REPORT ON EXAMINATION

OF

AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA

MIAMI, FLORIDA

AS OF

DECEMBER 31, 2005

BY THE

OFFICE OF INSURANCE REGULATION

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Tallahassee, Florida

November 3, 2006

Honorable Alfred W. Gross
Chairman, NAIC Commission (E)
Virginia Bureau of Insurance, State Corporation Commission
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Richmond, Virginia 23219

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Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Honorable Eleanor Kitzman
Secretary, Southeastern Zone, NAIC
Director of Insurance
300 Arbor Lake Drive, Suite 1200
Columbia, SC 29223

Honorable Matt Denn
Delaware Insurance Commissioner
841 Silver Lake Blvd.
Dover, DE 19904

Dear Madam/Sir:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination of December 31, 2005, of the financial condition and corporate affairs of:

AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA
11222 QUAIL ROOST DRIVE
MIAMI, FLORIDA 33157

Hereinafter referred to as the “Company”. Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2004 through December 31, 2005. The Company was last examined by representatives of the Florida Office of Insurance Regulation (Office) as of December 31, 2003. This examination commenced, with planning at the Office, on February 27, 2006 to March 3, 2006. The fieldwork commenced on March 20, 2006, and concluded on November 3, 2006. The examination included any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

This financial examination was an association zone statutory financial examination conducted in accordance with the Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual and annual statement instructions promulgated by the NAIC as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code with due regard to the statutory requirements of the insurance laws and rules of the State of Florida.

In this examination, emphasis was directed to the quality, value and integrity of the statement assets and the determination of liabilities, as those balances affect the financial solvency of the Company.

The examination included a review of the corporate records and other selected records deemed pertinent to the Company's operations and practices. In addition, the NAIC IRIS ratio report, the A.M. Best Report, and the Company's independent audit reports were reviewed and utilized where applicable within the scope of this examination.

We valued and/or verified the amounts of the Company's assets and liabilities as reported by the Company in its annual statement as of December 31, 2005. Transactions subsequent to year-end 2005 were reviewed where relevant and deemed significant to the Company's financial condition.

This report of examination is confined to financial statements and comments on matters that involve departures from laws, regulations or rules, or which are deemed to require special explanation or description.

Status of Adverse Findings from Prior Examination

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2003, along with resulting action taken by the Company.

Accounts and Records

Numerous instances were noted that the Company could not provide copies of original documentation supporting its records. In addition, significant difficulties and delays were encountered in obtaining many of the files that were provided.

Resolution: The Company has implemented an Improved File Maintenance system to track the progress and expediency of document production. The Company has also implemented new training procedures for staff. However, the same issues from the prior examination were present during this examination as the Company could not provide original documents in a timely manner.

Annual Statement Preparation

Numerous errors were noted in the Company's preparation of its December 31, 2003 annual statement such as reporting of securities in Canadian currency and failure to report income taxes in the cash flow statement.

Resolution: The Company implemented additional management reviews to further reduce errors, but annual statement preparation and presentation errors were again present in this examination.

Reinsurance

Two contracts or 8 percent of the contracts could not be provided by the Company. An additional two contracts lacked periodic claim and/or premium reporting provisions, as required by Statement of Statutory Accounting Principle (SSAP) No. 62.

Resolution: The Company has implemented a contract review procedure which was completed and signed by management. The contracts met the requirements of SSAP No. 62.

Overall, the Company lacked adequate controls over the process of reconciling ceding statements to amounts reported by the Company. Significant misstatements of reinsurance balances were noted. The reconciliation and reporting errors were consistent with the conclusions drawn by the Company's independent CPA during their December 31, 2003 audit.

Resolution: A formalized procedure was established to reconcile ceding statements to the amounts reported by the Company on a monthly basis. The procedure also included reconciliation of Schedule F to ceding statements.

The Company retroceded 50 percent of the assumed cellular telephone business to Telecom Re Limited, an offshore insurance company affiliated with The Signal. The Signal was compensated by the three originating insurers through a contingent commission equal to 40 percent of the net profit or loss on the entire business. The results of this compensation method as currently written effectively transferred 40 percent of the net risk of this business from the three insurers to The Signal, a non-insurer. The contingent commission agreement in the Administrative and Marketing Agreement was missing a clause that The Signal's losses on this business were limited to the advance commissions already paid to it. In addition, a Claims Services Agreement between the Signal and the three originating companies provided for The Signal to perform claims payment functions for this business. Additionally, included in the Administrative and Marketing Agreement, the Company was listed as a parent guarantor of Voyager, ARIC and Ranchers regarding their responsibilities surrounding this business. However, the Company was not the parent corporation of any of these entities.

Resolution: The Company amended its administrative and marketing agreements as requested.

Cash

The Company's internal controls needed strengthening to govern the reconciliation of its cash accounts and records.

Resolution: The Company implemented additional controls to ensure that the isolated issues identified did not occur in the future.

The Company maintained several cash accounts in their name totaling $4,671,869, representing "Build up Funds" held in trust for bail bond agents. According to the SSAP No.1, paragraph 17, "For each year that a balance sheet is presented, reporting entities shall disclose…amounts not recorded in the financial statements that represent segregated funds held for others, the nature of the assets and the related fiduciary responsibilities associated with such assets".

Resolution: The Company included the disclosure in the notes to its annual statement for the year ended December 31, 2004.

Bonds

Included in its bond portfolio was a private placement bond issued by a trust limited partnership, with a reported carrying value of $784,500 and a NAIC Securities Valuation Office (SVO) classification of “4”. However, it was noted that the SVO classified this particular security with “6” rating, indicating a high risk of default, and should be carried at the market value of the security. **Resolution:** The Company implemented a requirement that NAIC SVO ratings were uploaded quarterly into its investment system directly from the SVO database.

