Report on Examination

of

American Bankers Life Assurance Company of Florida

Miami, Florida

as of

December 31, 2003

By The
State of Florida
Office of Insurance Regulation

CONTENTS

Tallahassee, Florida

June 14, 2005

Kevin M. McCarty, Commissioner
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, Florida 32399-0326

Alfred W. Gross, Commissioner
Virginia Bureau of Insurance
Chair, NAIC Financial Condition (E) Committee
P.O. Box 1157
Richmond, Virginia 23218

Dear Sirs:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes (F.S.), and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2003, of the financial condition and corporate affairs of:

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

hereinafter generally referred to as the "Company". Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2001 through December 31, 2003. The Company was last examined by the Florida Office of Insurance Regulation (formerly, the Florida Department of Insurance) (the "Office") as of December 31, 1999. In lieu of conducting a statutory financial examination of the Company for the year 2000, the Office accepted the independent certified public accountant's (CPA) audit report on the Company's statutory-basis financial statements for that year pursuant to Section 624.316(2)(a), F.S.

Planning for the current examination began on February 25, 2004. The fieldwork commenced on June 16, 2004 and concluded on April 21, 2005. The examination included any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

This was an association zone statutory financial examination conducted in accordance with the NAIC Financial Examiners Handbook, Accounting Practices and Procedures Manual, and annual statement instructions as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code (F.A.C.), with due regard to the 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 Company's financial solvency.

The examination included a review of corporate and other selected records deemed pertinent to the Company's operations and practices. In addition, the NAIC Insurance Regulatory Information System (IRIS) ratio results, the A.M. Best Report, the Company's independent audit reports, and certain work papers prepared by the Company's independent CPA 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 2003 annual statement. Transactions subsequent to December 31, 2003 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 require special explanation or description.

STATUS OF ADVERSE FINDINGS FROM PRIOR EXAMINATION

The following is a summary of the significant adverse finding contained in the Office's prior examination report as of December 31, 1999.

ACCOUNTS AND RECORDS

During the prior examination, certain detail records requested by us for planned testing of the Company's reserves were not available to us. Of the 42 life insurance applications requested with issue or effective dates during the examination period, the Company was unable to provide six applications (14%). Of the 42 accident and health insurance applications requested with issue or effective dates during the examination period, the Company was unable to provide five applications (12%). The Company was also unable to provide to us detailed mortgage life insurance policy data for our use in verifying the adequacy of its reserves. As discussed on page 11 , the current examination resulted in similar findings.

HISTORY

GENERAL

The Company was incorporated on February 6, 1952 in Florida as a stock life and health insurer, and commenced business on April 8, 1952. In 1980, the Company's board of directors and stockholder approved a plan of reorganization whereby American Bankers Insurance Group, Inc., a holding company, was formed to own the Company and American Bankers Insurance Company of Florida (ABIC), a Florida property and casualty insurer. The holding company system became effective on December 2, 1980.

The Company was authorized to transact the following insurance coverage in Florida, in accordance with Section 624.401(1), F.S.:

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

Neither the Company's articles of incorporation nor its bylaws were amended during the period covered by this examination.

CAPITAL STOCK

As of December 31, 2003, the Company's capitalization was as follows:

Number of authorized common capital shares	5,000,000
Number of shares issued and outstanding	4,472,341
Total common capital stock	$4,472,341
Par value per share	$1.00

At December 31, 2003, the Company was wholly-owned by American Bankers Insurance Group, Inc., which in turn was wholly-owned by United Family Life Insurance Company. United Family Life Insurance Company was owned by Interfinancial, Inc., which was wholly-owned by Fortis, Inc. A simplified organizational chart appears on page 7.

PROFITABILITY

The Company reported net premiums of $199.6 million, $211.5 million, and $234.7 million in years 2003, 2002, and 2001, respectively; net income of $12.4 million and $8.1 million in years 2003 and 2002, respectively; and a net loss of $2.3 million in 2001.

DIVIDENDS

The Company made dividend distributions to its parent of $8.0 million during 2003. No dividends were paid in 2002 or 2001.

