

Report on Examination
of
American Bankers Life Assurance Company
of Florida
Miami, Florida
as of
December 31, 2010

By The
Florida Office of Insurance Regulation

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Rhode Island Division of Insurance
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1511 Pontiac Avenue, Building 69-2
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Dear Commissioners and Superintendent:

In accordance with Section 624.316, Florida Statutes, and the *Financial Condition Examiners Handbook* of the National Association of Insurance Commissioners, we have completed a financial condition examination of American Bankers Life Assurance Company of Florida as of December 31, 2010. Our report on the examination follows.

Florida Office of Insurance Regulation
March 3, 2012

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SCOPE OF EXAMINATION

We have completed a financial condition examination as of December 31, 2010 of American Bankers Life Assurance Company of Florida (the "Company"), a multi-state insurer domiciled in Florida. The last financial condition examination of the Company by the Florida Office of Insurance Regulation (the "Office") was as of December 31, 2006.

This examination covered the period of January 1, 2007 through December 31, 2010. We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. The Handbook required that we plan and perform our examination to evaluate the financial condition and identify prospective risks of the Company. It required that we do so by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. Our examination included assessing the principles used and significant estimates made by management. It also included evaluating overall financial statement presentation and management's compliance with statutory accounting principles and annual statement instructions when applicable to domestic state regulations. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

COMPANY HISTORY

The Company was incorporated in Florida on February 6, 1952 and commenced business on April 8, 1952. It was licensed by the Office on July 14, 1952 and was authorized by the State of Florida to operate as an insurer in accordance with Section 624.401, Florida Statutes (F.S.), in the following lines:

- Life
- Group life and annuities
- Credit life
- Credit disability
- Accident and health

Dividends and Capital Contributions

In years 2007 through 2010, the Company distributed shareholder dividends in the amounts of \$10 million, \$10 million, \$45 million and \$53 million, respectively. It did not receive capital contributions during the period covered by the examination.

CORPORATE RECORDS

The minutes of the meetings of the Company's shareholder and board of directors and the Assurant, Inc. audit committee were reviewed for the period examined. The minutes of the Board adequately documented its meetings and approval of Company transactions in accordance with Section 607.1601, F.S., including the authorization of investments as required by Section 625.304, F.S.

MANAGEMENT AND CONTROL

The Company was wholly owned by American Bankers Insurance Group, Inc. (ABIG), an indirect subsidiary of Assurant, Inc. The common stock of Assurant, Inc. is traded on the New York Stock Exchange. The Company was affiliated with numerous other entities through common ownership and control, including American Bankers Insurance Company of Florida, a Florida property and casualty insurer.

The Company's senior officers, directors and Investment Committee members were as shown below.

Senior Officers

Name	Title
Steven C. Lemasters	Chief Executive Officer and President
Manuel J. Becerra	Group Senior Vice President
Allen F. Tuthill	Senior Vice President
Elaine M. Martin	Senior Vice President
Gajinderpal S. Gill	Senior Vice President
Ivan C. Lopez-Morales	Senior Vice President
John A. Frobose	Senior Vice President
Joseph E. Erdeman	Senior Vice President
Michael Campbell	Senior Vice President
Michael D. Anderson	Senior Vice President
Russell G. Kirsch	Senior Vice President
Valerie T. Seasholtz	Senior Vice President
Jeannie A. Aragon-Cruz	Secretary
Gregory J. DeChurch	General Counsel and Assistant Secretary
Andrew P. Chung	Treasurer
Jonathon P. Jannarone	Chief Actuary