Other Invested Assets

According to SSAP No. 46, Paragraph 8, “joint ventures, partnerships, and limited liability companies in which the entity has a minor ownership interest (i.e., less than 10 percent) shall be recorded based on the underlying audited GAAP equity of the investee. “ Upon review of the audited financial statements for the most material investments, the Company overstated its investments in four of its limited partnerships by a combined amount of $912,088.

Resolution: As of December 31, 2004, the Company began valuing its limited partnership investments in accordance with SSAP No. 46. The Company periodically requested audited financials on each of its partnership investments. Any adjustments to the valuations of such investments required based on the financials received were made in the quarter in which such statements were received.

One of the Company’s investments required a continued commitment by the Company to make additional capital contributions totaling $14,000,000 through the end of 2007. However, the Company failed to disclose this in the Notes to its December 31, 2003 annual statement. **Resolution:** As of December 31, 2004, the Company included a comment for any contingent commitments for future contributions in the notes to the annual statement.

Uncollected Premiums and Agents’ Balances in Course of Collection

Two accounts selected for testing were not collected either in part or whole, in the amount of $785,727, as of the examination fieldwork.

Resolution: The Company implemented procedures to review all aged outstanding receivables and ensure these receivables were accurately reflected as non-admit balances on its financials on a quarterly basis in addition to making any necessary adjustments to the provision for doubtful accounts.

Deferred Premiums, Agents' Balances and Installments Booked but Deferred and Not Yet Due

In this account, $32,692,966 represented receivables due to the Company in periods subsequent to December 31, 2003 for certain mobile home business processed by a third party administrator (TPA). During the examination of this item, the amount of the receivable due from policyholders on the December 31, 2003 books of the TPA was $14,796,715 higher than the balance on the books of the Company.

Resolution: The Company implemented additional procedures to ensure routine audits of accounts and verification of any reconciliation required.

During 2004, the Company identified and adjusted thousands of uncollectible or incorrectly recognized receivable amounts totaling $1,358,282 from this account, some being more than 10 years old. Of this amount, $1,249,619 was determined to be related to December 31, 2003 and prior. The Company implemented additional control procedures in the direct billing process which identified and adjusted these types of errors on a monthly basis.

Resolution: The Company continued to use the additional controls to ensure that the issues do not occur in the future.

Amounts Recoverable from Reinsurers

During the audit of its December 31, 2003 financial statements, the independent CPA firm noted that the Company failed to record the financial impact of the termination of a reinsurance agreement between itself and several unaffiliated insurers.

Resolution: The Company's current procedures addressed the recommendations made to ensure that this issue does not occur in the future.

During the examination, subsequent collections of amounts recoverable from reinsurers were tested to verify the valuation of these balances as of the examination date. The Company had subsequently written off as uncollectible $839,400 in amounts reported as recoverable as of December 31, 2003.

Resolution: The Company established procedures to adequately identify, review, and write off uncollectible reinsurance recoverable. These procedures required that any balances considered uncollectible were reviewed by the Company's Senior Management and Legal teams and written off in the period deemed uncollectible. The Company reviewed these procedures to ensure that the items on which recommendations were made did not occur in the future.

Inter-company transactions

According to SSAP No. 25, Paragraph 17, "The financial statements shall include disclosures of all material related party transactions." The Company disclosed in the Notes to its December 31, 2003 annual statement the amount of total balances due from and to its affiliated entities. However, it did not disclose the inter-company agreements or the nature of the inter-company transactions giving rise to such balances.

Resolution: The Company disclosed the information beginning with the 2004 Annual Statement.

Several inter-company transactions were noted during the examination that were not covered by inter-company agreements, including a management fee and payment for its share of deferred compensation, both paid to the Company's direct parent, ABIG. The Company also periodically received advances of cash from its direct parent, ABIG, to meet its temporary cash needs. The accounting for such transactions was booked through the inter-company receivable/payable with ABIG and was reimbursed within ninety days of the advance being made. However, no inter-company agreement existed to cover the specifics surrounding this transaction. According to Rule 690-143.046, Florida Administrative Code and Section 628.801, Florida Statutes, these transactions should have been disclosed in the Company's holding company registration form.

Resolution: An agreement between ABIG and the Company, effective January 1, 2004 was included in the Form B filing for the period ending December 31, 2004. This agreement related to various services, including a provision of human resource management services and other services ancillary or directly related to auditing services, and shared financial services.

Included in its Receivable from Parents, Subsidiaries and Affiliates account balance, the Company reported a liability of $10,656,774 due to its affiliate, ABLAC on December 31, 2003. The balance was netted against various inter-company receivables from other affiliated entities, effectively reducing the net reported receivable balance. According to SSAP 54, Paragraph 2, a valid right of offset must exist before assets and liabilities may be netted. This guidance does not allow offsetting between different affiliated entities.

Resolution: The Company implemented procedures which complied with SSAP No. 54. The Company reviewed its current procedures to ensure future compliance of all transactions with SSAP No. 54.

Current Federal and Foreign Income Tax Recoverable

The Company reported a current Federal and foreign income tax recoverable in the amount of $2,127,497. The Company provided adequate support for the subsequent collection of $1,723,465 of this balance. However, it did not provide supporting information for the remaining $404,032 balance and indicated that it would most likely be adjusted back to tax expense upon the calculation to be completed at the time the 2003 tax return was filed. **Resolution:** The Company received $419.000 in federal income tax recoverable which was greater than the estimated amount of $404,032.

The Company was appealing the results of an IRS audit for the tax years 1997 through 1999. In this audit cycle, the IRS had proposed an adjustment for the disallowance for commission expenses in the approximate amount of $38,000,000, resulting in an additional tax liability of approximately $13,000,000.

Resolution: The Company implemented procedures to record a current tax liability for estimated taxes. Procedures were established to disallow amounts that will not be currently deductible for tax purposes under current tax laws and regulations.