MANAGEMENT

The annual shareholder meeting for the election of directors was held in accordance with Sections 607.0701 and 628.231, F.S. Directors serving as of December 31, 2003 were:

Directors

Name and Location	Principal Occupation
Steven C. Lemasters Atlanta, Georgia	Group Senior Vice President of the Company
Jerome A. Atkinson Atlanta, Georgia	General Counsel of the Company
Philip B. Camacho Atlanta, Georgia	Chief Executive Officer of the Company
Floyd G. Denison Miami, Florida	Executive Vice President of the Company
Arthur W. Heggen Miami, Florida	Senior Vice President of the Company
Adam D. Lamnin Miami, Florida	President of the Company

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

Senior Officers

Name	**Title**
Philip B. Camacho	Chief Executive Officer
Adam D. Lamnin	President
Floyd G. Denison	Executive Vice President
Steven C. Lemasters	Group Senior Vice President
Jerome A. Atkinson	Vice President & General Counsel
Robert J. Butler	Senior Vice President & Actuary
Enrique L. Castello	Senior Vice President & Treasurer
Arthur W. Heggen	Senior Vice President & Secretary
John B. Owen	Senior Vice President & CIO
Karen Porter-Wolf	Senior Vice President

The Company's board of directors appointed committees in accordance with Section 607.0825, F.S. At December 31, 2003, members of the principal board committee, the Finance Committee, were:

Finance Committee

Philip B. Camacho
Floyd G. Denison
Steven C. Lemasters

CONFLICT OF INTEREST PROCEDURE

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

CORPORATE RECORDS

The recorded minutes of the shareholder and Board of Directors meetings were reviewed for the period examined. The recorded 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.

AFFILIATED COMPANIES

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), F.A.C. Its latest holding company registration statement was filed with the State of Florida on March 2, 2005, as required by Section 628.801, F.S., and Rule 69O-143.046, F.A.C.

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

INVESTMENT AGREEMENT

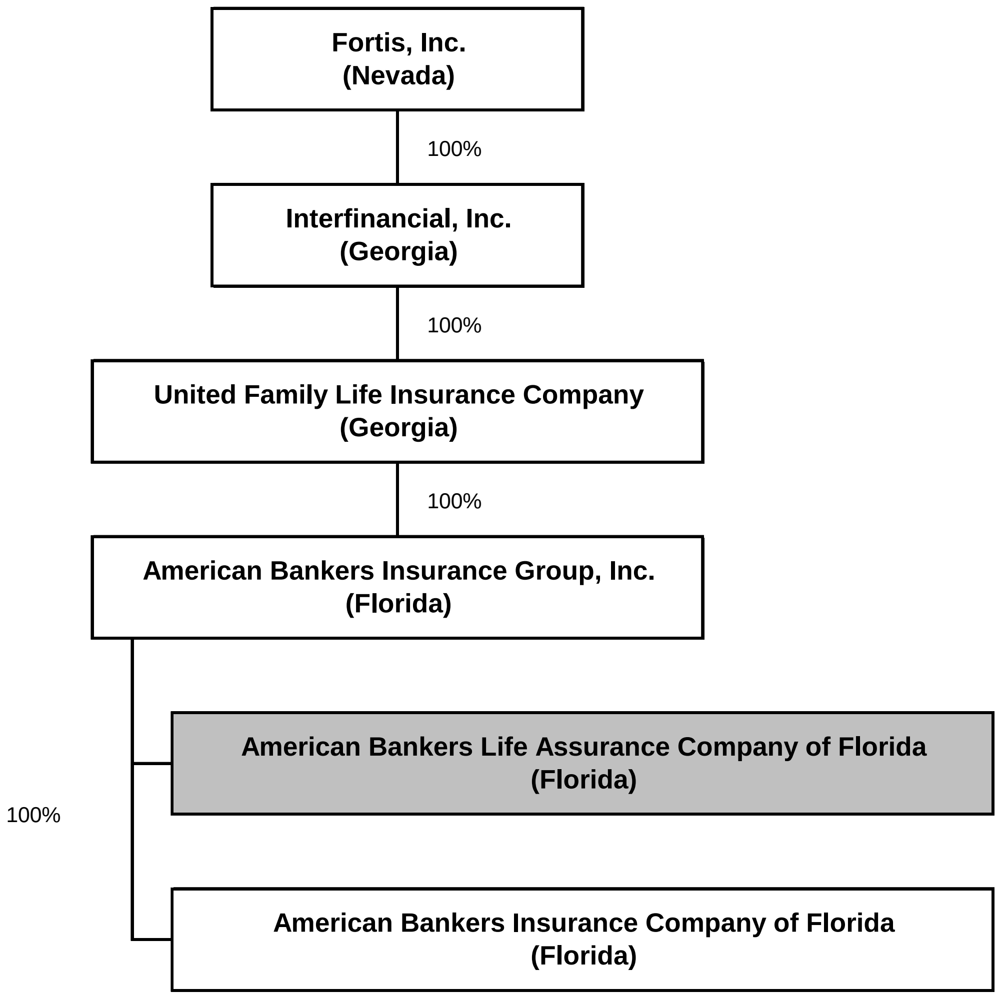
Fortis Advisors, Inc. provides investment services to the Company and other affiliates in return for a fee which amounted to $1,074,961, $1,072,447, and $515,000 during 2003, 2002 and 2001, respectively.