Board of Directors

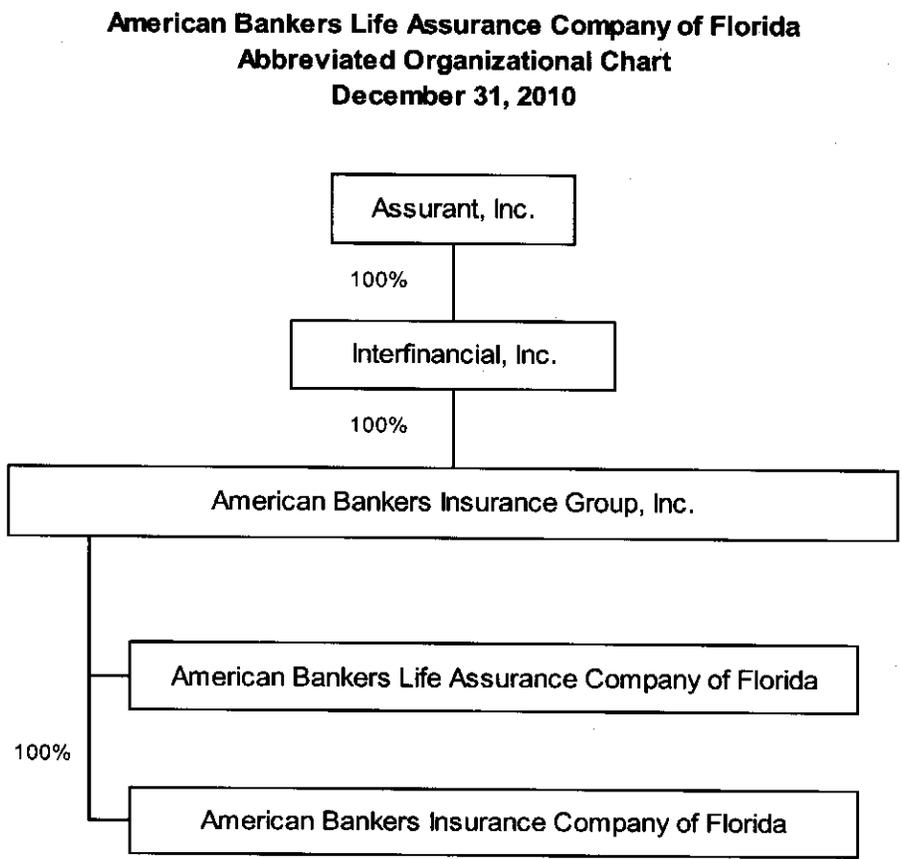
Name	Location
Russell G. Kirsch	Pembroke Pines, Florida
Steven C. Lemasters	Atlanta, Georgia
Ivan C. Lopez-Morales	Atlanta, Georgia
Valerie T. Seasholtz	Homestead, Florida
Doris R. Vigo	Miami, Florida

Investment Committee

Steven C. Lemasters
Ivan C. Lopez-Morales

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code (F.A.C.). Its latest holding company registration statement was filed with the State of Florida as required by Section 628.801, F.S., and Rule 69O-143.046, F.A.C., on February 22, 2011.

An abbreviated organizational chart reflecting the holding company system is shown below.



The following agreements were in effect between the Company and its affiliates:

Administrative Services Agreements

Assurant, Inc. and ABIG provided audit, human resource management, investment management and information technology services to the Company pursuant to intercompany administrative services agreements.

Investment Agreement

Assurant, Inc. and ABIG provided services to the Company related to investment management, investment accounting, safekeeping of assets and information technology pursuant to investment services agreements.

Tax Allocation Agreement

The results of the Company's operations were included in the consolidated federal income tax returns of Assurant, Inc. pursuant to a tax allocation agreement. The agreement provided for the allocation of consolidated income tax on a separate return basis.

Operational Service Agreements

The Company was a party to various agreements with affiliates, effective as of 2008 and 2009, providing for affiliates to furnish and receive data processing, management, premium processing, and claims processing services.

FIDELITY BONDS AND OTHER INSURANCE

The Company was a named insured on an Assurant, Inc. fidelity bond. The amount of the coverage was \$10,000,000 with a deductible of \$250,000 which adequately provided for the suggested minimum amount of coverage for the Company as recommended by the NAIC of \$4,500,000.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had no employees working directly for it. Assurant, Inc. sponsored a qualified defined benefit pension plan, a defined contribution pension plan, and certain other benefits covering eligible employees of Assurant, Inc. and its subsidiaries including the Company.

