners program we provide to some of our clients on properties that have been foreclosed and are being managed by our clients. This type of insurance is called Real Estate Owned (REO) insurance. This market experienced significant increases in recent years as a result of the housing crisis, but is now moderating.

We use a proprietary insurance-tracking administration system linked with the administrative systems of our clients to continuously monitor the clients mortgage portfolios and verify the existence of insurance on each mortgaged property. We earn fee income for these administration services. In the event that mortgagees do not maintain adequate insurance coverage, we will issue an insurance certificate on the property on behalf of the creditor under a master policy.

Creditor-placed and voluntary manufactured housing insurance: The next largest product line within Assurant Specialty Property is manufactured housing insurance, offered on a creditor-placed and voluntary basis. Creditor-placed insurance is issued after an insurance tracking process similar to that described above. The tracking is performed by Assurant Specialty Property utilizing a proprietary insurance tracking administration system, or by the lenders themselves. A number of manufactured housing retailers in the U.S. use our proprietary premium rating technology to assist them in selling property coverages at the point of sale.

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Other insurance: We believe there are opportunities to apply our creditor-placed business model to other products and services. We have developed products in adjacent and emerging markets, such as the creditor-placed automobile and mandatory insurance rental markets. We also act as an administrator for the U.S. Government under the voluntary National Flood Insurance Program, for which we earn a fee for collecting premiums and processing claims. The business is 100% reinsured to the Federal Government and we do not assume any underwriting risk with respect to this program. Separately, we do underwrite a creditor-placed flood insurance program.

Marketing and Distribution

Assurant Specialty Property establishes long-term relationships with leading mortgage lenders and servicers. The majority of our creditor-placed agreements are exclusive. Typically these agreements have terms of three to five years and allow us to integrate our systems with our clients.

We offer our manufactured housing insurance programs primarily through manufactured housing lenders and retailers, along with independent specialty agents. The independent specialty agents distribute flood products and miscellaneous specialty property products. Renters insurance is distributed primarily through property management companies.

Underwriting and Risk Management

We maintain a disciplined approach to the management of our product lines. Our creditor-placed homeowners insurance program and certain of our manufactured home products are not underwritten on an individual policy basis. Contracts with our clients require us to automatically issue these policies when a borrower s insurance coverage is not maintained. These products are priced to factor in the lack of individual policy underwriting.

We monitor pricing adequacy based on a variety of factors and adjust pricing as required, subject to regulatory constraints. Since several of our product lines (e.g., homeowners, manufactured home, and other property policies) are exposed to catastrophic risks, we purchase reinsurance coverage to protect the capital of Assurant Specialty Property and to mitigate earnings volatility. Our reinsurance program generally incorporates a provision to allow the reinstatement of coverage, which provides protection against the risk of multiple catastrophes in a single year.

Assurant Health

	For the Years Ended	
	December 31, 2009	**December 31, 2008**
Net earned premiums and other considerations:		
Individual markets:		
Individual medical	$ 1,270,198	$ 1,276,743
Short-term medical and student health	104,238	101,435
Subtotal	1,374,436	1,378,178
Small employer group medical	505,192	573,777

Total	$ 1,879,628	$ 1,951,955
Segment net (loss) income	$ (30,220)	$ 120,254
Loss ratio (1)	75.0%	64.5%
Expense ratio (2)	31.5%	30.4%
Combined ratio (3)	105.0%	93.6%
Equity (4)	$ 309,206	$ 337,475

(1) The loss ratio is equal to policyholder benefits divided by net earned premiums and other considerations.

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(2) The expense ratio is equal to selling, underwriting and general expenses divided by net earned premiums and other considerations and fees and other income. (Fees and other income is not included in the above table)
(3) The combined ratio is equal to total benefits, losses and expenses divided by net earned premiums and other considerations and fees and other income. (Fees and other income is not included in the above table)
(4) Equity excludes accumulated other comprehensive income (loss).

Product and Services

Assurant Health competes in the individual medical insurance market by offering medical insurance, short-term medical insurance and student medical plans to individuals and families. Our products are offered with different plan options to meet a broad range of customer needs and levels of affordability. Assurant Health also offers medical insurance to small employer groups.

Individual Medical: Our medical insurance products are sold to individuals, primarily between the ages of 18 and 64, and their families, who do not have employer-sponsored coverage. We emphasize the sale of individual products through associations and trusts that act as the master policyholder for such products. Products marketed and sold through associations and trusts offer flexibility in pricing and product design which increase our ability to respond to market changes.

Substantially all of the individual health insurance products we sell are Preferred Provider Organization (PPO) plans, which offer members the ability to select from a wide range of designated health care providers. Coverage is typically available with a variety of co-payment, deductible and coinsurance options, with the total benefit for covered services limited by certain policy maximums. These products are individually underwritten, taking into account the applicant s medical history and other factors. The remaining products we sell are indemnity, or fee-for-service, plans which allow members to select any health care provider for covered services.

Short-term Medical and Student Health: Our short-term medical insurance product is designed for individuals who are between jobs or seeking interim coverage. Coverage is generally provided for periods of twelve months or less. Student health coverage plans are medical insurance plans sold to full-time college students who are not covered by their parents health insurance or are seeking a more comprehensive alternative to a college-sponsored plan.

Small Employer Group Medical: Our group medical insurance is primarily sold to small companies with two to fifty employees, although larger employer coverage is available. As of December 31, 2009, our average group size was approximately five employees. Substantially all of the small employer health insurance products that we sell are PPO products. We also offer HSA and Health Reimbursement Account (HRA) options and a variety of ancillary products to meet the needs of small employers for life insurance, short-term disability insurance and dental insurance.

Marketing and Distribution

Our health insurance products are principally marketed through a network of independent agents. We also market through a variety of exclusive and non-exclusive national account relationships and direct distribution channels. In addition, we market our products through NorthStar Marketing, a wholly-owned affiliate that seeks business directly from independent agents. Since 2000, we have had an exclusive national marketing agreement with a major mutual insurance company whose captive agents market our individual health products. This agreement will expire in September 2018 and allows either company to exit the agreement after September 2013. We also provide many of our products through a well-known association s administrator through an agreement that automatically renewed for a two-year term in September 2008. We also have a long-term relationship with a national marketing organization with more than 50 offices. We also sell short-term medical insurance plans through the internet and market directly to consumers.

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Underwriting and Risk Management

Premium rates for our health care plans are based upon our accumulated actuarial data and reflect a variety of factors including claims experience and member demographics. Prices of individual health insurance coverage also reflect our evaluation of the health conditions of applicants for coverage. Our pricing considers the expected frequency and severity of claims and the costs of providing insurance coverage, including the cost of administering policy benefits, sales and other administrative costs.

We utilize a broad range of cost containment and care management processes across our various product lines to manage risk and to lower costs. These include case management, disease management and pharmacy benefits management programs. We retain provider networks through a variety of relationships. These relationships generally include leased networks, such as Private Health Care Systems, Inc. (PHCS), which contract directly with individual health care providers. Pharmacy benefits management is provided by Medco Health Solutions (Medco). Through Medco s advanced technology platforms, Assurant Health is able to access information about customer utilization patterns on a timely basis to improve its risk management capabilities. In addition, Medco allows us to purchase our pharmacy benefits at competitive prices. Our agreement with Medco expires June 30, 2010, but will be automatically extended for additional one-year terms unless 6 months prior notice of a party s intent to terminate is given to the other party. Medco has not provided any notice of termination.

During 2009, Assurant Health experienced increased policyholder utilization of medical services which led to a deterioration in operating results. Additionally, pending healthcare reform in the U.S. Congress creates uncertainty for the future of this business. Please see Management s Discussion and Analysis Assurant Health and Risk Factors Risks Related to Our Industry Changes in regulation may reduce our profitability and limit our growth for further details.

Assurant Employee Benefits

	For the Years Ended	
	December 31, 2009	December 31, 2008
Net Earned Premiums and Other Considerations:		
Group dental	$ 425,288	$ 435,115
Group disability single premiums for closed blocks (1)		11,447
All other group disability	434,381	459,208
Group life	192,468	205,978
Total	$ 1,052,137	$ 1,111,748
Segment net income	$ 42,156	$ 70,557
Loss ratio (2)	72.0%	69.8%
Expense ratio (3)	36.4%	35.2%
Equity (4)	$ 537,041	$ 503,551

(1) This represents single premiums on closed blocks of group disability business. For closed blocks of business we receive a single, upfront premium and in turn we record a liability for assumed claim reserves. We then manage the claims using our claim management practices.
(2) The loss ratio is equal to policyholder benefits divided by net earned premiums and other considerations.
(3) The expense ratio is equal to selling, underwriting and general expenses divided by net earned premiums and other considerations and fees and other income. (Fees and other income is not included in the above table)
(4) Equity excludes accumulated other comprehensive income (loss).

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Products and Services

We focus our business around the needs of businesses with fewer than 500 employees. We believe that our small group risk selection expertise, administrative systems, and strong relationships with brokers who work primarily with small businesses give us a competitive advantage versus other carriers.

We offer group disability, dental, life and voluntary products as well as individual dental products. The group products are offered with funding options ranging from fully employer-paid to fully employee-paid (voluntary). In addition, we reinsure disability and life products through our wholly owned subsidiary, Disability Reinsurance Management Services, Inc. (DRMS).

Group Dental: Dental benefit plans provide funding for necessary or elective dental care. Customers may select a traditional indemnity arrangement, a PPO arrangement, or a prepaid or managed care arrangement. Coverage is subject to deductibles, coinsurance and annual or lifetime maximums. In a prepaid plan, members must use participating dentists in order to receive benefits.

Success in the group dental business is heavily dependent on a strong provider network. Assurant Employee Benefits owns and operates Dental Health Alliance, L.L.C., a leading dental PPO network. We also have an agreement with Aetna, extending through 2012, that allows us to utilize Aetna s Dental Access® network, thus increasing the attractiveness of our products in the marketplace.

Group Disability: Group disability insurance provides partial replacement of lost earnings for insured employees who become disabled, as defined by their plan provisions. Our products include both short- and long-term disability coverage options. We also reinsure disability policies written by other carriers through our subsidiary.

Group Life: Group term life insurance provided through the workplace provides benefits in the event of death. We also provide accidental death and dismemberment (AD&D) insurance. Insurance consists primarily of renewable term life insurance with the amount of coverage provided being either a flat amount, a multiple of the employee s earnings, or a combination of the two. We also reinsure life policies written by other carriers through DRMS.

Marketing and Distribution

Our products and services are distributed through a group sales force located in 34 offices near major metropolitan areas. Our sales representatives distribute our products and services through independent brokers and employee-benefits advisors. Daily account management is provided through the local sales offices, further supported by regional sales support centers and a home office customer service department. Compensation to brokers in some cases includes an annual performance incentive, based on volume and retention of business.

DRMS, our wholly owned subsidiary, provides turnkey group disability and life insurance solutions to insurance carriers that want to supplement their core product offerings. Our services include product development, state insurance regulatory filings, underwriting, claims management, and other functions typically performed by an insurer s back office. Assurant Employee Benefits reinsures the risks written by

DRMS clients, with the clients generally retaining shares ranging from 10% to 60% of the risk.

Underwriting and Risk Management

The pricing of our products is based on the expected cost of benefits, calculated using assumptions for mortality, morbidity, interest, expenses and persistency, and other underwriting factors. Our block of business is diversified by industry and geographic location, which serves to limit some of the risks associated with changing economic conditions.

Disability claims management focuses on helping claimants return to work through a supportive network of services that may include physical therapy, vocational rehabilitation, and workplace accommodation. We employ or contract with a staff of doctors, nurses and vocational rehabilitation specialists, and use a broad range of additional outside medical and vocational experts to assist our claim specialists.

Ratings

Rating organizations periodically review the financial strength of insurers, including our insurance subsidiaries. Insurance companies are assigned financial strength ratings by independent rating agencies based upon factors relevant to policyholders. Ratings are an important factor in establishing the competitive position of insurance companies. Most of our active domestic operating insurance subsidiaries are rated by the A.M. Best Company (A.M. Best), which maintains a letter scale rating system ranging from A++ (Superior) to S (Suspended). Six of our domestic operating insurance subsidiaries are also rated by Moody s Investor Services (Moody s). In addition, seven of our domestic operating insurance subsidiaries are rated by Standard & Poor s Inc., a division of McGraw-Hill Companies, Inc. (S&P).

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.

The Moody s financial strength rating for six of our domestic operating insurance subsidiaries is A2 (Good), which is the third highest of nine ratings categories.

The S&P financial strength rating for five of our domestic operating insurance subsidiaries is A- (Strong), which is the third highest of nine ratings categories. Two of our domestic operating insurance subsidiaries are rated BBB+ (Adequate), which is the fourth highest of nine ratings categories.

As a result of their concerns related to pressures on our various businesses due to the economic climate, S&P has placed a negative outlook on our ratings. We do not expect this outlook to significantly affect our borrowing capacity; however, a significant downgrade in ratings may increase the cost of borrowing for the Company or limit the Company s access to capital. We believe that because of recent economic developments that have negatively affected the entire insurance industry, we are more susceptible to ratings downgrades than in prior years. For further information on the risks of ratings downgrades, see Item 1A Risk Factors A.M. Best, Moody s and S&P rate the financial strength of our insurance company subsidiaries.

A.M. Best s, Moody s and S&P s ratings represent an evaluation of an insurer s financial strength, operating performance, strategic position and ability to meet ongoing obligations to its policyholders. These ratings are not applicable to our common stock or debt securities. They are subject to periodic review and may be revised upward, downward or revoked at the sole discretion of, A.M. Best, Moody s and S&P.

Employees

We had approximately 15,000 employees as of February 16, 2010. Assurant Solutions has employees in Argentina, Brazil, Italy, Spain and Mexico that are represented by labor unions and trade organizations.

Available Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, the Statements of Beneficial Ownership of Securities on Forms 3, 4 and 5 for our Directors and Officers and all amendments to such reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, are available free of charge through the SEC website at *www.sec.gov*. These documents are also available free of charge through our website at *www.assurant.com*.

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Item 1A. ***Risk Factors.***

Certain factors may have a material adverse effect on our business, financial condition and results of operations and you should carefully consider them. It is not possible to predict or identify all such factors.

Risks Related to Our Company

General economic, financial market and political conditions may materially adversely affect our results of operations and financial conditions. Particularly, difficult conditions in financial markets and the global economy may negatively affect the results of all of our business segments.