COST SHARING AGREEMENT

The Company is party to an inter-company cost sharing agreement with its affiliate ABIC.

A simplified organizational chart as of December 31, 2003, reflecting the holding company system, is shown below. Schedule Y of the Company's 2003 annual statement provided a schedule of all related companies of the holding company group.

American Bankers Life Assurance Company of Florida
Organizational Chart
December 31, 2003



FIDELITY BOND AND OTHER INSURANCE

As of December 31, 2003, the Company and its affiliates were named insureds on a fidelity bond policy owned by Fortis, Inc., which adequately covered the suggested minimum amount of coverage for the Company as recommended by the NAIC.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company offers to qualified employees numerous benefits to include group medical, life, accidental death and disability, dental, and long-term disability insurance coverage. In addition, eligible Company employees may participate in a defined benefit pension plan.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, F.S., and with various others as required or permitted by law:

Holder	Description	Rate	Due	Par	Market
Florida	U.S. Treasury Note	6.00%	8/15/2004	$290,000	$298,790
Florida	Cox Communications Note	6.75%	3/15/2011	2,000,000	265,840
Total Florida Deposits				**2,290,000**	**564,630**
Arkansas	U.S. Treasury Note	6.00%	8/15/2004	130,000	133,940
Aruba	Aruba Land Bonds	8.00%	3/10/2005	305,116	305,116
British Virgin Islands	U.S. Treasury Notes	Var.	Var.	2,000,000	2,118,120
Canada	Cadillac Fairview Limited	7.05%	1/31/2007	2,130,000	2,137,729
Canada	Canada General Obligations	0.00%	12/1/2006	225,000	190,538
Canada	St. Laurent Center	7.72%	3/28/2007	970,000	1,021,159
Georgia	U.S. Treasury Note	6.00%	8/15/2004	55,000	56,667
Netherlands	U.S. Treasury Note	5.63%	5/15/2008	600,000	664,686
New Hampshire	FNMA Note	5.75%	2/15/2008	250,000	277,549
New Mexico	FNMA Note	5.75%	2/15/2008	120,000	133,223
New Zealand	New Zealand Bond	8.00%	11/15/2006	500,000	522,404
Reinsurance Trust	U.S. Treasury Note	6.00%	8/15/2004	425,000	437,882
Reinsurance Trust	Virginia Housing Authority	7.40%	8/15/2004	100,000	100,000
U.S. Virgin Islands	FNMA Note	7.54%	3/2/2015	505,000	555,928
Virginia	FNMA Note	5.75%	2/15/2008	100,000	111,020
Total Special Deposits				**$10,705,116**	**$9,330,591**

INSURANCE PRODUCTS AND RELATED PRACTICES

The Company markets ordinary life, individual accident and health, annuities, group life, group accidence and health, credit life, and credit accident and health products through licensed agents and brokers. In addition, it markets its products through a broad network of entities that provide consumer financing, to include financial institutions, automobile dealers, mobile home manufacturers, and retailers.