TERRITORY AND PLAN OF OPERATION

The Company provided primarily credit life, credit accident and health, group life, and group accident and health insurance. It concentrated on marketing credit-related insurance programs through financial institutions, retailers and other entities which provide consumer financing as a regular part of their business. It was authorized to transact insurance in Anguilla, Aruba, the British Virgin Islands, Canada, the District of Columbia, Guam, the Netherlands Antilles, Puerto Rico, the U.S. Virgin Islands, and all U.S. states except New York.

COMPANY GROWTH

The Company reported the following for years 2007 through 2010:

(In millions)	2007	2008	2009	2010
Premiums	\$ 163.0	\$ 129.9	\$ 100.9	\$ 89.1
Revenues	\$ 325.0	\$ 299.4	\$ 284.2	\$ 269.3
Net income	\$ 14.5	\$ 1.7	\$ 27.0	\$ 23.9
Capital and surplus	\$ 127.4	\$ 106.7	\$ 116.6	\$ 88.1

REINSURANCE

The Company assumed and ceded life and accident and health reinsurance. Most of the assumed reinsurance was from affiliates; most of the ceded business was to unaffiliated entities.

A substantial portion of the Company's reinsurance activities were related to agreements to reinsure premiums generated by U.S. lending and finance companies. The reinsurance was to captive insurance companies of the U.S. lending and finance companies or reinsurance subsidiaries in which the U.S. lending and finance companies had an ownership interest. Many of these producer owned reinsurance companies were chartered in countries other than the U.S. The Company's income in this area was largely derived from fees paid by the captive insurance companies for processing and other services performed by the Company.

ACCOUNTS AND RECORDS

Examiners found that two agreements between the Company and securities custodians did not contain provisions requiring notification to the Office of any account termination or complete withdrawal, as required by Rule 690-143.042(2)(o), F.A.C.

STATUTORY DEPOSITS

Cash and securities were deposited with the State of Florida as required by Section 624.411, F.S., and with other jurisdictions as follows:

Holder	Par Value	Market Value
Arkansas	\$ 160,000	\$ 170,853
Aruba	330,471	330,471
British Virgin Islands	2,760,000	3,026,659
Canada	207,821,207	216,757,553
Florida	6,525,000	7,018,718
Georgia	1,155,000	1,158,175
Massachusetts	120,000	126,236
Mississippi	350,000	356,685
Netherlands Antilles	5,316,325	5,338,077
New Hampshire	250,000	260,785
New Mexico	120,000	130,726
New Zealand	392,037	400,846
North Carolina	930,000	959,844
Oklahoma	300,000	339,480
Puerto Rico	1,000,000	1,070,700
U.S. Virgin Islands	503,720	634,605
Virginia	160,000	167,944
Total deposits	\$ 228,193,760	\$ 238,248,357

American Bankers Life Assurance Company of Florida
Assets
December 31, 2010

	Per Company	Examination Adjustments	Per Examination
Bonds	\$ 398,048,103	\$ -	\$ 398,048,103
Preferred stocks	6,749,792	-	6,749,792
Common stocks	274,386	-	274,386
First liens - mortgage loans on real estate	46,777,389	-	46,777,389
Properties occupied by the company	27,885,001	-	27,885,001
Cash, cash equivalents and short-term investments	44,586,934	-	44,586,934
Contract loans	6,065,313	-	6,065,313
Derivatives	1,454,595	-	1,454,595
Other invested assets	4,725,957	-	4,725,957
	536,567,470	-	536,567,470
Investment income due and accrued	4,934,372	-	4,934,372
Uncollected premiums and agents' balances	9,306,485	-	9,306,485
Deferred premiums and agents' balances	197,754	-	197,754
Amounts recoverable from reinsurers	18,389,992	-	18,389,992
Funds held by or deposited with reinsured companies	11,722,891	-	11,722,891
Other amounts receivable under reinsurance contracts	9,697,041	-	9,697,041
Net deferred tax asset	21,909,248	-	21,909,248
Guaranty funds receivable or on deposit	213,243	-	213,243
Electronic data processing equipment and software	352,135	-	352,135
Receivables from parent, subsidiaries and affiliates	10,868,273	-	10,868,273
Aggregate write-ins for other than invested assets	2,373,360	-	2,373,360
Total assets	\$ 626,532,264	\$ -	\$ 626,532,264