General economic, financial market and political conditions may have a material adverse effect on our results of operations and financial condition. Concerns over the availability and cost of credit, the declining global mortgage and real estate market, the loss of consumer confidence, reduction in consumer spending, inflation, unemployment, energy costs and geopolitical issues, have contributed to increased volatility and diminished expectations for the economy and the markets going forward. These conditions could affect all of our business segments. Specifically, during periods of economic downturn:

- individuals and businesses (i) may choose not to purchase our insurance products, warranties and other related products and services, (ii) may terminate existing policies or contracts or permit them to lapse, (iii) may choose to reduce the amount of coverage purchased, and (iv) in the case of business customers of Assurant Health or Assurant Employee Benefits, may have fewer employees requiring insurance coverage due to reductions in their staffing levels;

- clients are more likely to experience financial distress or declare bankruptcy or liquidation which could have an adverse impact on the remittance of premiums from such clients as well as the collection of receivables from such clients for items such as unearned premiums;

- 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 and disability levels;

- there is a risk of potential increases in fraudulent insurance claims;

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

- substantial decreases in loan availability and origination could have a long-term effect on premium writings.

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 preneed insurance policies, particularly those that are guaranteed to grow with the Consumer Price Index (or CPI). Conversely, deflationary pressures may affect the pricing of our products.

We are subject to extensive laws and regulations that are administered and enforced by a number of different governmental authorities and non-governmental self-regulatory agencies, including, but not limited to, foreign regulators, state insurance regulators, the SEC, the New York Stock Exchange (NYSE), the U.S. Department of Justice and state attorneys general. In light of current economic conditions, some of these authorities are considering or may in the future consider enhanced or new regulatory requirements intended to prevent future financial crises or to otherwise assure the stability of institutions under their supervision. These authorities may also seek to exercise their supervisory or enforcement authority in new or more robust ways. All of these possibilities, if they occurred, could affect the way we conduct our business and manage our capital, either of which in turn could materially and adversely affect our results of operations, financial condition and liquidity.

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Our income and 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, original equipment manufacturers and other parties with whom we do business are important to the success of our segments. Many of these arrangements are exclusive. For example, in Assurant Solutions, we have exclusive relationships with retailers and financial and other institutions through which we distribute our products, including an exclusive distribution relationship with SCI relating to the distribution of our preneed insurance policies. In Assurant Specialty Property, we have exclusive relationships with mortgage lenders and manufactured housing lenders and manufacturers. In Assurant Health, we have exclusive distribution relationships for our individual health insurance products with a major mutual insurance company as well as a relationship with a well-known association through which we provide many of our individual health insurance products. 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. Typically, these relationships and contractual arrangements have terms ranging from one to five years.

Although we believe we have generally been successful in maintaining our client, distribution and associated relationships, if these parties decline to renew or seek to terminate these arrangements or seek to renew these contracts on terms less favorable to us, our results of operations and financial condition could be materially adversely affected. For example, a loss of one or more of the discount arrangements with PPOs could lead to higher medical or dental costs and/or a loss of members to other medical or dental plans. 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.

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, managing general agents, life agents, financial institutions, mortgage lenders and servicers, retailers, funeral homes, association groups and other third-party marketing organizations.

Our relationships with these various distributors are significant both for our revenues and profits. We generally 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 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. Strong competition exists among insurers to form relationships with agents and brokers of demonstrated ability. We compete with other insurers for relationships with agents, brokers, and other intermediaries primarily on the basis of our financial position, support services, product features, and more generally through our ability to meet the needs of their clients, our customers. Independent agents and brokers are typically not exclusively dedicated to us, but instead usually also market the products of our competitors and therefore 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 in which we and such agents and brokers operate.

We have our own sales representatives whose 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.

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Our earnings could be materially affected by an impairment of goodwill.

Goodwill represented $926,398 and $1,001,899 of our $25,841,796 and $24,514,586 in total assets as of December 31, 2009 and 2008, respectively. We review our goodwill annually in the fourth quarter for impairment or more frequently if indicators of impairment exist. We regularly assess whether any indicators of impairment exist, which requires a significant amount of judgment. Such indicators may include: a sustained significant decline in our share price and market capitalization; a decline in our expected future cash flows; a significant adverse change in the business climate; and/or slower growth rates, among others. Any adverse change in these factors could have a significant impact on the recoverability of goodwill and could have a material impact on our consolidated financial statements. Based on our 2009 annual goodwill impairment test, we determined that our Assurant Employee Benefits reporting unit experienced an impairment of $83,000. Based on the same test, it was determined that the goodwill assigned to our other three reporting units were not impaired. Should weak market conditions continue for an extend period or should the operating results of any of our reporting units decline substantially compared to the projected results or if other indicators of impairment exist, such as a continued significant decline in our share price and market capitalization, additional goodwill impairments, resulting in a non-cash charge to earnings, could occur.

Reform of the health care system is currently the subject of considerable debate in the U.S. Certain changes that have been proposed by various parties could have a material adverse effect on our health business. Should any of these proposals be enacted into law, they could result in a reduction of the value of our Assurant Health business unit and a corresponding goodwill impairment.

Current conditions in the capital and credit markets may significantly and adversely affect our access to capital and our ability to meet liquidity needs.

The global capital and credit markets experienced extreme volatility and disruption during 2008 and through early 2009. In some cases, the markets exerted downward pressure on availability of liquidity and credit capacity for almost all issuers. Conditions in the capital and credit markets improved throughout 2009, but continue to be volatile.

Liquidity and credit capacity are important to our business because they allow us to pay our operating expenses, interest on our debt and dividends on our common stock, and replace certain maturing liabilities. The principal sources of our liquidity are insurance premiums, fee income, cash flow from our investment portfolio and liquid assets, consisting mainly of cash or assets that are readily convertible into cash. Sources of liquidity in normal markets also include a variety of short- and long-term instruments.

Continuing disruptions, uncertainty or volatility in the capital and credit markets could have an adverse effect on our core business, our insurance operations. Such market conditions may limit our ability to replace, in a timely manner, maturing liabilities, satisfy statutory capital requirements, generate fee income and market-related revenue to meet liquidity needs. Potentially, we may be forced to delay raising or be unable to raise capital, or we could be forced to bear an unattractive cost of capital, thus decreasing our profitability and reducing our financial flexibility. Our results of operations, financial condition, cash flows and statutory capital position could be materially and adversely affected by disruptions in the capital markets.

Our investment portfolio is subject to several risks that may diminish the value of our invested assets and affect our profitability. Given the recent global economic slowdown, our investment portfolio may continue to suffer reduced returns or losses that could materially reduce our profitability.

Investment returns are an important part of our overall profitability and significant fluctuations in the fixed maturity 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 addition, certain factors affecting our business, such as volatility of claims experience, could force us to liquidate securities prior to maturity, causing 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. See Item 7A Quantitative and Qualitative Disclosures About Market Risk Interest Rate Risk.

The U.S. mortgage market has experienced unprecedented disruptions resulting from credit quality deterioration in a significant portion of loans originated. This has led to reduced investor demand for mortgage loans and mortgage-backed securities and increased investor yield requirements for those loans and securities. This continuing decline has resulted in restrictions in the resale markets for non-conforming loans and has had an adverse effect on retail mortgage lending operations in many markets, especially alternative documentation loans (typically offered to qualified borrowers who have relatively high credit scores but are not required to provide full documentation to support personal income and assets owned). These conditions may continue or worsen in the future. Although at December 31, 2009, only a small portion of our mortgage-backed securities were secured by sub-prime mortgage collateral, continued market disruption could ultimately impact our fixed maturity and commercial mortgage loan portfolio and may have a material adverse effect on the value of our investment portfolio, our results of operations, financial position and cash flows.

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

Changes in interest rates can materially adversely affect the performance of some of our investments. Interest rate volatility can increase or reduce unrealized gains or 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. Fixed maturity and short-term investments represented 79% and 77% of the fair value of our total investments as of December 31, 2009 and 2008, respectively. See Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Investments for additional information on the effect of fluctuations in interest rates.

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. Because 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. 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. An increase in interest rates will increase the net unrealized loss position of our current investment portfolio.

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

Our asset/liability management strategies may fail to eliminate or reduce the adverse effects of interest rate volatility, and significant fluctuations in the level of interest rates may therefore have a material adverse effect on our results of operations and financial condition.

Our preneed insurance policies are generally whole life insurance policies with increasing death benefits. In extended periods of declining interest rates or rising inflation, there may be compression in the spread between the death benefit growth rates on these policies and the investment income that we can earn, resulting in 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. See Item 7A Quantitative and Qualitative Disclosures

About Market Risk Inflation Risk for additional information.

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Assurant Employee Benefits calculates reserves for long-term disability and life waiver of premium claims using net present value calculations based on 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 pursuant to which an insured with a 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 continues. If interest rates decline, reserves for open and/or new claims in Assurant Employee Benefits 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 various risks that may result in realized investment losses.

We are subject to credit risk in our investment portfolio, primarily from our investments in corporate bonds, preferred stocks, leveraged loans, municipal bonds, and commercial mortgages. Defaults by third parties in the payment or performance of their obligations could reduce our investment income and realized investment gains or result in the continued recognition of investment losses. The value of our investments may be materially adversely affected by increases in interest rates, downgrades in the corporate bonds included in the portfolio and by other factors that may result in the continued recognition of other-than-temporary impairments. Each of these events may cause us to reduce the carrying value of our investment portfolio.

Further, the value of any particular fixed maturity security is subject to impairment based on the creditworthiness of a given issuer. As of December 31, 2009, fixed maturity securities represented 76% of the fair value of our total invested assets. Our fixed maturity portfolio also includes below investment grade securities (rated BB or lower by nationally recognized securities rating organizations). These investments comprise approximately 7% of the fair value of our total investments as of December 31, 2009 and 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 investment portfolio could materially adversely affect our results of operations and financial condition. See Item 7A Quantitative and Qualitative Disclosures About Market Risk Credit Risk for additional information on the composition of our fixed maturity investment portfolio.

We currently invest in a small amount of equity securities (approximately 4% of the fair value of our total investments as of December 31, 2009). However, we have had higher percentages in the past and may make more such investments in the future. Investments in equity securities generally provide higher expected total returns, but present greater risk to preservation of capital than our fixed maturity investments. Recent volatility in the equity markets led, and may continue to lead, to a decline in the market value of our investments in equity securities.

For the fiscal year ended on December 31, 2009, the Company recognized net realized losses on fixed maturity and equity securities totaling $26,697 after tax and reported gross unrealized losses on fixed maturity and equity securities of $176,659. Net realized losses generally emanate from two sources: losses related to sales and losses related to other-than-temporary impairments. If the recent economic downturn continues to negatively affect companies, industry sectors or countries, the Company may have additional realized and unrealized investment losses and further increases in other-than-temporary impairments. We regularly monitor our investment portfolio to ensure investments that may be other-than-temporarily impaired are identified in a timely fashion and properly valued, and any impairments are charged against earnings in the proper period. Assessment factors include, but are not limited to, the length of time and the extent to which the market value of a security has been less than cost, the financial condition and rating of the issuer, whether any collateral is held, and the intent and ability of the Company to retain the investment for a period of time sufficient to allow for recovery for equity securities and the intent to sell or whether it is more likely than not that the Company will be required to sell for fixed maturity securities. However, the determination that a security has incurred an other-than-temporary decline in value requires the judgment of management. Inherently, there are risks and uncertainties involved in making these judgments. Changes in facts, circumstances, or critical assumptions could cause management to conclude that further impairments have occurred. This could lead to additional losses on investments. For further details on net investment losses and other-than-temporary-impairments, please see Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Investments.

Derivative instruments generally present greater risk than fixed maturity investments or equity investments because of their greater sensitivity to market fluctuations. Since August 1, 2003, we have been utilizing derivative instruments to manage the exposure to inflation risk created by our preneed insurance policies that are tied to the CPI. However, the protection provided by these derivative instruments would be limited if there were a sharp increase in inflation on a sustained long-term basis which 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.

Our commercial mortgage loans on real estate investments (which represented approximately 11% of the fair value of our total investments as of December 31, 2009) are relatively illiquid. If we require extremely large amounts of cash on short notice, we may have difficulty selling these investments at attractive prices and/or in a timely manner.

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

In pricing our products and services, we incorporate assumptions regarding returns on our investments. Accordingly, our investment decisions and objectives are a function of the underlying risks and product profiles of each of our operating segments. If we do not assume sufficient risk levels in our investment portfolio, the return on our investments may be insufficient to meet our pricing assumptions and profit targets over the long term. If, in response, we choose to increase our product prices, our ability to compete and grow may be diminished.

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 the costs of addressing releases or threatened releases of hazardous substances at properties securing mortgage loans held by us. We also may face this liability after foreclosing on a property securing a mortgage loan held by us.

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 claims and incurred but not reported claims (IBNR) as of the end of each accounting period. Reserves, whether calculated under accounting principles generally accepted in the U.S. (GAAP), Statutory Accounting Principles (SAP) or accounting principles required in foreign jurisdictions, do not represent an exact calculation of exposure. Instead, they represent our best estimates, generally involving actuarial projections, of the ultimate settlement and administration costs for a claim or group of claims, based on our assessment of facts and circumstances known at the time of calculation. 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 external factors such as changes in the economic cycle, unemployment, changes in the social perception of the value of work, emerging medical perceptions regarding physiological or psychological causes of disability, emerging health issues, new methods of treatment or accommodation, inflation, judicial trends, legislative changes, as well as changes in 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. For example, during 2009, Assurant Health experienced substantial increases in utilization of medical services relative to the assumptions reflected in its December 31, 2008 reserves. As a result, earnings for the business in 2009 were negatively impacted. In general, future loss development could require reserves to be increased across all businesses, which could have a material adverse effect on our earnings in the periods in which such increases were made.

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

Our profitability could vary depending on our ability to predict and price for benefits, claims and other costs, including but not limited to, medical and dental costs and the frequency and severity of property claims. Profitability also depends on our ability to manage future benefit and other costs through product design, underwriting criteria, utilization review or claims management and negotiation of favorable provider contracts. Utilization review is a 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 benefit costs while attempting to improve the quality of medical care provided to insureds and to assist them with vocational services. Our ability to predict and manage costs and claims, 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 increased construction and repair-related costs.

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. The aging of the population, other demographic characteristics and advances in medical technology continue to contribute to rising health care costs. One or more of these factors, or other factors, could cause claims to substantially exceed our expectations, which could have a material adverse effect on our results of operations and financial condition.

Changing industry practices or changes in legal, judicial, social or environmental conditions may cause unexpected increases in claims and coverage. These issues could materially adversely affect our results of operations and financial condition by either extending coverage beyond our underwriting intent, 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.

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 lines of business. We have experienced, and expect in the future to experience, catastrophe losses that 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, but not limited to, hurricanes, windstorms, earthquakes, hailstorms, severe winter weather, fires, epidemics and the long-term effects of climate change, or can be man-made catastrophes, including terrorist attacks or accidents such as

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airplane crashes. While the frequency and severity of catastrophes are inherently unpredictable, increases in the value and geographic concentration of insured property, the geographic concentration of insured lives, and the effects of inflation could increase the severity of claims from future catastrophes.

Catastrophe losses can vary widely and could significantly exceed our expectations. They may cause substantial volatility in our financial results for any fiscal quarter or year and could materially reduce our profitability or materially adversely affect our financial condition. Our ability to write new business also could be affected.