TERRITORY AND PLAN OF OPERATION

At December 31, 2003, the Company was authorized to transact insurance in the District of Columbia and all states except New York. It was also authorized to write business in Anguilla, Aruba, the British Virgin Islands, Canada, Guam, Puerto Rico, and the U.S. Virgin Islands.

TREATMENT OF POLICYHOLDERS

The Company established procedures for handling written complaints in accordance with Section 626.9541(1)(j), F.S., and maintained a claims procedure manual that included detailed procedures for handling each type of claim.

REINSURANCE

The reinsurance agreements reviewed were found to comply with NAIC standards with respect to the standard insolvency and arbitration clauses, transfer of risk, and reporting and settlement information deadlines. A relatively small amount of the Company's business involves the assumption of reinsurance. The Company ceded insurance on a quota share basis for credit life, health, and disability insurance, and on an excess-of-loss basis for certain ordinary life insurance. The reinsurance contracts were reviewed by the Company's appointed actuary and were utilized in determining the ultimate loss opinion.

The Company incorrectly reported that, as of December 31, 2003, one of its treaties with an unauthorized reinsurer was collateralized with a $7 million letter of credit. In addition, the Company incorrectly reported that, as of December 31, 2003, another of its treaties with an unauthorized reinsurer was collateralized by a trust account held for the benefit of the Company in the amount of $16 million. During the examination, we found that the letter of credit did not exist and that the trust account was actually held for the benefit of ABIC, an affiliate. Because, in these two instances, the Company did not comply with the provisions of Section 624.610, F.S., it was not eligible for reinsurance credits with respect to the ceded insurance. However, since adequate collateral was subsequently obtained during 2004 for the insurance ceded pursuant to these treaties, no examination adjustments have been made to the Company's reserves as of December 31, 2003 as a result of these findings.

ACCOUNTS AND RECORDS

An independent CPA audited the Company’s statutory basis financial statements annually for years 2003, 2002, and 2001, pursuant to Section 624.424(8), F.S. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, F.A.C.

The Company's accounting records were accurately maintained pursuant to Section 607.1601(2), F.S., except as otherwise noted herein. The Company’s accounting records were maintained on a computerized system. Its balance sheet accounts were verified with the line items of its annual statement submitted to the Office.

Certain detail records requested by us for planned testing of the Company’s reserves were not available to us. During the course of the examination, we reviewed a sample of the Company’s policy applications (or equivalent documents) in order to determine the accuracy of its policy records from which its aggregate reserves were calculated. Of the 47 life insurance applications requested with issue or effective dates during the examination period, the Company was unable to provide six applications (13%). Of the 47 accident and health insurance applications requested with issue or effective dates during the examination period, the Company was unable to provide twenty-seven applications (57%). The Company generally relies on its producers to retain copies of applications. As noted on page 2, our prior examination of the Company resulted in a similar finding. In addition, we found that the Company does not maintain records containing detailed policy data pertaining to a portion of its business, referred to by the Company as “non-system business,” but relies on various administrators, agents, and other third parties to do so and to provide that information to the Company in summary form. These findings are evidence of weaknesses in the Company’s internal controls.

The Company maintains valuable securities in a locked file cabinet that provides only minimal physical security for the stored securities. Access to the cabinet is limited to only one employee, with no system of dual control over the contents.

The Company's main administrative office is located in Miami, Florida, where this examination was conducted.

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

Custodial Agreements

The Company's primary securities custodial agreement is with JP Morgan Chase, formerly, The Chase Manhattan Bank. Pursuant to this agreement, the custodian holds the Company's securities in either physical or book-entry form under the Federal Reserve book-entry system. Most of the securities are in book-entry form. Fees related to this agreement were $33,762, $34,030, and $21,440 in years 2003, 2002, and 2001, respectively.

A secondary securities custodial agreement is in place with the Royal Trust Corporation of Canada. Fees related to this agreement were $39,724, $31,911, and $30,110 in years 2003, 2002, and 2001, respectively.

