

**Report on Examination**  
**of**  
**American Bankers**  
**Life Assurance Company of Florida**  
**Miami, Florida**  
**as of**  
**December 31, 2013**



**FLORIDA OFFICE OF  
INSURANCE REGULATION**

Kevin M. McCarty, Commissioner  
Florida Office of Insurance Regulation  
Tallahassee, Florida

Dear Sir:

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, 2013. Our report on the examination follows.

Florida Office of Insurance Regulation  
April 6, 2015

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## SCOPE OF EXAMINATION

We have completed a financial condition examination of American Bankers Life Assurance Company of Florida (the "Company"), a multi-state insurer domiciled in Florida. Our examination covered the period of January 1, 2011 through December 31, 2013 and took place primarily in the Company's Miami, Florida office. The last financial condition examination of the Company by the Florida Office of Insurance Regulation (the "Office") was as of December 31, 2010. Our examination of the Company was one of 12 coordinated financial condition examinations of companies in the Assurant group by 8 participating states. The exams were coordinated by the Delaware Department of Insurance. A substantial portion of the Company examination work was conducted by INS Regulatory Insurance Services, Inc. on behalf of the Office.

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 licensed by the Office as an insurer on July 14, 1952. It was authorized by the State of Florida to operate as a life and health insurer in accordance with Section 624.401, Florida Statutes (F.S.).

### Dividends and Capital Contributions

In years 2011 through 2013, the Company distributed shareholder dividends in the amounts of \$27 million, \$26 million, and \$24.9 million, respectively. On February 5, 2014, the Company received a capital contribution of \$8 million and received approval from the Office to retroactively include the capital infusion in surplus as of December 31, 2013, in addition to an admitted intercompany receivable.

## CORPORATE RECORDS

We reviewed the minutes of meetings held by the Company's shareholder and board of directors, and of the Assurant, Inc. audit committee. The Board's approval of Company transactions, including the authorization of its investments as required by Section 625.304, F.S., was recorded in the minutes of its meetings.

## 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.

Its senior officers and directors were:

### Senior Officers

Name	Title
Steven Craig Lemasters	Chief Executive Officer and President
Andrew Paul Chung	Treasurer
Jeannie Amy Aragon-Cruz	Secretary
Michael David Anderson	Senior Vice President
Manuel Jose Becerra	Group Senior Vice President
Michael Campbell	Senior Vice President
Gregory Joseph DeChurch	General Counsel
Joseph Edward Erdeman	Senior Vice President
John August Frobose	Senior Vice President
Russell Gary Kirsch	Senior Vice President
Ivan Carlos Lopez-Morales	Senior Vice President
Elaine Martin	Senior Vice President
Alexa Stephens	Actuary