We depend on catastrophe 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 our exposure on individual insured lives. As discussed further below, catastrophe reinsurance for our group insurance or property businesses could become unavailable or prohibitively expensive at some point in the future. In such a situation, we might also be adversely impacted by state regulations that prohibit us from excluding catastrophic exposures or from withdrawing from or increasing premium rates in catastrophe-prone areas. These circumstances could expose us to catastrophe losses that materially reduce our profitability and have a material adverse effect on our results of operations and financial condition.

Based on our research and modeling, the exact impact of the physical effects of climate change is uncertain. It is possible that changes in the global climate may cause long-term increases in the frequency and/or severity of storms, resulting in higher catastrophe losses, which could materially impact our results of operations and financial condition.

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 year ended December 31, 2009, represented approximately 92% of our net earned premiums in our Assurant Specialty Property segment. In addition, as of December 31, 2009, approximately 40% of the insurance in force in our homeowners and other personal lines related to properties located in California, Florida and Texas. Since Assurant Specialty Property s creditor-placed homeowners and creditor-placed manufactured housing insurance products are designed to automatically provide property coverage for client portfolios, our concentration in these areas may increase in the future. In addition, the withdrawal of other insurers from these or other states may lead to adverse selection and increased utilization of our products in these areas and may negatively impact our loss experience. Adverse selection refers to the process by which applicants representing greater than average risk seek to obtain insurance coverage at standard premium rates.

Pre-tax catastrophe losses in excess of $5,000 (before the benefits of reinsurance) that we have experienced in recent years include the following amounts:

- total losses of approximately $214,000 incurred from the original date of loss through December 31, 2009 in connection with the 2008 Hurricanes Gustav and Ike and the 2008 California wildfires. Total reinsurance recoveries related to these events from inception through 2009 were approximately $81,000; and;

- total losses of approximately $28,000 incurred from the original date of loss through December 31, 2009, in connection with the 2007 California wildfires. Total reinsurance recoveries related to these events since inception through 2009 were approximately $3,600.

No liquidation of investments was required in connection with these catastrophes as the claims were paid from current cash flow, cash on hand or short-term investments. Total losses do not include amounts paid in connection with the National Flood Insurance Program as we are either an administrator or are reinsured by the federal government and have no underwriting risk under the program.

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Our group life and health insurance operations could be materially impacted by catastrophes such as a terrorist attack, a natural disaster, a pandemic or an epidemic that causes a widespread increase in mortality or disability rates or that causes an increase in the need for medical care. If the severity of such an event were sufficiently high, it could exceed our reinsurance coverage limits and could have a material adverse effect on our results of operations and financial condition. In addition, with respect to our preneed insurance policies, the average age of policyholders is approximately 73 years. This group is more susceptible to certain 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.

We may face the loss of premium income due to a large-scale business interruption caused by a catastrophe combined with legislative or regulatory reactions to the event. For example, following hurricanes in 2005, several states suspended premium payment obligations or precluded insurers from canceling coverage for nonpayment in defined areas. While the premiums uncollected were immaterial, a more serious catastrophe combined with a similar legislative or regulatory response could materially impact our ability to collect premiums and thereby have a material adverse effect on our results of operations and financial condition.

Unanticipated changes in tax provisions or exposure to additional income tax liabilities could materially and adversely affect our results.

During 2009, the Company had deferred tax assets related to realized and unrealized capital losses that were generated during 2009 and 2008. In accordance with ASC Topic 740, *Income Taxes*, the Company must determine whether its ability to realize the value of its deferred tax asset in the future is more likely than not. ASC Topic 740 states that a deferred tax asset should be reduced by a valuation allowance if, based on the weight of all available evidence, it is more likely than not that some portion of the deferred tax asset will not be realized. The Company decreased its valuation allowance $16,000 during 2009 leaving a balance of $81,688. In determining whether the Company s deferred tax asset is realizable, the Company weighed all available evidence, including both positive and negative evidence. The realization of deferred tax assets depends upon the existence of sufficient taxable income of the same character during the carryback or carryforward period. The Company considered all sources of taxable income available to realize the deferred tax asset, including the future reversal of existing temporary differences, future taxable income exclusive of reversing temporary differences and carryforwards, taxable income in carryback years and tax-planning strategies.

To support the deferred tax asset, the Company relied on future taxable capital gain income from gross unrealized gains in its investment portfolio and on the use of certain tax planning strategies. These tax planning strategies are prudent and feasible, and include actions management ordinarily might not take but would take, if necessary, to realize a tax benefit for a capital loss carryforward before it expires.

In determining the appropriate valuation allowance, management made certain judgments relating to recoverability of deferred tax assets, use of tax loss and tax credit carryforwards, levels of expected future taxable income and available tax planning strategies. The assumptions in making these judgments are updated periodically based on current business conditions affecting the Company and overall economic conditions. These management judgments are therefore subject to change based on factors that include, but are not limited to, changes in expected capital gain income in the foreseeable future and the ability of the Company to successfully execute its tax planning strategies. Management will continue to assess and determine the need for, and the amount of, the valuation allowance in subsequent periods in accordance with the requirements of ASC Topic 740. Each quarter, there is a risk that the Company may need to increase or decrease the valuation allowance, which could have a material impact on its results of operations and financial condition.

Fluctuations in the exchange rate of the U.S. dollar and other foreign currencies may materially and adversely impact our results of operations.

While most of our costs and revenues are denominated in U.S. dollars, a portion is denominated in foreign currencies. Because our financial results in certain countries are translated from local currency into U.S. dollars upon consolidation, the results of our operations may be impacted by foreign exchange rate fluctuations. We do not currently hedge foreign currency risk. If the U.S. dollar weakens against the local currency, the translation of these foreign-currency-denominated balances will result in increased net assets, net revenue, operating expenses, and net income or loss. Similarly, our net assets, net revenue, operating expenses, and net income or loss will decrease if the U.S. dollar strengthens against local currency. These fluctuations in currency exchange rates may result in gains and losses that materially and adversely impact our results of operations.

We face risks associated with our international operations.

Our international operations face political, legal, operational and other risks that we may not face in our domestic operations. For example, we may face the risk of restrictions on currency conversion or the transfer of funds; burdens and costs of compliance with a variety of foreign laws; political or economic instability in countries in which we conduct business, including possible terrorist acts; foreign exchange rate fluctuations; diminished ability to legally enforce our contractual rights; differences in cultural environments and unexpected changes in regulatory requirements; exposure to local economic conditions and restrictions on the withdrawal of non-U.S. investment and earnings, including potentially substantial tax liabilities if we repatriate any of the cash generated by our international operations back to the U.S. If our business model is not successful in a particular country, we may lose all or most of our investment in that country. Additionally, in certain countries such as China, our results of operations could be adversely impacted by an inability to obtain an insurance license on a timely basis.

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 operating segments. Our reinsurance facilities are generally subject to annual renewal. Market conditions beyond our control determine the availability and cost of the reinsurance protection we seek to renew or purchase. Reinsurance for certain types of catastrophes generally could become unavailable or prohibitively expensive for some of our businesses. Such changes could substantially increase our exposure to the risk of significant losses from natural or man-made catastrophes and could hinder 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 to the insured as the direct insurer on all risks reinsured. Ceded reinsurance arrangements therefore 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. The inability to collect amounts due from reinsurers could materially adversely impact our results from operations and our financial position.

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 facilities or to obtain or structure 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.

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

In the past, we have sold, and in the future we may sell, businesses through reinsurance ceded to third parties. For example, in 2001 we sold the insurance operations of our Fortis Financial Group (FFG) division to The Hartford Financial Services Group, Inc. (The Hartford) and in 2000 we sold our Long Term Care (LTC) division to John Hancock Life Insurance Company (John Hancock), now a subsidiary of Manulife Financial

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Corporation. Most of the assets backing reserves coinsured under these sales are held in trusts or separate accounts. However, if the reinsurers became insolvent, we would be exposed to the risk that the assets in the trusts and/or the separate accounts would be insufficient to support the liabilities that would revert to us.

The A.M. Best ratings of The Hartford and John Hancock are currently A and A+, respectively. A.M. Best downgraded the issuer credit and financial strength ratings of The Hartford from A+ to A in February 2009 and maintains a negative outlook on its ratings.

We also face the risk of again becoming responsible for administering these businesses in the event of reinsurer insolvency. We do not currently have the administrative systems and capabilities to process these businesses. Accordingly, we would need to obtain those capabilities in the event of an insolvency of one or more of the reinsurers. 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.

Due to the structure of our commission program, we are exposed to risks related to the creditworthiness and reporting systems of some of our agents, third party administrators and clients in Assurant Solutions and Assurant Specialty Property.

We are subject to the credit risk of some of the clients and/or agents with which we contract in Assurant Solutions and Assurant Specialty Property. We advance agents commissions as part of our preneed insurance product offerings. These advances are a percentage of the total face amount of coverage. There is a one-year payback provision against the agency if death or lapse occurs within the first policy year. If SCI, which receives the largest shares of such agent commissions, were unable to fulfill its payback obligations, this could have an adverse effect on our operations and financial condition.

In addition, some of our clients, third party administrators and agents collect and report premiums and/or pay claims on our behalf. If, for any reason, these parties fail to remit all premiums collected or fail to pay claims on our behalf on a timely and accurate basis, it could have an adverse effect on our results of operations.

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

Ratings are an important factor in establishing the competitive position of insurance companies. A.M. Best rates most of our domestic operating insurance subsidiaries. Moody s rates six of our domestic operating insurance subsidiaries and S&P rates seven of our domestic operating insurance subsidiaries. These ratings 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 that we will be able to retain them. In 2009 for example, S&P lowered its counterparty credit and financial strength ratings of two of our life insurance subsidiaries from A to BBB+ due to the recent operating performance of Assurant Health. In addition, S&P lowered its counterparty credit rating of Assurant, Inc. from BBB+ to BBB, citing reduced earnings diversification. S&P has placed a negative outlook on all Assurant ratings due to pressures on our various businesses from the economic climate. We believe that because of recent economic developments that have negatively affected the entire insurance industry, we are more susceptible to ratings downgrades than in prior years. For more information on the specific A.M. Best, Moody s, and S&P ratings of our domestic operating insurance subsidiaries, see Item 1 Business Ratings.

If our ratings are lowered from their current levels by A.M. Best, Moody s, or S&P, our competitive position in the respective insurance industry segments could be materially adversely impacted 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 concerns regarding, among other things, our liquidity or solvency, the competitive environment, the adequacy of our reserves, the outcome of pending litigation or regulatory investigations. They may also change

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their methodology or requirements for determining ratings, or they may become more conservative in assigning ratings. Ratings agencies or regulators could also increase capital requirements for the Company or its subsidiaries.

Since 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.

As of December 31, 2009, contracts representing approximately 16% of Assurant Solutions and 22% of Assurant Specialty Property s net earned premiums and fee income 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 or fail to renew them if the subsidiaries ratings fall below these minimums. Under our marketing agreement with SCI, American Memorial Life Insurance Company (AMLIC), one of our subsidiaries, is required to 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.

Additionally, certain contracts in the DRMS business, representing approximately 4% of Assurant Employee Benefits net earned premiums for the year ended December 31, 2009, contain provisions requiring the applicable subsidiaries to maintain minimum A.M. Best financial strength ratings of A- or better. DRMS clients may terminate the agreements and in some instances recapture in force business if the ratings of applicable subsidiaries fall below A- . Termination or failure to renew these contracts could materially and adversely affect our results of operations and financial condition.

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 products, although we do not believe that any single competitor competes against us in all of the business lines in which we operate.

Competitors for Assurant Solutions and Assurant Specialty Property include national and regional insurance companies, managing and general agencies, and financial institutions. The main competitors for Assurant Health include health insurance companies, HMOs and the Blue Cross/Blue Shield plans in the states in which we write business. In Assurant Employee Benefits, competitors include benefits and life insurance companies, dental managed care entities and not-for-profit dental plans.

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 subsidiaries, 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.

Many of our insurance products, particularly our group benefits and group health insurance policies, are underwritten annually. There is a risk that group purchasers may be able to obtain more favorable terms from competitors rather than renewing coverage with us. Competition may, as a result, adversely affect the persistency of our policies, as well as our ability to sell products in the future.

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In Assurant Solutions, as a result of state and federal regulatory developments and changes in prior years, certain financial institutions are able to offer a product called debt protection which is similar to our credit insurance product. Financial institutions are also able to affiliate with other insurance companies in order to offer services similar to our own. This has resulted in new competitors, some of whom have significant financial resources, entering some of our markets. As financial institutions gain experience with debt protection administration, their reliance on third party administrators, such as Assurant Solutions, may diminish, thus reducing our revenue and profits.

Some of our competitors may have a lower target for returns on capital allocated to their business than we do, which may enable them to price their products and services lower than we do. In addition, from time to time, companies enter the markets in which we operate, thereby increasing competition. 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 particular, certain large competitors of Assurant Health may be able to obtain favorable financial arrangements from health care providers that are not available to us, putting us at a competitive disadvantage and potentially adversely impacting our revenues and profits.

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

Our business is dependent upon the ability to keep current with technological advances. Our ability to keep our systems integrated with those of our clients is critical to the success of our business. If we do not effectively maintain our systems and update them to address technological advancements, our relationships and ability to do business with our clients may be adversely affected.

Our business depends significantly on effective information systems, and we have many different systems for our various businesses. We must commit significant resources to maintain and enhance existing information systems and develop new systems that allow us to keep pace with continuing changes in information processing technology, evolving industry, regulatory and legal standards and changing customer preferences. A failure to maintain effective and efficient information systems, or a failure to efficiently and effectively consolidate our information systems and eliminate redundant or obsolete applications, could have a material adverse effect on our results of operations and financial condition or our ability to do business in particular jurisdictions. If we do not effectively maintain adequate systems, we could experience adverse consequences, including poor pricing; underwriting and reserving decisions; the loss of existing customers; difficulty attracting new customers; customer, provider and agent disputes; regulatory problems such as failure to meet prompt payment obligations; internal control problems; exposure to litigation; security breaches resulting in loss of data; or increases in administrative expenses.

Our management information, internal control and financial reporting systems may need further enhancements and development to satisfy continuing financial and other reporting requirements.

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

Our businesses are subject to a variety of privacy regulations and confidentiality obligations. For example, the collection and use of patient data in our Assurant Health and Assurant Employee Benefits segments is the subject of national and state legislation, including the Health Insurance Portability and Accountability Act (HIPAA), the privacy provisions contained in the American Recovery and Reinvestment Act of 2009 (the HITECH Act), and certain of our activities 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 vendors, servicing companies, and clients. These obligations generally require us, in accordance with applicable laws, to protect such information to the same extent that we protect our own confidential information. The actions we take to protect such confidential information vary by operating 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 privacy and compliance requirements of the jurisdictions in which our regulated subsidiaries do business, drafting appropriate contractual provisions into any contract that involves proprietary and confidential information, regularly monitoring and assessing our third party vendors for compliance with privacy and security requirements, maintaining and utilizing appropriately secure storage facilities for tangible records, and limiting access to tangible records and electronic information.