American Bankers Life Assurance Company of Florida
Liabilities, Surplus and Other Funds
December 31, 2010

Liabilities	Per Company	Examination Adjustments	Per Examination
Aggregate reserve for life contracts	\$ 238,011,050	\$ -	\$ 238,011,050
Aggregate reserve for accident and health contracts	112,725,074	-	112,725,074
Liability for deposit-type contracts	8,604,287	-	8,604,287
Contract claims - Life	16,296,813	-	16,296,813
Contract claims - Accident and health	17,148,254	-	17,148,254
Premiums and considerations received in advance	26,636	-	26,636
Other amounts payable on reinsurance	43,569,421	-	43,569,421
Interest maintenance reserve	3,324,330	-	3,324,330
Commissions to agents	8,131,034	-	8,131,034
General expenses	15,917,650	-	15,917,650
Taxes, licenses and fees	1,902,278	-	1,902,278
Current federal and foreign income taxes	8,495,380	-	8,495,380
Unearned investment income	191,352	-	191,352
Amounts withheld or retained by company	4,217,232	-	4,217,232
Amounts held for agents' account	827,507	-	827,507
Remittances and items not allocated	404,739	-	404,739
Asset valuation reserve	4,707,617	-	4,707,617
Reinsurance in unauthorized companies	645,764	-	645,764
Funds held under reinsurance treaties	22,442,145	-	22,442,145
Payable to parent, subsidiaries and affiliates	22,369,783	-	22,369,783
Funds held under coinsurance	6,162,383	-	6,162,383
Derivatives	308,710	-	308,710
Aggregate write-ins for liabilities	2,033,488	-	2,033,488
Total liabilities	538,462,927	-	538,462,927
Capital and Surplus			
Common capital stock	4,472,341	-	4,472,341
Gross paid in and contributed surplus	77,356,169	-	77,356,169
Aggregate write-ins for special surplus funds	12,694,603	-	12,694,603
Unassigned funds	(6,453,776)	-	(6,453,776)
Total capital and surplus	88,069,337	-	88,069,337
Total liabilities, capital and surplus	\$ 626,532,264	\$ -	\$ 626,532,264

American Bankers Life Assurance Company of Florida
Summary of Operations
(As reported by the Company)
For The Year Ended December 31, 2010

Premiums and annuity considerations	\$ 89,073,963
Net investment income	34,267,452
Amortization of interest maintenance reserve	602,253
Commissions and expense allowances on reinsurance ceded	144,482,796
Reserve adjustments on reinsurance ceded	1,773,804
Aggregate write-ins for miscellaneous income	(944,446)
Total revenues	269,255,822
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Death benefits	25,640,156
Annuity benefits	317,088
Disability benefits and benefits under accident and health contracts	11,840,134
Surrender benefits and withdrawals for life contracts	13,826,743
Interest and adjustments on contract or deposit-type contract funds	(880,614)
Payments on supplementary contracts with life contingencies	603,536
Increase in aggregate reserves	(22,906,880)
	28,440,163
Commissions	128,159,364
Commissions and expense allowances on reinsurance assumed	23,443,308
General insurance expenses	42,354,503
Insurance taxes, licenses and fees	14,952,694
	237,350,032
Net gain from operations before income taxes and capital gains	31,905,790
Federal and foreign income taxes	9,258,210
Net realized capital gains	1,216,077
Net income	\$ 23,863,657

American Bankers Life Assurance Company of Florida
Statement of Changes in Capital and Surplus
For The Four Years Ended December 31, 2010