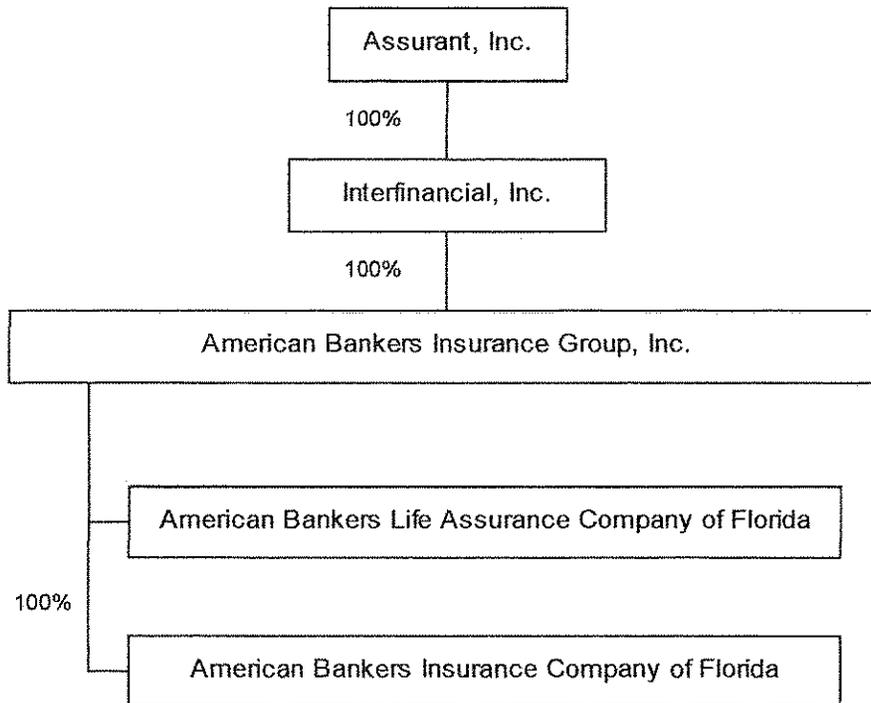
### Board of Directors

Name	Location
Julie Elizabeth Cosio	Miami, Florida
Russell Gary Kirsch	Atlanta, Georgia
Steven Craig Lemasters	Atlanta, Georgia
Ivan Carlos Lopez-Morales	Atlanta, Georgia
Doris Rosario Vigo	Miami, Florida

The Company was a member of an insurance holding company system. 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, Florida Administrative Code (F.A.C.), on February 27, 2014.

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

**American Bankers Life Assurance Company of Florida  
Abbreviated Organizational Chart  
December 31, 2013**



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 service 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 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 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 \$5,000,000.

## **PENSION, STOCK OWNERSHIP AND INSURANCE PLANS**

The Company had no direct employees and did not directly provide employee benefits nor sponsor retirement plans. 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, 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 2011 through 2013:

*(In millions)*

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Premiums	\$ 118.9	\$ 127.7	\$ 114.9
Total revenues	\$ 269.9	\$ 216.0	\$ 212.8
Net income (loss)	\$ 15.4	\$ 13.4	\$ 11.0
Stockholder dividends	\$ 27.0	\$ 26.0	\$ 24.9
Paid in surplus received	\$ 1.2	\$ -	\$ 8.0
Admitted assets	\$ 588.1	\$ 553.8	\$ 521.6
Liabilities	\$ 514.3	\$ 486.5	\$ 471.2
Capital and surplus	\$ 73.8	\$ 67.3	\$ 50.4

## REINSURANCE

The Company assumed and ceded life and accident and health reinsurance. Most of the assumed reinsurance was from affiliates, and 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.

## 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 required:

Holder	Par Value	Market Value
Anguilla	\$ 40,391	\$ 40,391
Arkansas	140,000	152,838
Aruba	330,471	330,471
British Virgin Islands	2,760,000	3,105,665
Canada	137,633,049	136,205,239
Florida	6,525,000	7,378,503
Georgia	1,155,000	1,231,585
Netherland Antilles	5,316,525	5,328,236
Massachusetts	120,000	131,004
New Hampshire	250,000	261,948
New Mexico	120,000	120,558
North Carolina	930,000	1,022,548
Oklahoma	300,000	311,313
Puerto Rico	1,000,000	1,023,410
U.S. Virgin Islands	500,000	503,918
Virginia	160,000	170,570
Total deposits	\$ 157,280,436	\$ 157,318,197