We maintain a comprehensive written information security program with appropriate administrative, technical and physical safeguards to protect confidential information, including payment card information. If we do not properly comply with privacy and security laws and regulations that require us to protect confidential information, we could experience adverse consequences, including loss of customers and related revenue, regulatory problems (including fines and penalties), loss of reputation and civil litigation.

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

Our ability to achieve our desired market positions may be significantly impaired if we do 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 promote such ventures, which could have a material adverse effect on our results of operations.

From time to time, we evaluate possible acquisition transactions and the start-up of complementary businesses. While our business model is not dependent upon acquisitions or new insurance ventures, the time frame for achieving or expanding our market positions can be significantly shortened through opportune acquisitions or new insurance ventures. Historically, acquisitions and new ventures have played a significant role in the growth of some of our businesses. No assurance can be given that we will be able to identify suitable acquisition or new venture opportunities, or that such transactions will be financed and completed on acceptable terms, or that our future acquisitions or ventures will be successful. Any deficiencies in the process of integrating companies we may acquire or successfully promote such new ventures could have a material adverse effect on our results of operations and financial condition.

Acquisitions entail a number of risks including, among other things, inaccurate assessment of liabilities; difficulties in realizing projected efficiencies, synergies and cost savings; difficulties in integrating systems and personnel; failure to achieve anticipated revenues, earnings or cash flow; an 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.

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

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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 over creditors claims with respect to the assets and earnings of the subsidiaries. If any of our subsidiaries should become insolvent, liquidate or otherwise reorganize, our creditors and stockholders will have no right to proceed against their assets 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, and 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 regulated 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 a formula, which varies by state. The formula for the majority of the states in which our subsidiaries are domiciled is based on the prior year s statutory net income or 10% of the statutory surplus as of the end of the prior year. Some states limit ordinary dividends to the greater of these two amounts, others limit them to the lesser of these two amounts and some states exclude prior year realized capital gains from prior year net income in determining ordinary dividend capacity. Some states 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 future regulatory actions restricting the ability of our insurance subsidiaries to pay dividends. 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. For more information on the maximum amount our subsidiaries could pay us in 2009 without regulatory approval, see Item 5 Market For Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities Dividend Policy.

Our credit facilities also contain limitations on our ability to pay dividends to our stockholders if we are in default or such dividend payments would cause us to be in default of the credit facilities.

The success of our business strategy depends on the continuing service of key executives and the members of our senior management team, and any failure to adequately provide for the succession of senior management and other key executives could have an adverse effect on our results of operations.

Our business and results of operations could be adversely affected if we fail to adequately plan for the succession of our senior management and other key executives. While we have succession plans in place and change of control employment agreements with senior management and certain key executives, these do not guarantee that the services of qualified senior executives will continue to be available to us. In addition, if we fail to effectively retain members of senior management and other key executives, such failure may have an adverse effect on the retention of employees and others in senior management.

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 are subject to comprehensive regulation and oversight by insurance departments in jurisdictions in which we do business. These insurance departments have

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broad administrative powers with respect to all aspects of the insurance business and, in particular, monitor the manner in which an insurance company offers, sells and administers its products. Therefore, we may from time to time be subject to a 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 including, but not limited to, pre-existing conditions in individual medical contracts and rescissions of policies;
- disputes over claim payment amounts that may not be in compliance with individual state regulatory requirements;
- disputes regarding sales practices, disclosures, premium refunds, licensing, regulatory compliance, underwriting and compensation arrangements;
- disputes with our agents, producers or network providers over compensation and termination of contracts and related claims;
- disputes concerning historical 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 operating 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 markets;
- disputes with taxation and insurance authorities regarding our tax liabilities;
- disputes relating to certain businesses we have acquired or disposed of;
- periodic examinations of compliance with applicable federal securities laws;
- disputes relating to customers claims that the customer was not aware of the full cost of insurance or that insurance was in fact being purchased; and
- industry-wide investigations regarding business practices including, but not limited to, the use of finite reinsurance and the marketing and refunding of insurance policies or certificates of insurance.

The prevalence and outcomes of any such 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 detrimental judicial ruling 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.

We have experienced an increase in regulatory scrutiny of our medical contract coverage denial practices, particularly in our health business. These regulatory examinations and investigations could result in, among other things, changes in our business practices and claims handling practices, increases in policy liabilities, reopening of closed or denied claims, changes in governance or other oversight procedures, fines and other actions by the regulatory agencies. Such results, singly or in combination, could harm our reputation, cause negative publicity, adversely affect our ratings, or impair our ability to sell or retain insurance policies, thereby adversely affecting our business.

Another focus of regulators was the accounting treatment for finite reinsurance contracts. Some state regulators have made routine inquiries to some of our insurance subsidiaries regarding finite reinsurance. On January 21, 2010, the SEC filed a civil complaint in the United States District Court for the Southern District of New York in connection with the previously disclosed SEC investigation into a finite reinsurance arrangement entered into by the Company. In the complaint, the SEC charged the Company with violating Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934, as amended, and Rules 12b-20, 13a-11 and 13a-13 thereunder. As previously disclosed by the Company in a Current Report on Form 8-K on January 21, 2010, the Company entered into a settlement with the SEC in which the Company consented, without admitting or denying the allegations in the complaint, to the entry of a judgment requiring payment of a civil penalty of $3,500 and enjoining the Company from violating the aforementioned federal securities laws. The court approved the settlement in a final judgment entered on January 25, 2010 and the Company has paid the penalty.

As part of the settlement, the SEC granted permanent relief to two subsidiaries of the Company, exempting them from limitations on serving as depositors to investment companies under Section 9(a) of the Investment Company Act of 1940. If the subsidiaries fail to continue to meet the conditions in the application for permanent relief, then they could lose their ability to act as depositors of the separate accounts related to the FFG businesses sold to the Hartford in 2001. This could result in significant costs to restructure the modified coinsurance structure currently in place.

We cannot predict at this time the effect that current litigation, investigations and regulatory activity will have on the insurance industry or our business. Given our 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 adversely affected by the negative publicity for the insurance industry related to any such proceedings, and by any new industry-wide regulations or practices that may result from any such proceedings.

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

We communicate with and distribute our products and services ultimately to individual consumers. There may be a perception that some of these purchasers may be unsophisticated and in need of consumer protection. Accordingly, from time to time, consumer advocacy groups or the media may focus attention on our products and services, thereby subjecting us to 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 also result from judicial inquiries, unfavorable outcomes in lawsuits, or regulatory or governmental action with respect to our products, services and industry commercial practices. Negative publicity may cause increased regulation and legislative scrutiny of industry practices as well as increased litigation or enforcement action by civil and criminal authorities. Additionally, negative publicity may increase our costs of doing business and adversely affect our profitability by impeding our ability to market our products and services, constraining our ability to price our products appropriately for the risks we are assuming, requiring us to change the products and services we offer, or increasing the regulatory burdens under which we operate.

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 ten years. The segments of the insurance markets in which we

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operate have historically tended not to be correlated to each other, with each segment having its own cyclicality, whereby periods of intense price competition may adversely impact revenues and profitability. The upheaval in the global economy during 2008 and 2009 has been much more widespread and has impacted all the businesses in which we operate. We expect to see continued cyclicality in some or all of our businesses in the future, which may have a material adverse effect on our results of operations and financial condition.

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. To that end, the laws of the various states and other jurisdictions establish insurance departments with broad powers with respect to such things as:

- licensing and authorizing companies and agents to transact business;
- regulating capital and surplus and dividend requirements;
- regulating underwriting limitations;
- regulating companies ability to enter and exit markets;
- imposing statutory accounting requirements and annual statement disclosures;
- approving policy forms and mandating certain insurance benefits;
- restricting companies ability to provide, terminate or cancel certain coverages;
- regulating premium rates, including the ability to increase or maintain premium rates;
- regulating trade and claims practices;
- regulating certain transactions between affiliates;
- regulating the content of disclosures to consumers;
- regulating the type, amounts and valuation of investments;

mandating assessments or other surcharges for guaranty funds and the ability to recover such assessments in the future through premium increases; and

regulating market conduct and sales practices of insurers and agents.

Our non-insurance operations and certain aspects of our insurance operations are subject to various federal and state regulation including state and federal consumer protection and other laws. Similarly, our foreign subsidiaries are subject to legislation and regulation in the countries in which they are domiciled and in some cases where their end customers are domiciled. We therefore face the challenge of conducting business in a multi-national setting with varying regulations.

Assurant Health is required by some jurisdictions to provide coverage to persons who would not be considered eligible insurance risks under standard underwriting criteria. Each of these jurisdictions dictates the types of insurance and the level of coverage that must be provided to such applicants. Our share of these risks is mandatory and is generally a function of our share of the applicable insurance market in each jurisdiction. These programs expose Assurant Health to the risk of losses in the jurisdictions in which they are still effective. In addition, HIPAA requires certain guaranteed issuance and renewability of health insurance coverage for individuals and small groups (generally groups with 50 or fewer employees) and limits exclusions based on pre-existing conditions. See also Risks Related to Our Industry Costs of compliance with privacy and security 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.

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An insurer s ability to write new business is partly a function of its statutory surplus. Maintaining appropriate levels of surplus as measured by SAP 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, a downgrade by rating agencies, or enforcement action by regulatory authorities.

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 regulators interpretation of the laws and regulations. Also, some regulatory authorities have relatively broad discretion to grant, renew or revoke licenses and approvals or to limit or restrain operations in their jurisdiction. 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 operating, limit some or all of our activities, or financially penalize us. These types of actions could materially adversely affect our results of operations and financial condition.

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 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.

Legislative or regulatory changes that could significantly harm our subsidiaries and us 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 or imposed reductions 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;
- restrictions on the ability to offer certain types of insurance products;
- increased disclosure requirements on certain types of products;

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 sale of individual 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 insurance consumers by funeral board laws for prefunded funeral insurance coverage.

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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 National Association of Insurance Commissioners (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 could significantly impact the insurance industry and us. The American Counsel of Life Insurers and others are promoting the introduction of an optional federal charter for certain insurers. Moreover, federal legislation and administrative policies in areas such as employee benefit plan regulation, financial services regulation and federal taxation can reduce our profitability. Additionally, there have been attempts by the NAIC and several states to limit the use of discretionary clauses in policy forms. The elimination of discretionary clauses could increase our costs under our life, health and disability 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. In addition, the NAIC s proposed expansion of the Market Conduct Annual Statement could increase the likelihood of examinations of insurance companies with niche markets. Court decisions that impact the insurance industry could result in the release of previously protected confidential and privileged information by departments of insurance, which could increase the risk of litigation.

While health insurance is generally regulated at the state level, 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. During 2009, health care reform was a major initiative of President Obama and the U.S. Congress. Bills that would address the affordability and availability of health insurance and reduce the number of uninsureds are under consideration in the U.S. Congress and in many states. Certain health reform legislation was passed by the House of Representatives on November 7, 2009 and by the Senate on December 24, 2009. These proposals vary, but both include new taxes on the health insurance industry, individual insurance requirements, an expansion of eligibility under Medicaid and other programs, minimum medical benefit ratios for health plans, mandatory issuance of insurance coverage and requirements that would restrict the ability of insurers and health plans to adjust premiums based on risk assessments. These proposals may impose new taxes on us that would constitute a significant portion of our income and/or cause premium increases for our members. These proposals may also have some impact on the dental business line at Assurant Employee Benefits. In connection with the consideration by the U.S. Congress of health reform proposals, we have provided, and may continue to provide, information and testimony to certain committees and/or subcommittees of the U.S. Congress regarding our business practices, including executive compensation and rescission practices. At this time, we cannot predict whether health care reform legislation will be enacted and in what form, but if enacted, such reform could increase our costs, expose us to expanded liability, require us to modify the way in which we conduct business or put us at risk for loss of business. Additionally, our operating results and financial condition could be materially and adversely affected by such reform.

With respect to Assurant Specialty Property, federal legislative proposals regarding National Catastrophe Insurance, if adopted, could reduce the business need for some of the property and casualty related products provided by Assurant Specialty Property. Additionally, as the U.S. Congress continues to respond to the recent housing foreclosure crisis, it could enact legislation placing additional barriers on creditor-placed insurance.

The U.S. Congress is also considering comprehensive proposals to reform the existing regulatory structure of the financial services industry. Certain proposals currently under consideration by the Senate aim to increase federal oversight of the financial services industry by, among other things, creating an independent consumer financial protection agency, establishing a financial services oversight council responsible for monitoring and assessing systemic risk in the financial industry, and providing resolution authority for the orderly dissolution of failing financial services companies.

The NAIC has adopted the Annual Financial Reporting Model Act (which prior to revision was known as the Model Audit Rule), that, when adopted by states, will impose internal controls similar to those mandated by

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Section 404 of the Sarbanes-Oxley Act of 2002, as amended (which we refer to as SOX 404), with some differences for insurance companies. The latest date of adoption by any state, as prescribed by the NAIC, is 2010. These SOX 404 type controls will add an additional layer of internal review for insurer financial statements and subject insurers to varying levels of review by state insurance regulators. This could result in potential exposure for fines and penalties for non-compliance. In addition, the NAIC has adopted changes to statutory accounting principles, which may negatively impact insurer financial reporting requirements and the profitability of insurance operations on a statutory basis.

We cannot predict with certainty the effect any proposed or future legislation, regulations or NAIC initiatives may have on the conduct of our business. 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.

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

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

State privacy laws, particularly those with opt-in clauses, or provisions that enable an individual to elect information sharing instead of being automatically included, can affect all our businesses. These laws make it harder for our affiliated businesses to share information for marketing purposes, such as generating new sales leads and participating in joint marketing arrangements.

Similarly, the federal and various state do not solicit lists could pose a litigation risk to Assurant Solutions. Even an inadvertent failure to comply with consumers requests to be added to the do not solicit list could result in litigation.

Furthermore, foreign privacy regulations could limit the efficiency of our foreign operations and reduce profitability. For example, under European Union directives, insurers domiciled in the European Union may not send data that may contain personal information to the U.S. unless certain controls relating to the care and control of the information exist.

HIPAA, the HITECH Act, and the implementing regulations that have been adopted impose obligations for issuers of health and dental insurance coverage and health and dental benefit plan sponsors. HIPAA and the HITECH Act also establish requirements for maintaining the confidentiality and security of individually identifiable health information and standards for electronic health care transactions. As have other entities in the health care industry, we have incurred and will continue to incur substantial costs in complying with the requirements of HIPAA, the HITECH Act, and the accompanying regulations.