Capital and surplus - December 31, 2006	\$ 105,733,433
Net income	14,525,611
Change in net unrealized capital gains (losses)	(404,172)
Change in net unrealized foreign exchange capital gain (loss)	11,866,473
Change in net deferred income tax	(5,155,100)
Change in nonadmitted assets	1,655,722
Change in liability for reinsurance in unauthorized companies	396,926
Change in asset valuation reserve	411,541
Cumulative effect of changes in accounting principles	(371,646)
Dividends to stockholder	(10,000,000)
Aggregate write-ins for gains and losses in surplus	8,757,944
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Capital and surplus - December 31, 2007	127,416,732
Net income	1,683,884
Change in net unrealized capital gains (losses)	(39,612)
Change in net unrealized foreign exchange capital gain (loss)	(16,902,865)
Change in net deferred income tax	(6,538,772)
Change in nonadmitted assets	5,143,860
Change in liability for reinsurance in unauthorized companies	(116,872)
Change in asset valuation reserve	3,625,134
Dividends to stockholder	(10,000,000)
Aggregate write-ins for gains and losses in surplus	2,435,155
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Capital and surplus - December 31, 2008	106,706,644
Net income	26,996,834
Change in net unrealized capital gains (losses)	744,714
Change in net unrealized foreign exchange capital gain (loss)	12,602,724
Change in net deferred income tax	(6,348,202)
Change in nonadmitted assets	4,890,376
Change in liability for reinsurance in unauthorized companies	(25,347)
Change in asset valuation reserve	(874,316)
Cumulative effect of changes in accounting principles	113,279
Dividends to stockholder	(45,000,000)
Aggregate write-ins for gains and losses in surplus	16,811,035
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Capital and surplus - December 31, 2009	116,617,741

(Continued on next page)

American Bankers Life Assurance Company of Florida
Statement of Changes in Capital and Surplus (Continued)
For The Four Years Ended December 31, 2010

Net income	23,863,657
Change in net unrealized capital gains (losses)	(147,309)
Change in net unrealized foreign exchange capital gain (loss)	5,074,351
Change in net deferred income tax	(2,618,519)
Change in nonadmitted assets	(932,335)
Change in liability for reinsurance in unauthorized companies	659,045
Change in asset valuation reserve	(1,141,122)
Dividends to stockholder	(53,000,000)
Aggregate write-ins for gains and losses in surplus	(306,172)
	<hr/> 88,069,337
Examination adjustments	-
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Capital and surplus - December 31, 2010	\$ 88,069,337
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**American Bankers Life Assurance Company of Florida
Comparative Analysis of Changes in Capital and Surplus
December 31, 2010**

The following is a reconciliation of capital and surplus between that reported by the Company and as determined by the examination.

Capital and surplus, December 31, 2010 - per annual statement			\$ 88,069,337
	Per Company	Per Examination	Increase (Decrease) In Capital & Surplus
Total assets	\$ 626,532,264	\$ 626,532,264	\$ -
Total liabilities	\$ 538,462,927	\$ 538,462,927	\$ -
Net change in capital and surplus			-
Capital and surplus, December 31, 2010 - per examination			\$ 88,069,337

SUMMARY OF FINDINGS

Securities Custody Agreements

As reported on page 8, certain agreements between the Company and securities custodians did not contain provisions requiring notification to the Office of any account termination or complete withdrawal, as required by Rule 69O-143.042(2)(o), F.A.C. **We recommend that the Company amend the agreements to add the provisions required by Rule 69O-143.042(2)(o), F.A.C.**

SUBSEQUENT EVENTS

In its 2011 annual statement, the Company reported premiums and annuity considerations, total revenues, and net income of \$118.9 million, \$269.9 million, and \$15.4 million, respectively, for the year 2011, and total capital and surplus of \$73.8 million as of December 31, 2011. The Company reported that it distributed \$17.0 million in shareholder dividends during 2011.

CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of American Bankers Life Assurance Company of Florida, consistent with the insurance laws of the State of Florida.

The Company's capital and surplus at December 31, 2010 was determined to be \$88,069,337, which was in compliance with Section 624.408, F.S. Its required minimum capital and surplus was \$26,828,101.

Christine N. Afolabi, CPA, Financial Specialist; Jonathan Frisard, Financial Examiner/Analyst Supervisor; Cathy S. Jones, CPA, AFE, Financial Examiner/Analyst Supervisor; Kerry A. Krantz, Actuary; and Highland Clark, LLC participated in this examination.

Respectfully submitted,

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Financial Specialist
Florida Office of Insurance Regulation

Steven R. Sigler, CFE, AES
Financial & IT Examiner
Highland Clark, LLC