**American Bankers Life Assurance Company of Florida**  
**Admitted Assets**  
**December 31, 2013**

<b>Admitted Assets</b>	<b>As Reported</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Bonds	\$ 276,380,609	\$ -	\$ 276,380,609
Preferred stocks	3,460,375	-	3,460,375
Common stocks	611,347	-	611,347
Mortgage loans on real estate - first liens	35,392,259	-	35,392,259
Properties occupied by the company	37,000,164	-	37,000,164
Cash, cash equivalents and short-term investments	65,229,739	-	65,229,739
Contract loans	5,358,648	-	5,358,648
Derivatives	1,234,920	-	1,234,920
Other invested assets	4,277,734	-	4,277,734
	428,945,795	-	428,945,795
Investment income due and accrued	3,146,311	-	3,146,311
Uncollected premiums and agents' balances	13,103,460	-	13,103,460
Deferred premiums and agents' balances	125,128	-	125,128
Amounts recoverable from reinsurers	7,440,451	-	7,440,451
Funds held by or deposited with reinsured companies	19,480	-	19,480
Other amounts receivable under reinsurance contracts	10,846,302	-	10,846,302
Current federal and foreign income tax recoverable	2,880,039	-	2,880,039
Net deferred tax asset	18,134,595	-	18,134,595
Guaranty funds receivable or on deposit	70,004	-	70,004
Electronic data processing equipment and software	938,769	-	938,769
Receivables from parent, subsidiaries and affiliates	35,527,684	-	35,527,684
Aggregate write-ins for other than invested assets	412,188	-	412,188
<b>Total admitted assets</b>	<b>\$ 521,590,206</b>	<b>\$ -</b>	<b>\$ 521,590,206</b>

**American Bankers Life Assurance Company of Florida**  
**Liabilities, Capital and Surplus**  
**December 31, 2013**

<b>Liabilities</b>	<b>As Reported</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Aggregate reserve for life contracts	\$ 195,890,869	\$ -	\$ 195,890,869
Aggregate reserve for accident and health contracts	\$ 115,807,271	\$ -	\$ 115,807,271
Liability for deposit-type contracts	8,757,852	-	8,757,852
Contract claims - life	12,821,699	-	12,821,699
Contract claims - accident and health	9,487,617	-	9,487,617
Premiums received in advance	19,993	-	19,993
Other amounts payable on reinsurance	51,040,781	-	51,040,781
Interest maintenance reserve	3,207,198	-	3,207,198
Commissions to agents due or accrued	3,214,912	-	3,214,912
General expenses due or accrued	10,196,073	-	10,196,073
Taxes, licenses and fees due or accrued	1,954,128	-	1,954,128
Unearned investment income	226,523	-	226,523
Amounts withheld or retained by company	2,101,894	-	2,101,894
Amounts held for agents' account	552,246	-	552,246
Remittances and items not allocated	764,140	-	764,140
Asset valuation reserve	4,908,931	-	4,908,931
Reinsurance in unauthorized companies	202,516	-	202,516
Funds held under reinsurance with unauthorized companies	20,781,947	-	20,781,947
Payable to parent, subsidiaries and affiliates	24,337,452	-	24,337,452
Funds held under coinsurance	45,347	-	45,347
Derivatives	203,325	-	203,325
Aggregate write-ins for liabilities	4,701,841	-	4,701,841
<b>Total liabilities</b>	<b>471,224,554</b>	<b>-</b>	<b>471,224,554</b>
<b>Capital and Surplus</b>			
Common capital stock	4,472,341	-	4,472,341
Gross paid in and contributed surplus	57,993,432	-	57,993,432
Unassigned funds	(12,100,121)	-	(12,100,121)
<b>Total capital and surplus</b>	<b>50,365,652</b>	<b>-</b>	<b>50,365,652</b>
<b>Total liabilities, capital and surplus</b>	<b>\$ 521,590,206</b>	<b>\$ -</b>	<b>\$ 521,590,206</b>

**American Bankers Life Assurance Company of Florida**  
**Summary of Operations**  
**(As Reported By The Company)**  
**Year Ended December 31, 2013**