Paid Losses

The amount of $43,221,559, or 9.1% of the total gross paid claims, represented certain warranty business written and administered by a TPA, that were not maintained on the Company's in-house claims processing system. The TPA provided the Company with monthly details pertaining to the specific policies and claims activity. However, the Company did not receive date of loss information pertaining to the claims paid by the TPA for this business.

Resolution: The Company established an internal task force to identify how to obtain the requested information on its systems and permit the Company to have the specific claim detail necessary in order for the Company to ensure its reserves are adequate and to timely respond to regulatory and compliance requests.

Of the claims selected, the Company could not provide 4 files, or 2 percent of the total sample selection. For 2 additional claims, the Company could not provide supporting documentation for proof of the payment amount, i.e. canceled check, etc. Difficulties were encountered by the Company in translating the claim identification numbers provided in the paid claims transaction population provided to the examiners to the claim identification numbers used by the department handling the claims and maintaining the specific files.

Resolution*:* The Company had procedures in place to ensure the secure and complete maintenance of all claims records and documents processed by the Company.

The Company reported claims paid during 2003 of $117,670,673 from certain non-standard private passenger business written and serviced by Thaxton, a TPA. This TPA also processed and managed claims related to this business, including printing, processing and mailing claim checks to the Company's policyholders. The TPA provided monthly downloads to the Company detailing the claims that it had processed in the preceding 30-day period. The Company did not record on its books any transactions for these claim payments until the monthly data was received from the TPA. The examination testing noted that this process has resulted in numerous errors and misclassifications.

Resolution: The Company implemented procedures to record the checks issued by the TPA during the current month to ensure accurate recording in the future.

Commissions Payable, Contingent Commissions and Other Similar Charges

The Company paid commissions amounts during 2004 which exceeded the amount of expense accrued as of December 31, 2003 by $913,061. In addition, the Company improperly classified $5,133,817 as commissions payable to two separate parties. Of this amount, $3,083,817 should have been recorded as reinsurance payable and $2,050,000 should have been reported as a Losses liability.

Resolution: The Company implemented systems to properly accrue for contingent commissions and other similar charges. The discrepancies documented were related to Canadian operations and were corrected.

Unearned Premium

Upon the review of sampled files, two of the credit unemployment insurance policies, representing 13 percent of the total sampled files, were written on policy forms of the Company's affiliate, American Bankers Life Assurance Company (ABLAC). In addition, one of the fifteen files, representing 7 percent of the total sample could not be located by the Company. **Resolution:** The Company corrected the name of the insurer shown on the forms utilized for the Company's Involuntary Unemployment Program. The Company planned to send a letter to each affected insured to attach to their certificate informing them of the correct insurance company. The Company's current procedure ensures that the premiums reported and booked in connection with this program were properly reported in the correct insurance company and any valid claims received were honored by the correct company.

Remittances and Items Not Allocated

The Company reported Remittances and items not allocated totaling $4,279,626, representing over 50 suspense accounts and sub accounts for premiums and other remittances received by the

Company that have not been allocated to their corresponding general ledger accounts. Reconciliations of these accounts were not always performed in a timely manner. Also, responsibility was not assigned for ensuring that the numerous accounts were reconciled properly and in a timely manner.

Resolution: The Company implemented new procedures to facilitate the review of each portion of an account's reconciliation.

Provision for Reinsurance

Numerous instances were noted where letters of credit, trust documents or other types of collateral for business ceded to unauthorized reinsurance were found to be inadequate. Several instances included documents which named affiliated entities as the beneficiary of such collateral, not the Company itself. Collateral incorrectly applied in Schedule F, Part 5 totaled more than $10,000,000. One company had securities of an unacceptable type in the trust account.

Resolution: The Company implemented controls to monitor the accuracy of the reported collateral held against ceded reinsurance to unauthorized reinsurers. These controls reviewed by the Quality Control manager from the Company's Client Services Department who is responsible for verifying that all proper legal entities on the collateral documents match the parties on the respective agreements, and that the value of the assets shown for each reinsurer is adequate.

Net Adjustments in Assets and Liabilities Due to Foreign Exchange Rates

The Company reported U.S. and Canadian currencies for certain balance sheet items (examples were bonds, cash and certain liabilities), as if the entire balance were denominated in U.S. Dollars. **Resolution:** The Company recorded adjustments to the assets, liabilities and income statement pages to reflect the total assets, total liabilities and total income in U.S.

Dollars in its 2005 annual statement. However, this item was not fully corrected until the Company's filing of its 2006 annual statement.

HISTORY

General

The Company was incorporated on October 29, 1947, as a stock property and casualty insurance company under the applicable provisions of the Florida Statutes. The Company commenced business on December 30, 1948. In 1980, there was a tax-free reorganization whereby a holding company was formed. All of the Company's shares held by the public were surrendered at that time in exchange for shares of the holding company, American Bankers Insurance Group (ABIG). In turn, ABIG received and currently holds all of the Company's issued and outstanding stock, 5,083,164 common shares as evidenced by a single stock certificate.

On January 1, 2004, the Company was an indirect wholly owned subsidiary of Fortis, Inc., domiciled in the US, which itself was an indirect, wholly owned subsidiary of Fortis N.V. of the Netherlands and Fortis SA/NV of Belgium (collectively, "Fortis") through their affiliates, including their wholly owned subsidiary, Fortis Insurance N.V.

On February 5, 2004, Fortis sold approximately 65% of its ownership interest in Fortis, Inc. through an Initial Public Offering (IPO) and retained approximately 35% of its ownership (50,199,130 shares). In connection with the IPO, Fortis, Inc. was merged into Assurant, Inc., a Delaware corporation, which was formed solely for the purpose of the redomestication of Fortis, Inc. After the merger, Assurant, Inc. became the successor to the business, operations and obligations of Fortis, Inc. Assurant, Inc. stocks are traded on the New York Stock Exchange under the symbol AIZ.