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

Beginning in early 2005, several large organizations became subjects of intense public scrutiny due to high-profile data security breaches involving sensitive financial and health information. These events focused national attention on identity theft and the duty of organizations to notify impacted consumers in the event of a data security breach. Several federal bills are pending in Congress and currently 45 states have passed legislation requiring customer notification in the event of a data security breach. Most state laws take their lead from recently enacted California Civil Code Section 1798.82, which requires businesses that conduct business in

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California to disclose any breach of security to any resident whose unencrypted data is believed to have been disclosed. Additionally, the HITECH Act contains the first federal security breach law and imposes a duty on Assurant Health and Assurant Employee Benefits to provide notice if there is a data security breach of protected health information. These breaches are annually reported to the Department of Health and Human Services. Several significant legal, operational and reputational risks exist with regard to data breach and customer notification. Federal pre-emption relating to this issue may reduce our compliance costs. Nonetheless, a breach of data security requiring public notification can result in regulatory fines, penalties or sanctions, civil lawsuits, loss of reputation, loss of customers and reduction of our profitability.

Risks Related to Our Common Stock

Given the recent economic climate, our stock may be subject to stock price and trading volume volatility. The price of our common stock could fluctuate or decline significantly and you could lose all or part of your investment.

During 2008 and early 2009, the stock markets experienced significant price and trading volume volatility. Company-specific issues and market developments generally in the insurance industry and in the regulatory environment may have caused this volatility. Our stock price could materially fluctuate or decrease in response to a number of events and factors, including but not limited to:

- quarterly variations in operating results;
- catastrophes, terrorist attacks and epidemics;
- 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 negative publicity relating to our competitors or us or relating to trends in our markets;
- regulatory changes and adverse outcomes from litigation and government or regulatory investigations;
- sales of stock by insiders;
- changes in our financial strength ratings;
- limitations on premium levels or the ability to raise premiums on existing policies; and
- increases in minimum capital, reserves and other financial viability requirements.

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

Applicable laws, our certificate of incorporation and by-laws, and contract provisions 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.

Additionally, we may, under some circumstances involving a change of control, be obligated to repay our outstanding indebtedness under our revolving credit facility and other agreements. We or any possible acquirer may not have available financial resources necessary to repay such indebtedness in those circumstances. If we or any possible acquirer cannot repay our indebtedness under our revolving credit facility or other agreements in the event of a change of control (as defined in such agreements), that may constitute an event of default resulting in acceleration of indebtedness and potential cross-default under other agreements. The threat of this could have the effect of delaying or preventing transactions involving a change of control, including transactions in which our stockholders would receive a substantial premium for their shares over then-current market prices, or which they otherwise may deem to be in their best interests.

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 director 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;
- 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;
- 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 certain provisions of our by-laws and certificate of incorporation.

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.

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

Before a person can acquire control of an insurance company in the U.S. and certain other countries, prior written approval must be obtained from the insurance commissioner of the jurisdiction where the insurer is domiciled. For example, 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.

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Item 1B. ***Unresolved Staff Comments***

None.

Item 2. ***Properties***

We own eight properties, including five buildings whose locations serve as headquarters for our operating segments, two buildings that serve as operation centers for Assurant Solutions and Assurant Specialty Property and one building that serves as a claims training center for Assurant Specialty Property. Assurant Solutions and Assurant Specialty Property share headquarters buildings located in Miami, Florida and Atlanta, Georgia and Assurant Specialty Property has operations centers located in Florence, South Carolina and Springfield, Ohio. Assurant Solutions preneed business also has a headquarters building in Rapid City, South Dakota. Assurant Employee Benefits has a headquarters building in Kansas City, Missouri. Assurant Health has a headquarters building in Milwaukee, Wisconsin. We lease office space for various offices and service centers located throughout the U.S. and internationally, including our New York, New York corporate office and our data center in Woodbury, Minnesota. Our leases have terms ranging from month-to-month to twenty-five years. We believe that our owned and leased properties are adequate for our current business operations.

Item 3. ***Legal Proceedings***

The Company is involved in litigation in the ordinary course of business, both as a defendant and as a plaintiff. See Note 26 to the Consolidated Financial Statements for a description of certain pending matters. The Company may from time to time be subject to a variety of legal and regulatory actions relating to our current and past business operations. While the Company cannot predict the outcome of any pending or future litigation, examination or investigation and although no assurances can be given, the Company does not believe that any pending matter will have a material adverse effect individually or in the aggregate, on the Company s financial position, results of operations, or cash flows.

On January 21, 2010, the SEC filed a civil complaint in the United States District Court for the Southern District of New York in connection with the previously disclosed SEC investigation into a finite reinsurance arrangement entered into by the Company. In the complaint, the SEC charged the Company with violating Sections 13(a), 13(b)(2)(A) and 13(b)(2)(B) of the Securities Exchange Act of 1934, as amended, and Rules 12b-20, 13a-11 and 13a-13 thereunder. As previously disclosed by the Company in a Current Report on Form 8-K on January 21, 2010, the Company entered into a settlement with the SEC in which the Company consented, without admitting or denying the allegations in the complaint, to the entry of a judgment requiring payment of a civil penalty of $3,500 and enjoining the Company from violating the aforementioned federal securities laws. The court approved the settlement in a final judgment entered on January 25, 2010. The Company has paid the penalty.

Item 4. ***Submission of Matters to a Vote of Security Holders***

No matters were submitted to a vote of the stockholders of Assurant, Inc. during the fourth quarter of 2009.

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PART II

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

Stock Performance Graph

The following chart compares the total stockholder returns (stock price increase plus dividends) on our common stock from December 31, 2004 through December 31, 2009 with the total stockholder returns for the S&P 400 Midcap Index, as the broad equity market index, and the S&P 400 Multi-Line Insurance Index and S&P 500 Multi-Line Insurance Index, as the published industry indexes. The graph assumes that the value of the investment in the common stock and each index was $100 on December 31, 2004 and that all dividends were reinvested.

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Total Return to Stockholders

(Includes reinvestment of dividends)

Company / Index	Base Period 12/31/04	INDEXED RETURNS Years Ending 12/31/05	12/31/06	12/31/07	12/31/08	12/31/09
Assurant, Inc.	100	143.54	183.74	224.27	101.86	102.43
S&P 400 MidCap index	100	112.56	124.17	134.08	85.50	117.46
S&P 500 Multi-line Insurance Index*	100	108.78	117.02	101.94	11.55	15.74
S&P 400 Multi-line Insurance Index*	100	119.56	145.56	131.48	93.27	107.74

Company / Index	ANNUAL RETURN PERCENTAGE Years Ending 12/31/05	12/31/06	12/31/07	12/31/08	12/31/09
Assurant, Inc.	43.54	28.01	22.06	-54.58	0.56
S&P 400 MidCap index	12.56	10.32	7.98	-36.23	37.38
S&P 500 Multi-line Insurance Index*	8.78	7.58	-12.89	-88.68	36.35
S&P 400 Multi-line Insurance Index*	19.56	21.75	-9.67	-29.07	15.52

* S&P 400 Multi-line Insurance Index is comprised of Mid-Cap Companies, while the S&P 500 Multi-line Insurance Index is comprised of large cap companies.

Common Stock Price

Our common stock is listed on the NYSE 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 NYSE for the periods indicated.

Year Ended December 31, 2009	High	Low	Dividends
First Quarter	$ 31.44	$ 16.34	$ 0.14
Second Quarter	$ 29.60	$ 20.88	$ 0.15
Third Quarter	$ 32.49	$ 21.65	$ 0.15
Fourth Quarter	$ 33.37	$ 28.94	$ 0.15

Year Ended December 31, 2008	High	Low	Dividends
First Quarter	$ 69.17	$ 57.75	$ 0.12
Second Quarter	$ 70.87	$ 60.39	$ 0.14
Third Quarter	$ 71.31	$ 38.52	$ 0.14
Fourth Quarter	$ 56.75	$ 12.52	$ 0.14

Holders

On February 16, 2010, there were approximately 396 registered holders of record of our common stock. The closing price of our common stock on the NYSE on February 16, 2010 was $30.81.

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Shares Repurchased

Period in 2009	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs (1)	Approximate Dollar Value of Shares that may yet be Purchased under the Programs (2)
January 1 January 31		$		$ 201,992
February 1 February 28				201,992
March 1 March 31				201,992
Total first quarter				201,992
April 1 April 30				201,992
May 1 May 31				201,992
June 1 June 30				201,992
Total second quarter				201,992
July 1 July 31				201,992
August 1 August 31	863,050	28.45	863,050	177,436
September 1 September 30	259,000	28.54	259,000	170,044
Total third quarter	1,122,050	28.47	1,122,050	170,044
October 1 October 31				170,044
November 1 November 30				170,044
December 1 December 31				170,044
Total fourth quarter				170,044
Total through December 31	1,122,050	$ 28.47	1,122,050	$ 170,044

(1) Shares purchased pursuant to the November 10, 2006 publicly announced share repurchase authorization of up to $600,000.

(2) On January 22, 2010, the Company s Board of Directors authorized the Company to repurchase up to an additional $600,000 of its outstanding common stock. Following this increase, the Company can repurchase up to $770,044 of additional outstanding common stock under the current authorization.

Dividend Policy

On January 25, 2010, we announced that our Board of Directors declared a quarterly dividend of $0.15 per common share payable on March 8, 2010 to stockholders of record as of February 22, 2010. We paid dividends of $0.15 on December 14, 2009, September 15, 2009 and June 9, 2009 and $0.14 per common share on March 9, 2009. In 2008, we paid dividends of $0.14 per common share on December 10, 2008, September 9, 2008, and June 10, 2008, and $0.12 per common share on March 10, 2008. 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 regulated U.S. domiciled 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 Item 1A 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 2010, the maximum amount of dividends that our regulated U.S. domiciled insurance

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subsidiaries could pay to us under applicable laws and regulations without prior regulatory approval is approximately $526,515. Dividends paid by our subsidiaries totaled $676,780 in 2009.

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 obtain such approval if sought.

In addition, payments of dividends on 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 Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

In addition, our $350,000 revolving credit facility restricts payments of dividends if an event of default under the facility has occurred or a proposed dividend payment would cause an event of default under the facility.

Management believes the Company will have sufficient liquidity to satisfy its needs over the next twelve months, including the ability to pay interest on our Senior Notes and dividends on our common shares.

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Item 6. ***Selected Financial Data***

Assurant, Inc.

Five-Year Summary of Selected Financial Data

	As of and for the years ended December 31,				
	2009	**2008**	**2007**	**2006**	**2005**
Consolidated Statement of Operations Data:					
Revenues					
Net earned premiums and other considerations	$ 7,550,335	$ 7,925,348	$ 7,407,730	$ 6,843,775	$ 6,520,796
Net investment income	698,838	774,347	799,073	736,686	687,257
Net realized (losses) gains on investments (1)	(53,597)	(428,679)	(62,220)	111,865	8,235
Amortization of deferred gain on disposal of businesses	22,461	29,412	33,139	37,300	42,508
Fees and other income	482,464	300,800	275,793	340,958	238,879
Total revenues	8,700,501	8,601,228	8,453,515	8,070,584	7,497,675
Benefits, losses and expenses					
Policyholder benefits (2)	3,867,982	4,019,147	3,712,711	3,535,521	3,705,904
Amortization of deferred acquisition costs and value of businesses acquired	1,601,880	1,671,680	1,429,735	1,186,710	926,608
Underwriting, general and administrative expenses	2,377,364	2,286,170	2,238,851	2,191,368	2,148,297
Interest expense	60,669	60,953	61,178	61,243	61,258
Goodwill impairment (3)	83,000				
Total benefits, losses and expenses	7,990,895	8,037,950	7,442,475	6,974,842	6,842,067
Income before provision for income taxes and cumulative effect of change in accounting principle	709,606	563,278	1,011,040	1,095,742	655,608
Provision for income taxes (4)	279,032	115,482	357,294	379,871	176,253
Net income before cumulative effect of change in accounting principle	430,754	447,796	653,746	715,871	479,355
Cumulative effect of change in accounting principle (5)				1,547	
Net income	$ 430,574	$ 447,796	$ 653,746	$ 717,418	$ 479,355
Earnings per share (6):					
Basic					
Net income before cumulative effect of change in accounting principle	$ 3.65	$ 3.79	$ 5.45	$ 5.64	$ 3.53
Cumulative effect of change in accounting principle				0.01	
Net Income	$ 3.65	$ 3.79	$ 5.45	$ 5.65	$ 3.53
Diluted					
Net income before cumulative effect of change in accounting principle	$ 3.63	$ 3.76	$ 5.38	$ 5.55	$ 3.50
Cumulative effect of change in accounting principle				0.01	
Net Income	$ 3.63	$ 3.76	$ 5.38	$ 5.56	$ 3.50

Dividends Per Share	$ 0.59	$ 0.54	$ 0.46	$ 0.38	$ 0.31
Share Data (6):					
Weighted average shares outstanding used in per share calculations	118,036,632	118,005,967	119,934,873	127,000,784	135,850,514
Plus: Dilutive securities	459,008	968,712	1,624,694	1,934,251	1,149,450
Weighted average shares used in diluted per share calculations	118,495,640	118,974,679	121,559,567	128,935,035	136,999,964

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	As of and for the years ended December 31,				
	2009	2008	2007	2006	2005
Selected Consolidated Balance Sheet Data:					
Cash and cash equivalents and investments	$ 14,476,384	$ 13,107,476	$ 14,552,115	$ 13,416,817	$ 13,371,392
Total assets	$ 25,841,796	$ 24,514,586	$ 26,750,316	$ 25,165,148	$ 25,365,453
Policy liabilities (7)	$ 15,869,524	$ 15,806,235	$ 15,903,289	$ 14,513,106	$ 14,300,713
Debt	$ 972,058	$ 971,957	$ 971,863	$ 971,774	$ 971,690
Mandatorily redeemable preferred stock	$ 8,160	$ 11,160	$ 21,160	$ 22,160	$ 24,160
Total stockholder s equity	$ 4,853,249	$ 3,709,505	$ 4,088,903	$ 3,832,597	$ 3,699,559
Per Share Data:					
Total book value per share (6)(8)	$ 41.27	$ 31.53	$ 34.65	$ 31.22	$ 28.30

(1) Included in net realized losses are other-than-temporary impairments of $38,660, $340,153, and $48,184 for 2009, 2008 and 2007, respectively. During 2006, we recorded an investment gain of $98,342 related to the sale of our equity interest in PHCS.
(2) During 2008, we incurred losses of $132,615 associated with hurricanes Gustav and Ike.
(3) During the fourth quarter of 2009, following the completion of our annual goodwill impairment analysis, we recorded an impairment charge of $83,000 related to Assurant Employee Benefits. The impairment charge resulted in a decrease to net income but did not have any related tax benefit.
(4) During 2008, we recorded a $84,864 tax benefit due to the sale of a non-operating subsidiary and the related deferred tax assets on a capital loss carryover.
(5) On January 1, 2006, we adopted the share based compensation guidance, which is included within ASC Topic 718 *Compensation- Stock Compensation*. As a result, we recognized a cumulative adjustment of $1,547.
(6) Prior period amounts have been adjusted in accordance with the earning per share guidance on participating securities and the two class methods which is within the Financial Accounting Standards Board s Accounting Standards Codification Topic 260, *Earnings Per Share*. For additional information, see Notes 2 and 24 to the Consolidated Financial Statements elsewhere in this report.
(7) Policy liabilities include future policy benefits and expenses, unearned premiums and claims and benefits payable.
(8) Total stockholders equity divided by the basic shares of common stock outstanding. At December 31, 2009, 2008 and 2007 there were 117,591,250, 117,640,936, and 118,012,036 shares, respectively, of common stock outstanding. At December 31, 2006 and 2005 there were 122,772,350 and 130,719,435 shares of common stock outstanding.