Premiums and annuity considerations for life and accident and health contracts	\$	114,878,398
Considerations for supplementary contracts with life contingencies		54,586
Net investment income		21,184,025
Amortization of interest maintenance reserve		770,609
Commissions and expense allowances on reinsurance ceded		78,650,522
Reserve adjustments on reinsurance ceded		(3,267,928)
Aggregate write-ins for miscellaneous income		571,511
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Total revenues		212,841,723
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Death benefits		17,989,710
Annuity benefits		403,524
Disability benefits and benefits under accident and health contracts		15,057,734
Surrender benefits and withdrawals for life contracts		16,209,963
Interest and adjustments on contract or deposit-type contract funds		(522,012)
Payments on supplementary contracts with life contingencies		633,549
Increase in aggregate reserves for life and accident and health contracts		(9,519,321)
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		40,253,147
Commissions on premiums, annuity considerations and deposit-type contract funds		84,176,098
Commissions and expense allowances on reinsurance assumed		24,711,894
General insurance expenses		26,843,548
Insurance taxes, licenses and fees		14,137,826
Aggregate write-ins for deductions		14,892,400
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		205,014,913
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Income before income taxes and net realized capital gains		7,826,810
Federal and foreign income taxes		1,400,117
Net realized capital gains		4,623,121
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Net income	\$	11,049,814
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**American Bankers Life Assurance Company of Florida**  
**Statement of Changes in Capital and Surplus**  
**Three Years Ended December 31, 2013**

Capital and surplus - December 31, 2010	\$ 88,069,337
Net income (loss)	15,381,826
Change in net unrealized capital gains (losses)	(312,090)
Change in net unrealized foreign exchange capital gain (loss)	(6,383,747)
Change in net deferred income tax	(1,097,402)
Change in nonadmitted assets	4,070,250
Change in liability for reinsurance in unauthorized companies	128,550
Change in asset valuation reserve	(122,078)
Paid in surplus adjustment	1,237,263
Dividends to stockholders	(27,000,000)
Aggregate write-ins for gains and losses in surplus	(205,097)
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Capital and surplus - December 31, 2011	73,766,812
Net income (loss)	13,410,497
Change in net unrealized capital gains (losses)	232,537
Change in net unrealized foreign exchange capital gain (loss)	1,793,384
Change in net deferred income tax	2,022,778
Change in nonadmitted assets	3,318,609
Change in liability for reinsurance in unauthorized companies	(187,136)
Change in asset valuation reserve	(236,356)
Cumulative effect of changes in accounting principles	7,575,978
Dividends to stockholders	(26,000,000)
Aggregate write-ins for gains and losses in surplus	(8,362,717)
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Capital and surplus - December 31, 2012	67,334,385
Net income (loss)	11,049,814
Change in net unrealized capital gains (losses)	450,575
Change in net unrealized foreign exchange capital gain (loss)	(3,347,895)
Change in net deferred income tax	(5,974,082)
Change in nonadmitted assets	(5,187,045)
Change in liability for reinsurance in unauthorized companies	501,838
Change in asset valuation reserve	157,120
Paid in surplus adjustment	8,000,000
Dividends to stockholders	(24,900,000)
Aggregate write-ins for gains and losses in surplus	2,280,941
<hr/>	
	50,365,652
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Examination adjustments	-
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Capital and surplus - December 31, 2013	\$ 50,365,652
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**American Bankers Life Assurance Company of Florida  
Comparative Analysis of Changes in Capital and Surplus  
December 31, 2013**

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

	<u>As Reported</u>	<u>Per Examination</u>	<u>Increase (Decrease) in Capital &amp; Surplus</u>	
<b>Capital and surplus, December 31, 2013 - as reported</b>				<b>\$ 50,365,652</b>
Total admitted assets	\$ 521,590,206	\$ 521,590,206	\$ -	
Total liabilities	\$ 471,224,554	\$ 471,224,554	\$ -	
Net change in capital and surplus			<u>-</u>	
<b>Capital and surplus, December 31, 2013 - per examination</b>				<b><u>\$ 50,365,652</u></b>

## 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.

At December 31, 2013, the Company's capital and surplus was \$50,365,652 and the Company was in compliance with the minimum capital and surplus requirement of Section 624.408, F.S.

In addition to the undersigned, INS Regulatory Insurance Services, Inc., Kerry Krantz, Actuary, and Scott R. Slaughter, CPA, Financial Examiner/Analyst participated in the examination.

Respectfully submitted,



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Cathy S. Jones, CPA, CFE  
Financial Examiner/Analyst Supervisor  
Florida Office of Insurance Regulation