CPA Agreement

In accordance with Section 624.424(8)(a), F.S., the Company contracts with an independent certified public accounting firm for conducting annual financial statement audits. For the year ending December 31, 2003, the audit was conducted by the firm of PricewaterhouseCoopers LLP. Fees related to these services were $206,000, $193,000, and $170,000 in years 2003, 2002, and 2001, respectively.

Risk-Based Capital

Pursuant to Section 624.4085, F.S., the Company reported its risk-based capital as of December 31, 2003. The reported amount was reviewed by the Office and was determined to be at an adequate level.

Information System Controls

An evaluation of controls in information systems was conducted by American Express Tax and Business Services, Inc., at the Company's Woodbury, Minnesota data center. No material internal control weaknesses were detected.

FINANCIAL STATEMENTS PER EXAMINATION

The following pages contain statements of the Company's financial position at December 31, 2003, as determined by this examination, and the results of its operations for the year then ended as reported by the Company. Adjustments resulting from this examination are summarized on page 22.

American Bankers Life Assurance Company of Florida
Assets
December 31, 2003

	Per Company	Examination Adjustments	Per Examination
Bonds	$587,546,071	($2,025,000)	$585,521,071
Preferred stocks	27,300,896	0	27,300,896
Common stocks	400,000	0	400,000
Mortgage loans on real estate - first liens	23,267,542	(3,423,781)	19,843,761
Properties occupied by the company	26,151,142	0	26,151,142
Properties held for the production of income	342,919	0	342,919
Properties held for sale	7,439	0	7,439
Cash, cash equivalents, & short-term investments	34,006,886	0	34,006,886
Contract loans	9,450,880	0	9,450,880
Other invested assets	8,265,089	(5,342,930)	2,922,159
Receivable for securities	6,027,270	0	6,027,270
	722,766,134	(10,791,711)	711,974,423
Investment income due & accrued	13,689,434	0	13,689,434
Uncollected premiums & agents' balances in the course of collection	8,752,901	0	8,752,901
Deferred premiums, agents' balances & installments booked but deferred & not yet due	1,479,015	0	1,479,015
Amounts recoverable from reinsurers	60,573,496	(805,816)	59,767,680
Other amounts receivable under reinsurance contracts	1,462,985	0	1,462,985
Net deferred tax asset	23,090,833	0	23,090,833
Electronic data processing equipment & software	1,403,333	0	1,403,333
Receivables from parent, subsidiaries & affiliates	46,093,854	0	46,093,854
Aggregate write-ins for other than invested assets	465,125	0	465,125
Totals	$879,777,110	($11,597,527)	$868,179,583

American Bankers Life Assurance Company of Florida
Liabilities, Surplus & Other Funds
December 31, 2003

Liabilities	Per Company	Examination Adjustments	Per Examination
Aggregate reserve for life contracts	$332,366,861	$3,949,680	$336,316,541
Aggregate reserve for accident & health contracts	86,176,049	0	86,176,049
Liability for deposit-type contracts	6,339,658	0	6,339,658
Contract claims - life	13,497,354	0	13,497,354
Contract claims - accident & health	14,200,427	0	14,200,427
Premiums received in advance	65,010	0	65,010
Commissions to agents due or accrued	16,194,467	0	16,194,467
General expenses due or accrued	11,787,320	975,202	12,762,522
Taxes, licenses & fees due or accrued	2,842,337	0	2,842,337
Current federal & foreign income taxes	17,600,295	0	17,600,295
Unearned investment income	504,888	0	504,888
Amounts withheld by company as agent or trustee	9,013,421	0	9,013,421
Amounts held for agents' account	7,896,371	0	7,896,371
Remittances & items not allocated	1,175,400	0	1,175,400
Net foreign exchange rate adjustments	8,326,103	0	8,326,103
Asset valuation reserve	3,700,562	0	3,700,562
Reinsurance in unauthorized companies	1,342,859	0	1,342,859
Funds held under reinsurance treaties with unauthorized reinsurers	20,467,170	0	20,467,170
Payable to parent, subsidiaries & affiliates	19,965,474	0	19,965,474
Funds held under coinsurance	44,754,785	0	44,754,785
Payable for securities	8,041,608	0	8,041,608
Aggregate write-ins for liabilities	59,189,910	0	59,189,910
Total liabilities	685,448,329	4,924,882	690,373,211
Capital & Surplus			
Gross paid in & contributed surplus	51,490,456	0	51,490,456
Unassigned funds (surplus)	138,365,984	(16,522,409)	121,843,575
Surplus	189,856,440	(16,522,409)	173,334,031
Common capital stock	4,472,341	0	4,472,341
Totals of capital & surplus	194,328,781	(16,522,409)	177,806,372
Totals	$879,777,110	($11,597,527)	$868,179,583