The Company provided credit-related insurance programs in the United States and Canada. The Company, as an international wholesaler and marketer of insurance products, services and programs, concentrated on marketing through financial institutions, retailers and other entities which provide consumer financing as a regular part of their business. The Company had a wholly-owned subsidiary, American Bankers General Agency, Inc., which it controls through a management agreement with Reliable Lloyds Insurance Company.

The Company was authorized to transact the following insurance coverage in Florida on December 31, 2005:

Fire	Allied Lines
Homeowners Multi Peril	Commercial Multi Peril
Farm Owners Multi Peril	Commercial Auto Liability
Ocean Marine	Inland Marine
Accident and Health	Credit Accident and Health
Other Accident and Health	Other Liability - Occurrence
Private Passenger Auto Liability	Auto Physical Damage
Surety	Credit
Aggregate Other Lines	Glass

Capital Stock

As of December 31, 2005, the Company's capitalization was as follows:

Number of authorized common capital shares	10,000,000
Number of shares issued and outstanding	5,083,164
Total common capital stock	$5,083,164
Par value per share	$1.00

Number of authorized preferred capital shares	500,000
Par value per share	$10.00

Profitability of Company

The following table shows the profitability trend (in dollars) of the Company for the period of examination, as reported in the filed annual statement of the Company.

	2005	2004
Premiums Earned	579,162,708	532,164,342
Net Underwriting Gain/(Loss)	(50,042,968)	(21,351,961)
Net Income	4,553,684	26,425,165
Total Assets	1,282,007,001	1,147,947,980
Total Liabilities	1,021,682,355	891,241,942
Surplus As Regards Policyholders	260,324,644	256,706,038

Dividends to Stockholders

In accordance with Section 628.371, Florida Statutes, the Company declared and paid dividends to its stockholder in 2004 and 2005 in the amounts of $40,000,000 and $22,500,000, respectively.

Management

The annual shareholder meeting for the election of directors was held in accordance with Sections 607.1601 and 628.231, Florida Statutes. Directors serving as of December 31, 2005, were:

Directors

Name and Location	Principal Occupation
Steven Craig Lemasters Atlanta, Georgia	Chairman, Group Senior Vice President American Bankers Insurance Company of Florida
Jerome A. Atkinson Montclair, New Jersey	General Counsel American Bankers Insurance Company of Florida
Philip Bruce Camacho Cumming, Georgia	Chief Executive Officer American Bankers Insurance Company of Florida
Amelia Toural, CPA Key Biscayne, Florida	Director American Bankers Insurance Company of Florida
Arthur William Heggen, CPA, FLMI Miami, Florida	Senior Vice President American Bankers Insurance Company of Florida
Adam David Lamnin, CPA Miami, Florida	President American Bankers Insurance Company of Florida

The Board of Directors in accordance with the Company's bylaws appointed the following senior officers:

Senior Officers

Name	Title
Adam David Lamnin, CPA	President
Enrique Lazaro Castelo, CPA, FLMI	Treasurer
Arthur William Heggen, CPA, FLMI	Secretary
Angela Delores Burgess, FCAS, MAAA	Chief Actuary

The Company's board appointed several internal committees in accordance with Section 607.0825, Florida Statutes. Following are the principal internal board committees and their members as of December 31, 2005:

Audit Committee	Investment Committee
Howard L. Carver	S. Craig Lemasters
John Michael Palms	P. Bruce Camacho
H. Carroll Mackin	Adam D. Lamnin
	Amelia Toural
	Arthur W. Heggen
	Jerome A. Atkinson

The audit committee shown above is made up of directors from Assurant, Inc., the parent Company in compliance with Section 624.424(8)(c), Florida Statutes.

Conflict of Interest Procedure

The Company adopted a policy statement requiring annual disclosure of conflicts of interest, in accordance with Section 607.0832, Florida Statutes. No exceptions were noted during this examination period.

Corporate Records

The recorded minutes of the shareholder, Board of Directors, and certain internal committee were reviewed for the period under examination. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions in accordance with Section 607.1601, Florida Statutes, including the authorization of investments as required by Section 625.304, Florida Statutes.

Acquisitions, Mergers, Disposals, Dissolutions, and Purchase or Sales through Reinsurance

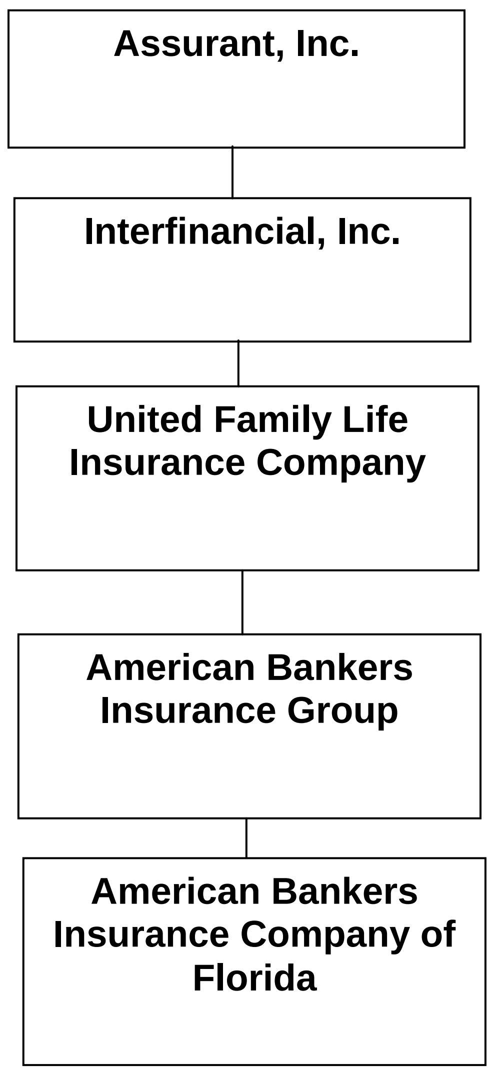
On December 1, 2005 the Company merged with MS Casualty Insurance Company (MSIC) of Jackson, Mississippi. MSIC operated in various property and casualty lines, the most significant of which were automobile extended service contracts, credit property, and contractual liability. The transaction was accounted for as a statutory merger in accordance with SSAP No. 68.