Item 7. ***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 report. It contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this report, particularly under the headings Item 1A Risk Factors and Forward-Looking Statements.

General

We report our results through five segments: Assurant Solutions, Assurant Specialty Property, Assurant Health, Assurant Employee Benefits, and Corporate and Other. The Corporate and Other segment includes activities of the holding company, financing expenses, net realized gains (losses) on investments, interest income earned from short-term investments held, interest income from excess surplus of insurance subsidiaries not allocated to other segments, run-off Asbestos business, and additional costs associated with excess of loss reinsurance and ceded to certain subsidiaries in the London market between 1995 and 1997. The Corporate and Other segment also includes the amortization of deferred gains associated with the portions of the sales of FFG and LTC, which were sold through reinsurance agreements as described below.

Although profits improved in our Assurant Solutions segment year over year, results in the United Kingdom (UK) have continued to deteriorate. We are taking further actions to remedy issues in the UK. We believe that the addition of several new clients effective this year may bring revenue growth. The new clients and distribution channels we are adding will partially offset business lost from client bankruptcies and a slowdown in consumer spending. Our strategy to partner with original equipment manufacturers is producing favorable results. We are benefiting from our Preneed partnership with SCI as they continue to add new funeral homes.

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We expect continued changes in the mortgage marketplace affecting Assurant Specialty Property. The overall number of U.S. mortgage loans outstanding is declining and we expect this trend to continue until the residential real estate market recovers. We expect the decline to be more pronounced in the subprime sector where policy placement rates are higher. We expect that the movement of portfolios between loan servicers will continue to create quarterly variability in gross written premiums beyond the seasonality we have traditionally experienced in this business. Consolidation of mortgage portfolios by our clients will pressure margins as loans transition to terms found in the most favorable portfolio contract.

We expect that the pricing and plan changes we have implemented combined with expense reduction efforts should return the Assurant Health business to profitability by late in 2010. Results are tracking consistent with our assumptions based on our experience in the second half of 2009. We continue to work closely with the industry and with members of Congress to offer constructive suggestions for reform of the health care system in the U.S. We are hopeful that reform will focus on programs that work to reduce costs and provide affordable healthcare options to all Americans.

Our focus at Assurant Employee Benefits remains on the small employer, particularly through the sale of worksite or voluntary, employee-paid products, which we believe represents a growing segment of the industry. We have taken actions during 2009 to improve our dental results and additional changes are planned for 2010. We recently extended our shared dental network relationship with Aetna through 2012, allowing us to continue to offer small employers one of the largest dental networks in the country in conjunction with our product.

Critical Factors Affecting Results

Our results depend 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. Therefore, factors affecting these items may have a material adverse effect on our results of operations or financial condition. For a listing of those factors see Item 1A Risk Factors.

Revenues

We generate revenues primarily from the sale of our insurance policies and service contracts, fee income by providing administrative services to certain clients and investment income from the securities we own. Sales of insurance policies are recognized in revenue as earned premiums while sales of administrative services are recognized as fee income.

Effective January 1, 2009, new preneed life insurance policies in which death benefit increases are determined at the discretion of the Company are accounted for as universal life contracts under the universal life insurance accounting guidance, which is within the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 944, *Financial Services Insurance*. For contracts sold prior to January 1, 2009, these types of preneed life insurance sales were accounted for and will continue to be accounted for under limited pay insurance guidance, which is also within ASC Topic 944. The change from reporting certain preneed life insurance policies in accordance with the universal life insurance guidance versus the limited pay insurance guidance is not material to the consolidated statement of operations or balance sheets.

In accordance with the universal life insurance guidance, income earned on new preneed life insurance policies is presented within policy fee income. Under the limited pay insurance guidance, the consideration received on preneed policies is presented separately as net earned premiums, with policyholder benefits expense being separately disclosed as incurred losses. As previously noted, the effects on net income for the twelve months ended December 31, 2009 were not material.

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. Currently, our investment

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portfolio is 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 increase or reduce unrealized gains or 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. We also have investments that carry pre-payment risk, such as mortgage-backed and asset-backed securities. Actual net investment income and/or cash flows from investments that carry prepayment risk may differ from estimates 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 are more likely to be prepaid or redeemed as borrowers seek to borrow at lower interest rates. Therefore, we may be required to reinvest those funds in lower interest-bearing investments.

Expenses

Our expenses are primarily policyholder benefits, selling, underwriting and general expenses and interest expense.

Our profitability depends in part on accurately predicting policyholder benefits, claims and other costs. It also depends on our ability to manage future policyholder benefits and other costs through product design, underwriting criteria, utilization review or claims management catastrophe reinsurance coverage 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.

Selling, underwriting and general expenses consist primarily of commissions, premium taxes, licenses, fees, amortization of deferred acquisition costs (DAC) and value of business acquired (VOBA) and general operating expenses. For a description of DAC and VOBA, see Notes 2, 9 and 12 to the Notes to Consolidated Financial Statements included elsewhere in this report.

We incur interest related expenses related to our debt and mandatorily redeemable preferred stock.

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 Item 1A 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.

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The following critical accounting policies require significant estimates. The actual amounts realized could ultimately be materially different from the amounts currently provided for in our consolidated financial statements.

Reserves

Reserves are established according to GAAP using generally accepted actuarial methods 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 liabilities and damage awards. The methods of making such estimates and establishing the related liabilities are periodically reviewed and updated.

Reserves 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. 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.

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The following table provides reserve information of our major product lines for the years ended December 31, 2009 and 2008:

	December 31, 2009				December 31, 2008			
			Claims and Benefits Payable				Claims and Benefits Payable	
	Future Policy Benefits and Expenses	Unearned Premiums	Case Reserves	Incurred But Not Reported Reserves	Future Policy Benefits and Expenses	Unearned Premiums	Case Reserve	Incurred But Not Reported Reserves
Long Duration Contracts:								
Preneed funeral life insurance policies and investment-type annuity contracts	$ 3,629,601	$ 37,672	$ 10,431	$ 4,018	$ 3,432,583	$ 4,815	$ 11,664	$ 3,796
Life insurance no longer offered	478,839	681	1,639	339	498,945	735	1,516	349
Universal life and other products no longer offered	263,360	168	233	8,744	288,981	300	208	7,682
FFG, LTC and other disposed businesses	2,879,224	41,531	25,542	421,605	2,764,874	41,771	25,764	352,344
Medical	93,447	11,665	18,137	13,737	105,236	14,688	12,627	19,826
All other	5,162	335	18,197	6,225	5,026	288	18,194	7,664
Short Duration Contracts:								
Group term life		3,710	218,191	37,419		6,265	212,745	43,517
Group disability		7,705	1,274,378	143,052		2,392	1,325,418	147,584
Medical		112,603	169,260	190,366		109,759	96,702	181,158
Dental		4,334	5,709	19,464		4,642	3,610	21,580
Property and Warranty		1,896,897	173,009	368,242		1,887,510	228,920	332,930
Credit Life and Disability		366,313	81,726	77,581		395,091	85,312	72,665
Extended Service Contracts		2,482,683	2,350	50,207		2,788,327	2,187	65,769
All other		187,267	10,013	16,513		151,276	6,861	14,139
Total	$ 7,349,633	$ 5,153,564	$ 2,008,815	$ 1,357,512	$ 7,095,645	$ 5,407,859	$ 2,031,728	$ 1,271,003

For a description of our reserving methodology, see Note 13 to the Consolidated Financial Statements included elsewhere in this report.

The following discusses the reserving process for our major long duration product line, Preneed, and reserves recorded for our significant discontinued operations, FFG and LTC.

Long Duration Contracts

Reserves for future policy benefits 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, morbidity, expenses and withdrawal rates. These assumptions reflect current trends, are based on our experience and may include a provision for possible adverse deviation. We also record an unearned revenue reserve 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 either estimated gross profits or insurance in force.

Premium deficiency testing is performed annually. Such testing involves the use of best estimate assumptions to determine if the net liability position (all liabilities less DAC) exceeds the minimum liability needed to meet our obligations. Any premium deficiency would first be addressed by removing the provision for adverse deviation, if any. To the extent a premium deficiency still remains, it would be recognized immediately by a charge to the statement of operations and a corresponding reduction in DAC. Any additional deficiency would be recognized as a premium deficiency reserve.

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Historically, premium deficiency testing has not resulted in a material adjustment to DAC or reserves. Such adjustments would occur only if economic or mortality conditions significantly deteriorated.

Risks related to the reserves recorded for contracts from FFG and LTC disposed businesses have been 100% ceded via reinsurance. While the Company has not been released from the contractual obligation to the policyholders, changes in and deviations from economic and mortality assumptions used in the calculation of these reserves will not directly affect our results of operations unless there is a default by the assuming reinsurer.

Short Duration Contracts

For short duration contracts, claims and benefits payable reserves are reported 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 reserves for known but unpaid claims as of the balance sheet date; (2) 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. Periodically, we review emerging experience and make adjustments to our case reserves and assumptions where necessary. Below are further discussions on the reserving process for our major short duration products.

Group Disability and Group Term Life

Case or claim reserves are set for active individual claims on group long term disability policies and for disability waiver of premium benefits on group term life policies. Assumptions considered in setting such reserves include disabled life mortality and claim recovery rates, claim management practices, awards for social security and other benefit offsets and yield rates earned on assets supporting the reserves. Group long term disability and group term life waiver of premium reserves are discounted because the payment pattern and ultimate cost are fixed and determinable on an individual claim basis.

Factors considered when setting IBNR reserves include patterns in elapsed time from claim incidence to claim reporting, and elapsed time from claim reporting to claim payment.

Key sensitivities at December 31, 2009 for group long term disability claim reserves include the discount rate and claim termination rates.

	Claims and Benefits Payable		Claims and Benefits Payable
Group disability, discount rate decreased by 100 basis points	$ 1,488,672	Group disability, claim termination rate 10% lower	$ 1,451,884
Group disability, as reported	$ 1,417,430	Group disability, as reported	$ 1,417,430
Group disability, discount rate increased by 100 basis points	$ 1,351,718	Group disability, claim termination rate 10% higher	$ 1,382,110

The discount rate is also a key sensitivity for group term life waiver of premium reserves.

	Claims and Benefits Payable
Group term life, discount rate decreased by 100 basis points	$ 265,159
Group term life, as reported	$ 255,610
Group life, discount rate increased by 100 basis points	$ 247,032

Medical

IBNR reserves represent the largest component of reserves estimated for claims and benefits payable in our Medical line of business, and the primary methods we use in their estimation are the loss development method and the projected claim method for recent claim periods. Under the loss development method, we estimate ultimate losses for each incident period by multiplying the current cumulative losses by the appropriate loss development factor. Under the projected claim method, we use ultimate loss ratios when development methods do not provide enough data to reliably estimate reserves. In addition, we use variations on each method as well as a blend of the two. The primary variation is the use of projected claims using differing experience periods. We primarily use these two methods in our Medical line of business because of the limitations of relying exclusively on a single method.

We develop the best estimate of expected outstanding liabilities for medical IBNR reserves using generally accepted actuarial principles. The various product lines are evaluated using experience data of sufficient detail to allow for the compilation of historical loss patterns including but not limited to claim lag factors, projected claims per member and restated development factors. If sufficient experience data is not available, experience data from other similar blocks may be used. Industry data provides additional benchmarks when historical experience is too limited. This information is used to provide a range in which the expected outstanding liabilities may fall. The selection of the ultimate loss estimate varies by product line as the credibility of certain methods differs depending upon the in force volume, the product s claim volatility and the method itself. The selection is also influenced by other available information that may indicate that historical experience data may not be appropriate to use for current liability estimates. Examples of such information include but are not limited to changes in claims inventory levels, changes in provider negotiated rates or cost savings initiatives, increasing or decreasing medical cost trends, product changes and demographic changes in the underlying insured population.

The development of prior period estimates is also reviewed to assist in establishing the current period s loss reserves. The short claim lag time inherent in many of our Medical products allows for emerging trends to be identified quickly.

We evaluate all pertinent information and indicated ranges using experience and actuarial judgment to establish our best estimate for the associated liabilities.

Key sensitivities as of December 31, 2009 for medical reserves include claims processing levels, claims under case management, medical inflation, seasonal effects, medical provider discounts and product mix.

	Claims and Benefits Payable*	
Medical, loss development factors 1% lower	$	377,626
Medical, as reported	$	359,626
Medical, loss development factors 1% higher	$	348,626

* This refers to loss development factors for the most recent four months. Our historical claims experience indicates that approximately 87% of medical claims are paid within four months of the incurred date.

None of the changes in incurred claims from prior years in our Medical line of business were attributable to any change in our reserve methods or assumptions.

Property and Warranty

We develop the best estimate of loss reserves for our Property and Warranty line of business on a product line basis using generally accepted actuarial principles. Our Property and Warranty line of business includes creditor-placed homeowners, manufactured housing homeowners, credit property, credit unemployment and warranty insurance and some longer-tail coverages (e.g., asbestos, environmental, other general liability and personal accident). Our Property and Warranty loss reserves consist of case, IBNR and development on case reserves. The method we most often use in setting our Property and Warranty reserves is the loss development method. Under this method, we estimate ultimate losses for each accident period by multiplying the current cumulative losses by the appropriate loss development factor. We then calculate the reserve as the difference between the estimate of ultimate losses and the current case-incurred losses (paid losses plus case reserves). We select loss development factors based on a review of historical averages, and we consider recent trends and business specific matters such as current claims payment practices.

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The loss development method involves aggregating loss data (paid losses and case-incurred losses) by accident quarter (or accident year) and accident age in quarters (or years) for each product or product grouping. As the data ages, we compile loss development factors that measure emerging claim development patterns between reporting periods. By selecting the most appropriate loss development factors, we project the known losses to an ultimate incurred basis for each accident period.

The data is typically analyzed using quarterly paid losses and/or quarterly case-incurred losses. Some product groupings may also use annual paid loss and/or annual case-incurred losses, as well as other methods such the expected loss ratio and Bornhuetter-Ferguson loss development methods.