American Bankers Life Assurance Company of Florida
Summary of Operations
For The Year Ended December 31, 2003

Premiums & annuity considerations		$199,644,330
Considerations for supplementary contracts with life contingencies		81,053
Net investment income		48,904,232
Amortization of Interest Maintenance Reserve		142,936
Commissions & expense allowances on reinsurance ceded		57,456,904
Charges & fees for deposit-type contracts		(1,928,745)
Aggregate write-ins for miscellaneous income		414,161
		304,714,871
Death benefits	$39,461,456	
Annuity benefits	206,727	
Disability benefits & benefits under A&H contracts	18,427,634	
Surrender benefits & withdrawals for life contracts	16,352,308	
Interest & adjustments on contract or deposit-type contract funds	(1,774,270)	
Payments on supplementary contracts with life contingencies	607,390	
Increase in aggregate reserves for life & A&H contracts	23,216,946	
	96,498,191	
Commissions on premiums	98,106,080	
Commissions & expense allowances on reinsurance assumed	15,076,983	
General insurance expenses	58,955,837	
Insurance taxes, licenses & fees	15,002,144	
Increase in loading on deferred & uncollected premiums	10,524	283,649,759
Net gain from operations before federal income taxes		21,065,112
Federal and foreign income taxes incurred		6,998,420
Net gain from operations before realized capital gains or (losses)		14,066,692
Net realized capital gains or (losses)		(1,660,173)
Net income		$12,406,519

AMERICAN BANKERS LIFE ASSURANCE COMPANY OF FLORIDA
CAPITAL & SURPLUS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2003

Capital and surplus - December 31, 2002		$161,187,821
Net income	$12,406,519	
Change in net unrealized capital gains or (losses)	(18,487)	
Change in net unrealized foreign exchange capital gain	5,358,291	
Change in net deferred income tax	(8,823,617)	
Change in nonadmitted assets and related items	25,474,792	
Change in liability for reinsurance in unauthorized companies	4,206,586	
Change in asset valuation reserve	(673,081)	
Dividends to stockholders	(8,000,000)	
Aggregate write-ins for gains and losses in surplus	3,209,957	
Examination adjustments	(16,522,409)	16,618,551
Capital and surplus - December 31, 2003		$177,806,372

COMMENTS ON FINANCIAL STATEMENTS

ASSETS

Bonds **$585,521,071**

During the examination of the Company, it was unable to demonstrate ownership or valuation of three bonds reported by it in its 2003 annual statement. As a result, the bonds have been non-admitted, and the $587,546,071 reported by the Company has been decreased by $2,025,000.

Mortgage Loans On Real Estate – First Liens **$19,843,761**

The $23,267,542 reported by the Company has been decreased by $3,423,781. During the examination, we determined that the loan documentation for one particular loan was in the name of Fortis, Inc., an affiliate, rather than in the name of the Company. Therefore, the amount was non-admitted for purposes of the examination.

Other Invested Assets **$2,922,159**

The $8,265,089 reported by the Company has been decreased by $5,342,930. In its 2003 annual statement, the Company reported other invested assets that consisted of minority investments in joint venture, partnership or limited liability interests. Pursuant to Statement of Statutory Accounting Principles (SSAP) No. 48, such investments are to be reported at values based on the underlying audited equity of the investee, as determined by generally accepted accounting principles. During the examination, the Company could not provide sufficient documentation to support the reported value for three of its investments with a combined reported value of $4,926,637 as of December 31, 2003. Therefore, these investments have been non-admitted. For two additional investments, we noted that the combined reported value was overstated by $416,293. Therefore, an examination adjustment to reduce the carrying value of these investments was made in the amount of $416,293. The combined adjustment for purposes of the examination totaled $5,342,930.