AFFILIATED COMPANIES

An organizational chart as of December 31, 2005, reflecting the holding company system, is shown below. Schedule Y of the Company's 2005 annual statement provided a list of all related companies of the holding company group.

AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA
ORGANIZATIONAL CHART

DECEMBER 31, 2005



The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code. The latest holding company registration statement was filed with the State of Florida on February 23, 2006, as required by Section 628.801, Florida Statutes, and Rule 69O-143.046, Florida Administrative Code.

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

Tax Allocation Agreement

The Company, along with its parent, filed a consolidated federal income tax return. On December 31, 2005, the method of allocation between the Company and its parent was based on separate return calculations with current credit for net losses. Inter-company tax balances were settled annually within thirty (30) days of the filing of the consolidated federal income tax return.

Cost Sharing, Management and Investment Agreements

The Company shared office space, employees, and various services with its parent, certain affiliates, and subsidiaries. As of December 31, 2005, the Company had many separate agreements relating to administrative, marketing, and investment management services. Additionally, the agreements provided for cost or expense sharing among the affiliates. The agreements were reflected in the holding company filings made by and on behalf of the Company and its parent and affiliates. The most significant agreements between the Company and its affiliates were reviewed as part of the current examination, with no exceptions noted.

FIDELITY BOND

The Company maintained fidelity bond coverage up to $20,000,000 aggregate coverage, and $10,000,000 single loss limit with a deductible of $250,000, which would adequately cover the suggested minimum amount of coverage for the Company as recommended by the NAIC.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company was an indirect wholly owned subsidiary of Assurant, Inc., which sponsored a qualified, non contributory defined benefit pension plan. In addition, the Company provided certain other post-retirement benefits to retired employees through a plan sponsored by Assurant, Inc. The Company has no legal obligation for benefits under these plans.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, Florida Statutes, and with various state officials as required or permitted by law:

State	Description	Par Value	Market Value
FL	G.O. Bonds, 5.00%, 06/1/18	$ 3,200,000	$ 3,321,600
TOTAL FLORIDA DEPOSITS		$ 3,200,000	$ 3,321,600
AR	State Deposit	$ 572,228	$ 589,514
GA	State Deposit	2,209,483	2,396,900
KS	State Deposit	5,169,271	5,437,576
LA	State Deposit	100,559	109,291
MA	State Deposit	100,086	103,222
MS	State Deposit	2,578,680	2,610,391
NH	State Deposit	275,370	286,896
NM	State Deposit	381,551	396,387
NC	State Deposit	620,974	661,876
OR	State Deposit	281,511	290,197
SC	State Deposit	285,870	346,455
VA	State Deposit	226,197	235,665

PR	State Deposit	1,123,910	1,117,490
VI	State Deposit	500,428	516,110
CN	State Deposit	165,302,275	148,012,013
TOTAL OTHER DEPOSITS		$ 179,728,393	$ 163,109,983
TOTAL SPECIAL DEPOSITS		$ 182,928,393	$ 166,433,585

INSURANCE PRODUCTS AND RELATED PRACTICES

The Company's principal products and services were as follows:

1. Creditor placed homeowners insurance
2. Manufactured housing homeowners insurance
3. Debt protection administration
4. Warranties and extended service contracts on appliances, automobiles, consumer electronics and wireless devices.

The above products were distributed through mortgage lenders, manufactured housing lenders, builders, financial institutions and retailers, consumer electronics and appliance retailers, and vehicle dealerships.

The Company's operations also included reinsurance of the above products, primarily to producer owned or controlled reinsurers. Under this reinsurance program, ABIC or an affiliate issued the insurance products, and ceded all or portions of the risks to the reinsurance companies, many of which were domiciled outside the United States.

Territory

The Company was authorized to transact insurance in all 50 states of the United States, the District of Columbia, Puerto Rico, the U.S. Virgin Islands and all provinces and territories of Canada. The Company also maintained continuous certificate of authority with the United States Department of the Treasury, authorizing it to qualify as an acceptable surety on recognizance, stipulations, bonds and undertakings permitted or required by the laws of the United States.

The Company voluntarily agreed to stop writing new business in the State of Minnesota for a period of 5 years, resulting from a February 24, 2003, consent agreement with the Minnesota Department of Insurance regarding marketing activities. Under the terms of the agreement, the Company may apply for reinstatement after 20 months.

Treatment of Policyholders

The Company established procedures for handling written complaints in accordance with Section 626.9541(1) (j), Florida Statutes.

The Company maintained a claims procedure manual that included detailed procedures for handling each type of claim.

REINSURANCE

The reinsurance contracts were reviewed by the Company's appointed actuary and were utilized in determining the ultimate loss opinion.

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, transfer of risk, reporting and settlement information deadlines.

The review of both ceded and assumed reinsurance contracts by Bankers Atlantic Reinsurance Limited, Bantry Bay Reinsurance, and Celtic Sea Reinsurance, revealed that they did not contain the entire agreement clause required by SSAP No. 62, Paragraph 8C.

During the review of the letters of credit, the following discrepancies were noted.

- One letter of credit for $50 million had expired May 2005, but was listed on Schedule F, Part 5 at 12/31/05. This did not have an Evergreen clause as required by Florida Administrative Code 69O-144.004 1 (d) (1) and SSAP Appendix A-785, Paragraph 43. This was only for an initial term of one month, not one year as required by Florida Administrative Code 69O-144.004 1 (d) (1) and SSAP Appendix A-785, Paragraph 43.

- A letter of credit for Future Gard was listed at $734,000 in Schedule F, but does not exist. This was not in compliance with Section 624.424, FS.

- One letter of credit was reflected as $3,546,000, but should have been reflected at $2,620,865. At least one letter of credit was reflected in Canadian dollars and not converted to US dollars. This was not in compliance with SSAP 23, Paragraph 3.