Each of these reserve methodologies produces an indication of the loss reserves for the product or product grouping. The process to select the best estimate differs across lines of business. The single best estimate is determined based on many factors, including but not limited to:

- the nature and extent of the underlying assumptions;
- the quality and applicability of historical data whether it be internal or industry data;
- current and future market conditions the economic environment will often impact the development of loss triangles;
- the extent of data segmentation data should be homogeneous yet credible enough for loss development methods to apply; and
- the past variability of loss estimates the loss estimates on some product lines will vary from actual loss experience more than others.

We review operational and claims activity to gather additional pertinent information. After reviewing such information, a final IBNR amount for each product grouping is selected. We may use other methods depending on data credibility and product line. We use the estimates generated by the various methods to establish a range of reasonable estimates. The best estimate of Property and Warranty reserves is generally selected from the middle to upper end of the third quartile of the range of reasonable estimates.

Most of our credit insurance business is written on a retrospective commission basis, which permits management to adjust commissions based on claims experience. Thus, any adjustment to prior years incurred claims in this line of business is partially offset by a change in contingent commissions, which is included in the selling, underwriting and general expenses line in our results of operations.

While management has used its best judgment in establishing its estimate of required reserves, different assumptions and variables could lead to significantly different reserve estimates. Two key measures of loss activity are loss frequency, which is a measure of the number of claims per unit of insured exposure, and loss severity, which is a measure of the average size of claims. Factors affecting loss frequency include the effectiveness of loss controls and safety programs and changes in economic activity or weather patterns. Factors affecting loss severity include changes in policy limits, retentions, rate of inflation and judicial interpretations.

If the actual level of loss frequency and severity are higher or lower than expected, the ultimate reserves will be different than management s estimate. The effect of higher and lower levels of loss frequency and severity levels on our ultimate costs for claims occurring in 2009 would be as follows:

Change in both loss frequency and severity for all Property and Warranty	**Ultimate cost of claims occurring in 2009**	**Change in cost of claims occurring in 2009**
3% higher	$ 574,213	$ 32,962
2% higher	$ 563,118	$ 21,867
1% higher	$ 552,130	$ 10,879
Base scenario	$ 541,251	0
1% lower	$ 530,372	$ (10,879)
2% lower	$ 519,384	$ (21,867)
3% lower	$ 508,289	$ (32,962)

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Reserving for Asbestos and Other Claims

Our property and warranty line of business includes exposure to asbestos, environmental and other general liability claims arising from our participation in various reinsurance pools from 1971 through 1985. This exposure arose from a short duration contract that we discontinued writing many years ago. We carry case reserves, as recommended by the various pool managers, and IBNR reserves totaling $39,466 (before reinsurance) and $28,430 (net of reinsurance) at December 31, 2009. We believe the balance of case and IBNR reserves for these liabilities are adequate. However, 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 consolidated financial statements, we believe that any changes in reserve estimates for these claims are not reasonably likely to be material.

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 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 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, in an effort to resolve these disputes. The disputes involving ARIC and an affiliate, Assurant General Insurance Limited (formerly Bankers Insurance Company Limited (AGIL)), for the 1995 and 1996 program years are subject to working group settlements negotiated with other market participants. Negotiations, arbitrations and litigation are still ongoing or will be scheduled for the remaining disputes.

On February 28, 2006, there was a settlement relating to the 1996 program. In 2007, there were two settlements relating to parts of the 1997 program. During 2008, there was a $35,000 settlement relating to the 1997 program. Loss accruals previously established relating to the 1996 and 1997 program were adequate. As of December 31, 2009, we have $25,155 in loss reserves accrued. We believe, based on information currently available, that the amounts accrued are adequate. 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 outcomes with certainty.

On June 9, 2009, ARIC and AGIL, wholly-owned subsidiaries of the Company, entered into a settlement agreement with Willis Limited, a subsidiary of Willis Group Holdings Limited (Willis Limited). The settlement agreement related to an action commenced in 2007 in the English Commercial Court pertaining to the placement of personal accident reinsurance. Under the settlement agreement, Willis Limited paid ARIC and AGIL a total of $139,000, which was recorded in the Corporate and Other segment.

DAC

The costs of acquiring new business that vary with and are primarily related to the production of new business are deferred to the extent that such costs are deemed recoverable from future premiums or gross profits. Acquisition costs primarily consist of commissions, policy issuance expenses, premium tax and certain direct marketing expenses.

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Premium deficiency testing is performed annually. 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.

Long Duration Contracts

Acquisition costs for preneed life insurance policies issued prior to January 1, 2009 and life insurance policies (no longer offered) are deferred and amortized in proportion to anticipated premiums over the premium-paying period. These acquisition costs consist primarily of first year commissions paid to agents and sales and policy issue costs.

For preneed investment-type annuities, preneed life insurance policies with discretionary death benefit growth issued after January 1, 2009, 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 group worksite products, which typically have high front-end costs and are expected to remain in force for an extended period of time, consist primarily of first year commissions to brokers and one time policy transfer fees and costs of issuing new certificates. These acquisition costs are front-end loaded, thus they are deferred and amortized over the estimated terms of the underlying contracts.

Acquisition costs relating to the majority of individual medical contracts issued prior to 2003, a limited number of individual medical contracts issued from 2003 through 2006 in certain jurisdictions, and individual voluntary limited benefit health policies issued in 2007 and later, 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.

Short Duration Contracts

Acquisition costs 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 and balances of the underlying contracts.

Acquisition costs relating to group term life, group disability and group dental consist primarily of 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 the majority of individual medical contracts issued from 2003 through 2006, all individual medical contracts issued after 2006 and all small group medical contracts consist primarily of commissions to agents and brokers and compensation to representatives. These contracts are considered short duration because the terms of the contract are not fixed at issue and they are not guaranteed renewable. 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.

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Investments

We regularly monitor our investment portfolio to ensure investments that may be other-than-temporarily impaired are identified in a timely fashion, properly valued, and charged against earnings in the proper period. The determination that a security has incurred an other-than-temporary decline in value requires the judgment of management. Assessment factors include, but are not limited to, the length of time and the extent to which the market value has been less than cost, the financial condition and rating of the issuer, whether any collateral is held, the intent and ability of the Company to retain the investment for a period of time sufficient to allow for recovery for equity securities and the intent to sell or whether it is more likely than not that the Company will be required to sell for fixed maturity securities. 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 impairments in future periods for other-than-temporary declines in value. Any equity security whose price decline is deemed other-than-temporary is written down to its then current market value with the amount of the impairment reported as a realized loss in that period. The impairment of a fixed maturity security that the Company has the intent to sell or that it is more likely than not that the Company will be required to sell is deemed other-than-temporary and is written down to its market value at the balance sheet date, with the amount of the impairment reported as a realized loss in that period. For all other-than-temporarily impaired fixed maturity securities that do not meet either of these two criteria, the Company is required to analyze its ability to recover the amortized cost of the security by calculating the net present value of projected future cash flows. For these other-than-temporarily impaired fixed maturity securities, the net amount recognized in earnings is equal to the difference between the amortized cost of the fixed maturity security and its net present value.

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 impairments in future periods for other-than-temporary declines in value. See also Investments in Note 5 to the Consolidated Financial Statements included elsewhere in this report and Item 1A Risk Factors Our investment portfolio is subject to several risks that may diminish the value of our invested assets and affect our profitability and Investments contained later in this item.

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.

The following table sets forth our reinsurance recoverables as of the dates indicated:

	As of December 31, 2009	As of December 31, 2008
Reinsurance recoverables	$ 4,212,863	$ 4,010,170

We have used reinsurance to exit certain businesses, such as the dispositions of FFG and LTC. The reinsurance recoverables relating to these dispositions amounted to $2,790,765 and $2,616,622 at December 31, 2009 and 2008, respectively.

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In the ordinary course of business, we are involved in both the assumption and cession of reinsurance with non-affiliated companies. The following table provides details of the reinsurance recoverables balance for the years ended December 31:

	2009	2008
Ceded future policyholder benefits and expense	$ 2,786,916	$ 2,672,754
Ceded unearned premium	698,985	637,528
Ceded claims and benefits payable	662,553	637,103
Ceded paid losses	64,409	62,785
Total	$ 4,212,863	$ 4,010,170

We utilize reinsurance for loss protection and capital management, business dispositions and, in Assurant Solutions, client risk and profit sharing. See also Item 1A Risk Factors-Reinsurance may not be available or adequate to protect us against losses and we are subject to the credit risk of insurers, and Item 7A Quantitative and Qualitative Disclosures About Market Risk Credit Risk.

Retirement and Other Employee Benefits

We sponsor both qualified and non-qualified pension plans and a retirement health benefits plan covering our employees who meet specified eligibility requirements. The calculation of reported expense and liability associated with these plans requires an extensive use of assumptions which include the discount rate, expected return on plan assets and rate of future compensation increases. We determine these assumptions based upon currently available market and industry data, and historical performance of the plan and its assets, to aid us in selecting appropriate assumptions and valuing our related liabilities. The actuarial assumptions used in the calculation of our aggregate projected benefit obligation may vary and include an expectation of long-term market appreciation in equity markets which is not changed by minor short-term market fluctuations, but does change when large interim deviations occur. The assumptions we use may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of the participants. See Note 22 to our consolidated financial statements for more information on our retirement and other employee benefits, including a sensitivity analysis for changes in the assumed health care cost trend rates.

Contingencies

We follow the requirements of the contingencies guidance, which is included within ASC Topic 450, *Contingencies*. This requires management to evaluate each contingent matter separately. A loss is reported if reasonably estimable and probable. We establish reserves for these contingencies at the best estimate, or, if no one estimated number within the range of possible losses is more probable than any other, we report an estimated reserve at the low end of the estimated range. Contingencies affecting the Company include litigation matters which are inherently difficult to evaluate and are subject to significant changes.

Deferred Taxes

Deferred income taxes are recorded for temporary differences between the financial reporting and income tax bases of assets and liabilities, based on enacted tax laws and statutory tax rates applicable to the periods in which the Company expects the temporary differences to reverse. A valuation allowance is established for deferred tax assets when it is more likely than not that an amount will not be realized. The Company has significant deferred tax assets resulting from capital loss carryforwards and other temporary differences that may reduce taxable income in future periods. The detailed components of our deferred tax assets, liabilities and valuation allowance are included in Note 8 to our consolidated financial statements.

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ASC Topic 740 states that a deferred tax asset should be reduced by a valuation allowance if, based on the weight of all available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. The valuation allowance should be sufficient to reduce the deferred tax asset to the amount that is more likely than not to be realized. In determining whether the Company s deferred tax asset is realizable, the Company considered all available evidence, including both positive and negative evidence. The realization of deferred tax assets depends upon the existence of sufficient taxable income of the same character during the carryback or carryforward period. The Company considered all sources of taxable income available to realize the deferred tax asset, including the future reversal of existing temporary differences, future taxable income exclusive of reversing temporary differences and carry forwards, taxable income in carry back years and tax-planning strategies.

The Company has concluded that it is not more likely than not that it will generate sufficient taxable income of the same character in the foreseeable future to realize all of its deferred tax assets related to capital loss carryovers.

During 2008, the Company recorded a tax benefit of $174,864 upon the sale of a non-operating subsidiary, United Family Life Insurance Company (UFLIC), and an offsetting valuation allowance of $90,000. During 2009, the Company recognized $16,000 of other comprehensive income which reduced the valuation allowance to $74,000. The decrease in the valuation allowance was primarily related to additional unrealized gains in the Company s investment portfolio. The gross deferred tax asset for cumulative realized and unrealized capital losses as of December 31, 2009 is $306,300, including the carryover from the loss on the sale of UFLIC.

The realization of deferred tax assets depends upon the existence of sufficient taxable income of the same character during the carry back or carry forward period. U.S. tax rules mandate that capital losses can only be recovered against capital gains. An example of capital gains would be gains from the sale of investments. The Company is dependent upon having capital gain income in the foreseeable future to use the capital loss carryforward in its entirety. To support the capital deferred tax asset, the Company is able to rely on future taxable capital gain income from gross unrealized gains in its investment portfolio, which has increased from the prior year s unprecedented market declines. The Company is also able to rely on the use of various tax planning strategies to forecast taxable capital gains in the foreseeable future.

ASC Topic 740 indicates that a tax planning strategy is an action that management ordinarily might not take, but would take, if necessary, to realize a tax benefit for a carryforward before it expires. These are actions that are prudent and feasible and would result in the realization of deferred tax assets. Examples include, but are not limited to, changing the character of taxable or deductible amounts from ordinary income or loss to capital gain or loss or accelerating taxable amounts.

The gross deferred tax asset related to net operating loss carryforwards on international subsidiaries is $45,056. It is more likely than not that some of this asset will not be realized in the foreseeable future. As such, a cumulative valuation allowance of $6,834 has been recorded as of December 31, 2009. The Company is dependent on income of the same character in the same jurisdiction to support the deferred tax assets related to net operating loss carryforwards of international subsidiaries.

As of December 31, 2009, the Company has a cumulative valuation allowance of $81,688 against deferred tax assets as it is management s assessment that it is more likely than not that $81,688 of deferred tax assets will not be realized.

The Company believes it is more likely than not that the remainder of its deferred tax assets will be realized in the foreseeable future. Accordingly, other than noted herein for capital loss carryovers and international subsidiaries, a valuation allowance has not been established.

Future reversal of the valuation allowance will be recognized either when the benefit is realized or when it has been determined that it is more likely than not that the benefit will be realized. Depending on the nature of

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the taxable income that results in a reversal of the valuation allowance, and on management s judgment, the reversal will be recognized either through other comprehensive income (loss) or through continuing operations in the statement of operations. Likewise, if the Company determines that it is not more likely than not that it would be able to realize all or part of the deferred tax asset in the future, an adjustment to the deferred tax asset valuation allowance would be recorded through a charge to continuing operations in the statement of operations in the period such determination is made.

In determining the appropriate valuation allowance, certain judgments are made by management relating to recoverability of deferred tax assets, use of tax loss and tax credit carryforwards, levels of expected future taxable income and available tax planning strategies. The assumptions in making these judgments are updated periodically by management based on current business conditions that affect the Company and overall economic conditions. These management judgments are therefore subject to change based on factors that include, but are not limited to, changes in expected capital gain income in the foreseeable future and the ability of the Company to successfully execute its tax planning strategies. Please see Item 1A *Risk Factors Risks Related to Our Company On anticipated changes in tax provisions or additional income tax liabilities could materially and adversely affect our results* for more information.

Valuation and Recoverability of Goodwill

Goodwill represented $926,398 and $1,001,899 of our $25,841,796 and $24,514,586 of total assets as of December 31, 2009 and 2008, respectively. We review our goodwill annually in the fourth quarter for impairment, or more frequently if indicators of impairment exist. We regularly assess whether any indicators of impairment exist. Such indicators include, but are not limited to, a sustained significant decline in our share price and market capitalization or a significant decline in our expected future cash flows due to changes in company-specific factors or the broader business climate. The evaluation of such factors requires considerable judgment by management. Any adverse change in these factors could have a significant impact on the recoverability of goodwill and could have a material impact on our consolidated financial statements.