Amounts Recoverable From Reinsurers **$59,767,680**

The $60,573,496 reported by the Company has been decreased by $805,816. We noted that subsequent to December 31, 2003, the Company wrote off certain reinsurance recoverables in this amount, on the basis that they were not collectible. Therefore, the amount of these receivables has been non-admitted as of December 31, 2003.

Electronic Data Processing Equipment & Software **$1,403,333**

In its 2003 annual statement, the Company failed to disclose the amounts of depreciation and amortization expense for the period and accumulated depreciation, and a general description of the methods used in computing the depreciation expense of its electronic data processing equipment and software, as required by SSAP No. 16.

LIABILITIES

Aggregate Reserves For Life Contracts **$336,316,541**

The $332,366,861 reported by the Company has been increased by $3,949,680. The Company's actuary rendered an opinion that the amounts carried on the Company's balance sheet as of December 31, 2003 reasonably provided for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements. However, the Office actuary reviewed work papers provided by the Company and determined that the liability was understated by $3,949,680.

General Expenses Due or Accrued **$12,762,522**

The $11,787,320 reported by the Company has been increased by $975,202, representing the amount of the Company's unrecorded liability resulting from its 2003 purchase of certain non-admissible telecommunications equipment. As the equipment was purchased and received during 2003, and paid for during 2004, the Company should have established a liability for the amount due for the equipment as of December 31, 2003.

Net Foreign Exchange Rate Adjustments **$8,326,103**

The amounts of each of the Company's 2003 annual statement balance sheet line items that included Canadian dollar amounts should have been converted from Canadian dollars to U.S. dollars, in accordance with SSAP No. 23. However, in its 2003 annual statement, the Company reported a liability in the amount of $8,326,103 for the net effect of foreign exchange rates on its assets and liabilities denominated in Canadian dollars. This was a classification error with no effect on surplus.

American Bankers Life Assurance Company of Florida
Comparative Analysis of Changes in Capital & Surplus
December 31, 2003

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

Capital & surplus, December 31, 2003 - per annual statement				**$194,328,781**
	Per Company	Per Exam	Increase (Decrease) In Surplus	
Assets:				
Bonds	$587,546,071	$585,521,071	($2,025,000)	
Mortgage loans on real estate - first liens	$23,267,542	$19,843,761	($3,423,781)	
Other invested assets	$8,265,089	$2,922,159	($5,342,930)	
Amounts recoverable from reinsurers	$60,573,496	$59,767,680	($805,816)	
Liabilities:				
Aggregate reserve for life contracts	$332,366,861	$336,316,541	($3,949,680)	
General expenses due or accrued	$11,787,320	$12,762,522	($975,202)	
Net change in capital & surplus				($16,522,409)
Capital & surplus, December 31, 2003 - per examination				**$177,806,372**

SUMMARY OF FINDINGS

COMPLIANCE WITH PREVIOUS DIRECTIVES

During the prior financial examination of the Company as of December 31, 1999, we found that certain detail records requested by us for planned testing of the Company's reserves were not available. The Company was directed to ensure its ability to access and retrieve policy documents and data as needed. During the current financial examination of the Company, we found that it did not comply with the directive. As more fully discussed on page 11, certain detail records requested by us during the current examination for planned testing of the Company's reserves were not available to us.

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, 2003.