The NAIC Securities Valuation Office Purposes and Procedures Manual lists banks that are considered approved for trust accounts. Several of the reinsurance trust accounts were held in banks not appearing on this list. This was not in compliance with the NAIC Securities Valuation Office Manual.

Assumed

During 2005, the Company assumed reinsurance primarily on a coinsurance basis from approximately 88 companies, both affiliates and non-affiliates. Total premium volume from assumed business in 2005 amounted to $450,187,366, with $370,260,840 from seven affiliated entities.

Ceded

The Company primarily ceded risk on a coinsurance basis. The Company had catastrophic and excess of loss reinsurance on those lines where such coverage was prudent.

The Company ceded business to approximately 438 companies, with reported ceded premiums of $877,851,205 for the year ending December 31, 2005. Of this amount, $99,526,352 was ceded to affiliates. Of the premiums ceded, approximately $640,301,000 was ceded to unauthorized reinsurers, with over $536,000,000 to non-U.S. insurance companies. The majority of these non–U.S. reinsurers were reportedly owned or affiliated with the producers of the policies written by the Company or one of its affiliates. For this business, the Company's retention was generally limited to a small percentage of the overall risk, and it received a small percentage of premiums to administer the policies ceded.

As of December 31, 2005, total recoveries from reinsurance treaties were $695,608,000. Of this amount, $397,639,000 was from authorized companies and $263,394,000 was from unauthorized companies. The Company held $235,452,000 in various forms of collateral, which included funds deposited with the Company, letters of credit, trust accounts for its benefit and other various forms of collateral. The remaining amount of recoveries from unauthorized companies, $22,945,000 had been established by the Company as a provision for reinsurance liability as of December 31, 2005.

ACCOUNTS AND RECORDS

The Company's accounting records were maintained on a computerized system. The Company's balance sheet accounts were verified with the line items of the annual statement submitted to the Office.

In reviewing the letters of credit it was noted that the Caterpillar Letter of Credit was in Canadian dollars. The Company responded that the entire annual statement was 'mixed' currency. This was also an exception in the prior examination report. This was not in compliance with SSAP No. 23, paragraph 2-3 which states that a foreign currency transaction is a transaction denominated in a currency other than the reporting entity's functional currency. The reporting entity's functional currency is defined as the currency of the primary economic environment in which the reporting entity operates. Foreign currency translation is the translation of financial statements, denominated in the reporting entity's functional currency, into U.S. dollars prior to their incorporation into financial statements through consolidation or the equity method of accounting.

Also, the securities held at the Royal Bank, in Toronto, Ontario were reported on Schedule D at the Canadian currency value which was not in compliance with SSAP No. 23 paragraph 2-3 as stated above.

Subsequent event: The Company correctly reported this issue related to foreign exchange in the year end 2006 annual statement.

An independent CPA audited the Company's statutory basis financial statements annually for the years 2004 and 2005, in accordance with Section 624.424(8), Florida Statutes. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, Florida Administrative Code. The Company maintained its principal operational offices in Miami, Florida, where this examination was conducted.

During review of reinsurance agreements, the Company could not readily locate the agreements or readily determine the number of agreements the Company possessed.

The Company was not in compliance with Section 626.7454 (1), Florida Statutes, in that the Company did not have on file an independent audited copy of the MGA financial statement for 2004 or 2005.

The disclosures in Note 23A did not include the following reinsurers, which have aggregate recoverables in excess of 3% of policyholder surplus; American Reliable Insurance Company, Voyager Property & Casualty Insurance Company and National Flood Insurance Program. This was not in compliance with the NAIC Annual Statement instructions for Property and Casualty Companies.

The Company provided unearned premium data for all its data systems. The total amount shown as unearned was $9,916,959 less than reported on the annual statement. The Company provided losses paid for 2005 from all its data systems. The total amount of losses paid was $1,183,542 less than reported on the annual statement.

One hundred seventy-eight premium files were provided for review. On two of the files, the policy 'Term' could not be determined. Thirty-six files were determined to have differences in written premium, and were therefore considered ERRORS. Of ten 'bail bonds' reviewed, complete detail (power of attorney) could not be provided on one bond. On two bonds, the posting agents name could not be traced to the power of attorney. Gross premium was determined by calculating 10% of the bond amount, but 'Bond Cost' could not be calculated on any of the ten bonds.

The Company and non-affiliates had the following agreements:

Custodial Agreement

As of December 31, 2005, the Company had custodial service agreements in which the Company maintained the majority of its security investments. The agreements contained the safeguard and control language required by the NAIC and Rule 690-143.042(2)(k), Florida Administrative Code.

The Custodial Agreement between J.P. Morgan Chase and the Company had a termination clause that stated any of the parties can terminate the agreement on sixty days notice. This was not in compliance with Rule 69O-143.042 (2) (o), Florida Administrative Code which states that the custodial agreement must be terminable by the insurance company on not more than thirty (30) days notice.

Subsequent Event: The Company amended the custodial agreement with J.P. Morgan Chase to change the termination date to not more than thirty days notice.

Managing General Agent Agreement

The Company had a managing general agent (MGA) agreement with National Insurance Underwriters Inc., MGA. The MGA agreement complied with Section 626.091, Florida Statutes.

Risk-Based Capital

The Company reported its risk-based capital at an adequate level.

Information Technology (IT) Report

American Express Tax and Business Services performed a computer systems evaluation on American Bankers Life Assurance Company (a subsidiary) in 2004. Results of the evaluation were noted in the IT report provided to the Company. There were no significant findings noted.

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain financial statements showing the Company's financial position as of December 31, 2005, and the results of its operations for the year then ended as determined by this examination. Adjustments made as a result of the examination are noted in the section of this report captioned, "Comparative Analysis of Changes in Surplus."

AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA
Assets

DECEMBER 31, 2005

Classification	Per Company	Examination Adjustments	Per Examination
Bonds	$723,284,874		$723,284,874
Stocks:			
Preferred	65,319,763		65,319,763
Common	5,392,659		5,392,659
Mortgage Loans: First Liens	48,286,330		48,286,330
Real Estate:			
Properties Occupied	5,348,077		5,348,077
Properties held for Sale	119,300		119,300
Cash:			
On deposit	12,849,191		12,849,191
Short-term investments	126,676,473		126,676,473
Other investments	3,266,511		3,266,511
Receivable for Securities	30,534		30,534
Investment Income Due & Accrued	10,175,939		10,175,939
Agents' Balances:			
Uncollected premium	94,840,056		94,840,056
Deferred premium	42,783,966		42,783,966
Reinsurance:			
Reinsurance Recoverable	113,095,459		113,095,459
Funds Held or Deposited	6,725,229		6,725,229
Current Federal Income Tax Recov	5,222,555		5,222,555
Net Deferred Tax Asset	33,511,154		33,511,154
EDP Equipment & Software	2,542,090		2,542,090
Net Adjustment in Assets and Liab	(30,431,065)		(30,431,065)
Receivable from PSA	12,705,705		12,705,705
Aggregate write-in for			0
other than invested assets	262,200		262,200
Totals	$1,282,007,000	$0	$1,282,007,000

AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA
Liabilities, Surplus and Other Funds
DECEMBER 31, 2005

Liabilities	Per Company	Examination Adjustments	Per Examination
Losses	$144,282,353		$144,282,353
Reinsurance payable on paid losses and LAE	35,850,847		35,850,847
Loss adjustment expenses	10,029,864		10,029,864
Commissions payable, contingent commissions	86,963,196		86,963,196
Other expenses	18,798,319		18,798,319
Taxes, licenses and fees	6,691,418		6,691,418
Unearned premium	393,457,449		393,457,449
Ceded reinsurance premiums payable	81,584,828		81,584,828
Funds held under reinsurance treaties	37,838,899		37,838,899
Amounts withheld	12,229,536		12,229,536
Remittances and Items not allocation	26,439,576		26,439,576
Provision for reinsurance	22,944,992		22,944,992
Net adjustments in assets and liabilities	(24,311,093)	(14,050,380)	(10,260,713)
Payable to parent, subsidiaries and affiliates	112,205,151		112,205,151
Payable for securities	48,582,049		48,582,049
Aggregate write-ins for liabilities	8,094,971		8,094,971
Total Liabilities	$1,021,682,355	$14,050,380	$1,035,732,735
Common capital stock	$5,083,164		$5,083,164
Gross paid in and contributed surplus	109,156,014		109,156,014
Unassigned funds (surplus)	146,085,466	$14,050,380	$132,035,086
Surplus as regards policyholders	$260,324,644	$14,050,380	$246,274,264
Total liabilities, capital and surplus	$1,282,006,999	0	$1,282,007,000

AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA
Statement of Income
DECEMBER 31, 2005

Underwriting Income	
Premiums earned	$579,162,708
DEDUCTIONS:	
Losses incurred	230,665,043
Loss expenses incurred	14,161,391
Other underwriting expenses incurred	384,379,242
Aggregate write-ins for underwriting deductions	0
Total underwriting deductions	$629,205,676
Net underwriting gain or (loss)	($50,042,968)
Investment Income	
Net investment income earned	$44,690,513
Net realized capital gains or (losses)	832,952
Net investment gain or (loss)	$45,523,465
Other Income	
Net gain or (loss) from agents' or premium balances charged off	$1,965,367
Finance and service charges not included in premiums	1,421,694
Aggregate write-ins for miscellaneous income	11,933,862
Total other income	$15,320,923
Net income before dividends to policyholders and before federal & foreign income taxes	$10,801,420
Dividends to policyholders	
Net Income, after dividends to policyholders, but before federal & foreign income taxes	$10,801,420
Federal & foreign income taxes	6,247,736
Net Income	$4,553,684
Capital and Surplus Account	
Surplus as regards policyholders, December 31 prior year	$256,706,038
Gains and (Losses) in Surplus	
Net Income	$4,553,684
Net unrealized capital gains or losses	(1,135,011)
Change in net unrealized foreign exchange capital gain (loss)	805,768
Change in net deferred income tax	6,413,663
Change in non-admitted assets	6,406,672
Change in provision for reinsurance	6,379,743
Change in excess statutory over statement reserves	0
Dividends to stockholders	(22,500,000)
Aggregate write-ins fo gains and losses in surplus	2,694,087
Examination Adjustment	(14,050,380)
Change in surplus as regards policyholders for the year	($10,431,773)
Surplus as regards policyholders, December 31 current year	$246,274,265

COMMENTS ON FINANCIAL STATEMENTS

Liabilities

Losses and Loss Adjustment Expenses **$154,312,217**

An outside actuarial firm appointed by the Board of Directors, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2005, make a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office contracted the services of Mary Frances Miller of Select Actuarial Services to perform actuarial analysis and opinion. The report was received at October 6, 2006. The actuary stated that all reserves were reasonable and agreed with the Company's opinion.

The Office actuary agreed with the above findings.

The examiners requested ninety-eight claim files for review. The Company was able to provide only eighty-six usable hardcopy (photocopy) files. Six claims could not be provided, which represent approximately 6 percent of the files requested. Six claim files were determined to have an error in the 'Amount Paid' column. An additional six claim files could not be found.

Net Adjustments Assets and Liabilities **($10,260,714)**

The net adjustment for liabilities was adjusted by $14,050,379. The amount of written premiums recorded on the 2005 Schedule T was $1,101,472,876 and the amount verified from the databases was $1,087,422,497.

AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA
COMPARATIVE ANALYSIS OF CHANGES IN SURPLUS

DECEMBER 31, 2005

Surplus as Regards Policyholders December 31, 2005, per Annual Statement				$260,324,644
	PER COMPANY	PER EXAM	INCREASE (DECREASE) IN SURPLUS	
ASSETS:				
No adjustment.				
LIABILITIES:				
Net Adjustments Line Item	(24,311,093)	(10,260,713)	(14,050,380)	
Net Change in Surplus:				$ (14,050,380)
Surplus as Regards Policyholders December 31, 2005, Per Examination				$ 246,274,264

SUMMARY OF FINDINGS

Compliance with previous directives

The Company has taken the necessary actions to comply with the comments made in the 2003 examination report issued by the Office, except for the following:

- The Company reported U.S. and Canadian currencies for certain balance sheet items, i.e. bonds, cash and certain liabilities, as if the entire balance were denominated in U.S. Dollars.

- There were adjustments and reclassifications in the last examination of the Company as of December 31, 2003; and the Company incorrectly reported unearned premiums, paid losses, and federal income taxes paid, in the December 31, 2005 annual statement.

- Numerous instances were noted that the Company could not provide copies of original documentation supporting its records. In addition, significant difficulties and delays were encountered in obtaining many of the files that were provided.

Current examination comments and corrective action

The following is a brief summary of items of interest and corrective action to be taken by the Company regarding findings in the examination as of December 31, 2005.

Accounts and Records

Certain Letters of Credit were reported in Canadian dollars. This was also an exception in the prior examination report. **We recommend that the Company comply with the provisions of SSAP**

23, Paragraph 3 which states that a foreign currency transaction is a transaction denominated in a currency other than the reporting entity's functional currency. The reporting entity's functional currency is defined as the currency of the primary economic environment in which the reporting entity operates. Foreign currency translation is the translation of financial statements, denominated in the reporting entity's functional currency, into U.S. dollars prior to their incorporation into financial statements through consolidation or the equity method of accounting.

Securities held at the Royal Bank, Toronto, Ontario were reported on Schedule D at the Canadian currency value. This was also exception issue in the prior examination report. **We recommended that the Company comply with the provisions of SSAP 23, Paragraph 3 as stated above.**

During review of reinsurance agreements, the Company could not readily locate the agreements or readily determine the number of agreements the Company processed. **We recommend that the Company take the necessary action to ensure that internal controls are strengthened in the area of maintenance of reinsurance agreements.**

The Company was not in compliance with Section 626.7454 (1), Florida Statutes, in that the Company did not have on file an independent audited copy of the MGA financial statement for 2004 or 2005. **We recommend that the Company keep on file an audited financial statement for each MGA.**

The disclosures in Note 23A did not include the following reinsurers, which have aggregate recoverables in excess of 3% of policyholder surplus; American Reliable Insurance Company, Voyager Property & Casualty Insurance Company and National Flood Insurance Program. This was not in compliance with the NAIC Annual Statement instructions for Property and Casualty Companies. **We recommend that the Company adhere to the requirements of the NAIC Annual Statement Instructions.**

The Company provided unearned premium data for all its data systems. The total amount shown as unearned was $9,916,959 less than reported on the annual statement. The Company provided losses paid for 2005 from all its data systems. The total amount of losses paid was $1,183,542 less than reported on the annual statement. **We recommend that the Company comply with the provisions of Section 624.424 Florida Statutes and ensure that the annual statement accounts reflect correct information.**

One hundred seventy-eight premium files were provided for review. On two of the files, the policy 'Term' could not be determined. Thirty-six files were determined to have differences in written premium, and were therefore considered ERRORS. Of ten 'bail bonds' reviewed, complete detail (power of attorney) could not be provided on one bond. On two bonds, the posting agents name could not be traced to the power of attorney. Gross premium was determined by calculating 10% of the bond amount, but 'Bond Cost' could not be calculated on any of the ten bonds. **We recommend that the Company implement procedures to ensure proper maintenance and security of all of its policy files.**

Reinsurance

The ceded an assumed reinsurance contracts with Bankers Atlantic Reinsurance Limited, Bantry Bay Reinsurance, and Celtic Sea Reinsurance did not contain an 'entire agreement' clause as required by SSAP No. 62, Paragraph 8C. **We recommend that the Company take the action necessary to ensure that all reinsurance contracts contain an 'entire agreement' clause as required by SSAP 62, Paragraph 8C.**

During the review of the letters of credit, discrepancies were noted as detailed in the Reinsurance Section of this report. **We recommend that the Company take such steps as are necessary to ensure that the Company is in compliance with the requirements of Florida Statute 624.424, Florida Administrative Code 69O-144.004 1 (d) (1), and SSAP Appendix A-785, Paragraph 43.**

Written Premiums

The Company did not property record the amount of written premiums on Schedule T. **We recommend that the Company insure that it files with the Office accurate statements of its financial condition.**

Losses

The examiners requested ninety-eight claim files for review. The Company was able to provide only eighty-six usable hardcopy (photocopy) files. Six claims files could not be provided, which represent approximately 6 percent of the files requested. Six claim files were determined to have an error in the ‘Amount Paid” column. An additional six claim files could not be found. **This was also an issue in the previous examination. We recommend that the Company implement a consistent claims identification system for all of its business, regardless of whether**

processed directly by the Company or a third party administrator. It is recommended that the Company also implement procedures to ensure the secure and complete maintenance of all of its claims records.

CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **American Bankers Insurance Company of Florida** as of December 31, 2005, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's Surplus as regards policyholders was $246,274,265, which was in compliance with Section 624.408, Florida Statutes.

In addition to the undersigned, Stephen Feliu, Financial Examiner/Analyst, Joseph Boor, FCAS, Office Actuary, We also recognize Mary Frances Miller, FCAS, MAAA, FCA, Hon FIA, CPCU, of Select Actuarial Services.

Respectfully submitted,

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James D. Collins
Financial Examiner/Analyst II
Florida Office of Insurance Regulation

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Michael Hampton, CPA, CFE, DABFA, CFE, CPM
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