When required, we test goodwill for impairment at the reporting unit level. Following the goodwill guidance, which is included within ASC Topic 350, *Intangibles- Goodwill and Other*, we have concluded that our reporting units for goodwill testing are equivalent to our reported operating segments, excluding the Corporate and Other segment.

The following table illustrates the amount of goodwill assigned to each reporting unit:

	December 31,	
	2009	**2008**
Assurant Solutions	$ 380,291	$ 372,792
Assurant Specialty Property	239,726	239,726
Assurant Health	204,303	204,303
Assurant Employee Benefits	102,078	185,078
Total	$ 926,398	$ 1,001,899

For each reporting unit, we first compare its estimated fair value with its net book value. If the estimated fair value exceeds its net book value, goodwill is deemed not to be impaired, and no further testing is necessary. If the net book value exceeds its estimated fair value, we then perform a second test to measure the amount of impairment, if any. To determine the amount of any impairment, we determine the implied fair value of goodwill in the same manner as if the reporting unit were being acquired in a business combination. Specifically, we determine the fair value of all of the assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical calculation that yields the implied fair value of goodwill. If the implied fair value of goodwill is less than the recorded goodwill, we would record an impairment charge for the difference.

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The following describes the valuation methodologies used in both 2009 and 2008 to derive the estimated fair value of the reporting units.

For each reporting unit we identify a group of peer companies, which have operations that are as similar as possible to the reporting unit. Certain of our reporting units have a very limited number of peer companies. A Guideline Company Method is used to value the reporting unit based upon its relative performance to its peer companies, based on several measures, including price to trailing 12 month earnings, price to projected earnings, price to tangible net worth and return on equity.

A Dividend Discount Method (DDM) is used to value the reporting units based upon the expected earnings available for distribution over future periods. The Company determined the estimated fair value of the reporting unit considering distributable earnings which were estimated from operating plans. Operating plan cash flows were then discounted using a market participant weighted average cost of capital estimated for a reporting unit. After discounting the future discrete earnings to their present value, the Company estimated the terminal value attributable to the years beyond the discrete operating plan period. The discounted terminal value was then added to the aggregate discounted distributable earnings from the discrete operating plan period to estimate the fair value of the reporting unit.

A Guideline Transaction Method values the reporting unit based on available data concerning the purchase prices paid in acquisitions of companies operating in the insurance industry. The application of certain financial multiples calculated from these transactions provides an indication of estimated fair value of the reporting units.

While all three valuation methodologies are considered in assessing fair value, the DDM received the highest weighting of the three methodologies, since it uses the earnings capacity of a business which is generally considered the most important factor in the valuation of a business enterprise. Also, the DDM received the highest weight given recent dislocations in the economy, the scarcity of M&A transactions in the insurance marketplace and the relative lack of directly comparable companies particularly for Assurant Solutions.

In the fourth quarter, we conducted our annual assessment of goodwill using the methodologies discussed above. After completing the Step 1 analysis, we determined that three of the four reporting units had estimated fair values in excess of their net book values, however, the Assurant Employee Benefits reporting unit had an estimated fair value less than its net book value. Accordingly, Management performed a Step 2 test for Assurant Employee Benefits. Step 2 utilizes acquisition accounting guidance and requires the fair value calculation of all individual assets and liabilities of the reporting unit (excluding goodwill, but including any unrecognized intangible assets). The net fair value of assets less liabilities is then compared to the reporting unit s total estimated fair value as calculated in Step 1. The excess of the estimated fair value over the net asset value equals the implied fair value of goodwill. The implied fair value of goodwill is then compared to the carrying value of goodwill to determine the reporting unit s goodwill impairment. Based on our Step 2 test it was determined that $83,000 of goodwill related to the Assurant Employee Benefits reporting unit was impaired, resulting in a non-cash charge. This impairment reflects both a challenging near term growth environment for the Assurant Employee Benefits reporting unit and an increased net book value, primarily related to its investment portfolio, which has increased in value by $137,600 (after-tax) from prior year. Management remains confident in the long-term prospects of the Assurant Employee Benefits reporting unit.

The three reporting units that passed Step 1, Assurant Solutions, Assurant Specialty Property and Assurant Health had estimated fair values that exceeded their net book values by 9.4%, 35.6% and 20.6%, respectively.

The determination of fair value of our reporting units requires significant estimates and assumptions. These estimates and assumptions primarily include, but are not limited to, earnings and required capital projections discussed above, discount rates, terminal growth rates, operating income and dividend forecasts for each reporting unit and the weighting assigned to the results of each of the three valuation methods described above.

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Due to the inherent uncertainty involved in making these estimates, actual results could differ materially from those estimates. We evaluated the significant assumptions used to determine the estimated fair values of each reporting unit, both individually and in the aggregate and concluded they are reasonable.

Changes in certain assumptions could have a significant impact on the goodwill impairment assessment. For example, an increase of the discount rate of 100 basis points, with all other assumptions held constant, for Assurant Solutions, would result in its estimated fair value being less than its net book value as of December 31, 2009. Likewise, a reduction of 150 basis points in the terminal growth rate, with all other assumptions held constant, for Assurant Solutions would result in its estimated fair value being less than its net book value as of December 31, 2009. It would take more significant movements in our estimates and assumptions in order for Assurant Health and Assurant Specialty Property s estimated fair values to be less than their net book values.

Should weak market conditions continue for an extended period or should the operating results of any of our reporting units decline substantially compared to projected results, we could determine that we need to record an additional non-cash impairment charge related to goodwill in any of our reporting units.

Recent Accounting Pronouncements Adopted

On July 1, 2009, the Company adopted the new guidance on GAAP, which is within ASC Topic 105, *GAAP*. The new guidance establishes a single source of authoritative accounting and reporting guidance recognized by the FASB for nongovernmental entities (the Codification). The Codification does not change current GAAP, but is intended to simplify user access to all authoritative GAAP by providing all the authoritative literature related to a particular topic in one place. All existing accounting standard documents will be superseded and all other accounting literature not included in the Codification will be considered non-authoritative. The adoption of the new guidance did not have an impact on the Company s financial position or results of operations. References to accounting guidance contained in the Company s consolidated financial statements and disclosures have been updated to reflect terminology consistent with the Codification. Plain English references to the accounting guidance have been made along with references to the ASC topic number and name.

On December 31, 2009, the Company adopted the new guidance on postretirement benefit plan assets, which is within ASC Topic 715, *Compensation Retirement Benefits*. This new guidance requires companies to make additional disclosures about plan assets for defined benefit pension and other postretirement benefit plans. The additional disclosure requirements include how investment allocation decisions are made, the major categories of plan assets and the inputs and valuation techniques used to measure the fair value of plan assets. The adoption of this new guidance did not have an impact on the Company s financial position or results of operations. See Note 22.

On October 1, 2009, the Company adopted the new guidance on measuring the fair value of liabilities, which is within ASC Topic 820. When the quoted price in an active market for an identical liability is not available, this new guidance requires that either the quoted price of the identical or similar liability when traded as an asset or another valuation technique that is consistent with the fair value measurements and disclosures guidance be used to fair value the liability. The adoption of this new guidance did not have an impact on the Company s financial position or results of operations.

On June 30, 2009, the Company adopted the new subsequent events guidance, which is within ASC Topic 855, *Subsequent Events*. This new guidance establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The adoption of the new guidance did not have an impact on the Company s financial position or results of operations. See Note 27.

On April 1, 2009, the Company adopted the new other-than-temporary impairments (OTTI) guidance, which is within ASC Topic 320. This new guidance amends the previous guidance for debt securities and modifies the presentation and disclosure requirements for debt and equity securities. In addition, it amends the requirement for an entity to positively assert the intent and ability to hold a debt security to recovery to determine whether an OTTI exists and replaces this provision with the assertion that an entity does not intend to sell or it is not more likely than not that the entity will be required to sell a security prior to recovery of its amortized cost basis. Additionally, this new guidance modifies the presentation of certain OTTI debt securities to only present the impairment loss within the results of operations that represents the credit loss associated with the OTTI with the remaining impairment loss being presented within other comprehensive income (loss) (OCI). At adoption, the Company recorded a cumulative effect adjustment to reclassify the non-credit component of previously recognized OTTI securities which resulted in an increase of $43,117 (after-tax) in retained earnings and a decrease of $43,117 (after-tax) in accumulated OCI (AOCI). See Note 5 for further information.

On April 1, 2009, the Company adopted the new guidance on determining fair value in illiquid markets, which is within ASC Topic 820. This new guidance clarifies how to estimate fair value when the volume and level of activity for an asset or liability have significantly decreased. This new guidance also clarifies how to identify circumstances indicating that a transaction is not orderly. Under this new guidance, significant decreases in the volume and level of activity of an asset or liability, in relation to normal market activity, requires further evaluation of transactions or quoted prices and exercise of significant judgment in arriving at fair values. This new guidance also requires additional interim and annual disclosures. The adoption of this new guidance did not have an impact on the Company s financial position or results of operations.

On April 1, 2009, the Company adopted the new fair value of financial instruments guidance, which is within ASC Topic 825, *Financial Instruments*. This new guidance requires disclosures about the fair value of financial instruments already required in annual financial statements to be included within interim financial statements. This new guidance also requires disclosure of the methods and assumptions used to estimate fair value. The adoption of this new guidance did not have an impact on the Company s financial position or results of operations. See Note 6 for further information.

On January 1, 2009, the Company adopted the revised business combinations guidance, which is within ASC Topic 805, *Business Combinations*. The revised guidance retains the fundamental requirements of the previous guidance in that the acquisition method of accounting be used for all business combinations, that an acquirer be identified for each business combination and for goodwill to be recognized and measured as a residual. The revised guidance expands the definition of transactions and events that qualify as business combinations to all transactions and other events in which one entity obtains control over one or more other businesses. The revised guidance broadens the fair value measurement and recognition of assets acquired, liabilities assumed and interests transferred as a result of business combinations. It also increases the disclosure requirements for business combinations in the consolidated financial statements. The adoption of the revised guidance did not have an impact on the Company s financial position or results of operations. However, should the Company enter into any business combination in 2010 or beyond, our financial position or results of operations could incur a significantly different impact than had it recorded the acquisition under the previous business combinations guidance. Earnings volatility could result, depending on the terms of the acquisition.

On January 1, 2009, the Company adopted the new consolidations guidance, which is within ASC Topic 810, *Consolidation*. The new guidance requires that a noncontrolling interest in a subsidiary be separately reported within equity and the amount of consolidated net income attributable to the noncontrolling interest be presented in the statement of operations. The new guidance also calls for consistency in reporting changes in the parent s ownership interest in a subsidiary and necessitates fair value measurement of any noncontrolling equity investment retained in a deconsolidation. The adoption of the new guidance did not have an impact on the Company s financial position or results of operations.

On January 1, 2009, the Company applied the fair value measurements and disclosures guidance, which is within ASC Topic 820, *Fair Value Measurements and Disclosures*, for all non-financial assets and liabilities measured at fair value on a non-recurring basis. The application of this guidance for those assets and liabilities did not have an impact on the Company s financial position or results of operations. The Company s non-financial assets measured at fair value on a non-recurring basis include goodwill and intangible assets. In a business combination, the non-financial assets and liabilities of the acquired company would be measured at fair value in accordance with the fair value measurements and disclosures guidance. The requirements of this guidance include using an exit price based on an orderly transaction between market participants at the measurement date assuming the highest and best use of the asset by market participants. To perform a market valuation, the Company is required to use a market, income or cost approach valuation technique(s). The Company performed its annual impairment analyses of goodwill and indefinite-lived intangible assets in the fourth quarter of 2009. Step 1 of the impairment test indicated that the net book value of the Assurant Employee Benefits (AEB) reporting unit was greater than its estimated fair value. Based on the results of the Step 1 test, the Company was required to measure the fair value of goodwill of the AEB reporting unit in Step 2 of the impairment test. As mentioned above, the application of this guidance which was used to measure the fair value of goodwill of the AEB reporting unit in Step 2 of the impairment test did not have an impact on the Company s financial position or results of operations during 2009.

On January 1, 2009, the Company adopted the new earnings per share guidance on participating securities and the two-class method, which is within ASC Topic 260, *Earnings Per Share*. The new guidance requires unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents to be treated as participating securities. Therefore, the Company s restricted stock and restricted stock units which have non-forfeitable rights to dividends are included in calculating basic and diluted earnings per share under the two-class method. All prior period earnings per share data presented have been adjusted retrospectively. The adoption of the new guidance did not have a material impact on the Company s basic and diluted earnings per share calculations for the years ended December 31, 2009, 2008, and 2007. See Note 24 for further information.

Recent Accounting Pronouncements Not Yet Adopted

In June 2009, the FASB issued new guidance on transfers of financial assets, which is within ASC Topic 860, *Transfers and Servicing*. This new guidance amends the derecognition guidance in the Codification and eliminates the exemption from consolidation for qualifying special-purpose entities. This new guidance is effective for transfers of financial assets occurring in fiscal years beginning after November 15, 2009 and in interim periods within those fiscal years. Therefore, the Company is required to adopt this guidance on January 1, 2010. The adoption of this new guidance will not have an impact on the Company s financial position or results of operations.

In June 2009, the FASB issued new guidance on the accounting for a variable interest entity (VIE), which is within ASC Topic 810. This new guidance amends the consolidation guidance applicable to VIEs to require a qualitative assessment in the determination of the primary beneficiary of the VIE, to require an ongoing reconsideration of the primary beneficiary, to amend the events that trigger a reassessment of whether an entity is a VIE and to change the consideration of kick-out rights in determining if an entity is a VIE. This new guidance provides two transition alternatives: (i) retrospective application with a cumulative-effect adjustment to retained earnings as of the beginning of the first year adjusted; or (ii) application as of the date of adoption with a cumulative-effect adjustment to retained earnings recognized on that date. This new guidance is effective as of the beginning of the Company s first fiscal year beginning after November 15, 2009, and for interim periods within those fiscal years. Therefore, the Company is required to adopt this guidance on January 1, 2010. The adoption of this new guidance will not have a material impact on the Company s financial position and results of operations.

In September 2009, the FASB issued new guidance on multiple deliverable revenue arrangements, which is within ASC Topic 605, *Revenue Recognition*. This new guidance requires entities to use their best estimate of the selling price of a deliverable within a multiple deliverable revenue arrangement if the entity and other entities do not sell the deliverable separate from the other deliverables within the arrangement. This new guidance requires both qualitative and quantitative disclosures. This new guidance will be effective for new or materially modified arrangements in fiscal years beginning on or after June 15, 2010. Earlier application is permitted as of the

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beginning of a fiscal year. Assuming the Company does not apply the guidance early, the Company is required to adopt this new guidance on January 1, 2011. The Company is currently evaluating the requirements of this new guidance and the potential impact, if any, on the Company s financial position and results of operations.

Results of Operations

Assurant Consolidated

Overview

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

For the Year