REINSURANCE

As discussed on page 10, the Company incorrectly reported that, as of December 31, 2003, one of its treaties with an unauthorized reinsurer was collateralized by a $7 million letter of credit. In addition, the Company incorrectly reported that, as of December 31, 2003, another of its treaties with an unauthorized reinsurer was collateralized by a trust account held for the benefit of the Company in the amount of $16 million. Because, in these two instances, the Company did not comply with the provisions of Section 624.610, F.S., it was not eligible for reinsurance credits with respect to the ceded insurance. **We recommend that the Company take credit for insurance ceded to a reinsurer only when the requirements of Section 624.610, F.S., have been met.**

Policy Records and Data

As noted on page 11, certain policy applications requested by us for planned testing of the Company's reserves were not available to us. The Company generally relies on its producers to hold copies of applications. In addition, the Company does not maintain records containing detailed policy data pertaining to a portion of its business, referred to by the Company as "non-system business," but relies on various administrators, agents, and other third parties to do so and to provide that information to the Company in summary form. **We recommend that the Company retain access to its policy applications and implement controls sufficient to ensure the accuracy of its recorded policyholder data.**

Internal Controls Over Securities

As reported on page 12, the Company maintains valuable securities in a locked file cabinet that provides only minimal physical security for the stored securities. Access to the cabinet is limited to only one employee, with no system of dual control over the contents. **We recommend that the Company enhance its internal controls over the safekeeping of its securities.**

Bonds

The Company was unable to demonstrate ownership or valuation of three bonds reported by it in its 2003 annual statement, as discussed on page 19. As a result, the bonds were nonadmitted for purposes of the examination. **We recommend that the Company implement controls sufficient to ensure that all bonds admitted by it as assets are owned by the Company and properly valued.**

Mortgage Loans On Real Estate

As reported on page 19, we determined that the loan documentation for one particular loan for $3,423,781 was in the name of Fortis, Inc., an affiliate, rather than in the name of the Company. Therefore, the amount was non-admitted for purposes of the examination. **We recommend that the Company non-admit as assets any mortgage loans on real estate which are payable to other entities and have not been assigned to the Company.**

Other Invested Assets

The Company reported other invested assets that consisted of minority investments in joint venture, partnership or limited liability interests, as reported on page 19. Pursuant to SSAP No. 48, such investments are to be reported at values based on the underlying audited equity of the investee, as determined by generally accepted accounting principles. During the examination, the Company could not provide sufficient documentation to support the book value for three of its investments with a combined reported value of $4,926,637 as of December 31, 2003. Therefore, these amounts have been non-admitted. For two additional investments, we noted that the combined reported value was overstated by $416,293. Therefore, an examination adjustment to reduce the carrying value of these investments was made in the amount of $416,293. The combined examination adjustment totaled $5,342,930. **We recommend that the Company report the values of its investments in joint venture, partnership or limited liability interests in accordance with SSAP No. 48.**

Amounts Recoverable From Reinsurers

As discussed on page 20, we found that subsequent to December 31, 2003, the Company wrote off certain reinsurance recoverables in the amount of $805,816 on the basis that they were not collectible. Therefore, the amount of these receivables has been non-admitted as of December 31, 2003.

EDP EQUIPMENT DEPRECIATION

As reported on page 20, the Company failed to disclose in its 2003 annual statement the amounts of depreciation and amortization expense for the period and accumulated depreciation, and a general description of the methods used in computing the depreciation expense of its electronic data processing equipment and software, as required by SSAP No. 16. **We recommend that, in its annual statements, the Company make all disclosures required by SSAP No. 16.**

AGGREGATE RESERVES FOR LIFE CONTRACTS

As noted on page 20, the Company's actuary rendered an opinion that the amounts carried on the Company's balance sheet as of December 31, 2003 reasonably provided for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements. However, the Office actuary reviewed work papers provided by the Company and determined that the liability was understated by $3,949,680. **We recommend that the Company accurately report its reserves for life contracts in accordance with Section 625.041, F.S.**

GENERAL EXPENSES DUE OR ACCRUED

The Company failed to accrue its $975,202 liability resulting from a 2003 purchase of certain non-admissible telecommunications equipment, as discussed on page 21. As the equipment was purchased and received during 2003, and paid for during 2004, the Company should have established a liability for the amount due for the equipment as of December 31, 2003. **We recommend that the Company accurately report all of its liabilities in accordance with Section 625.041, F.S.**

<u>NET FOREIGN EXCHANGE RATE ADJUSTMENTS</u>

As discussed on page 21, the amounts of each of the Company's 2003 annual statement balance sheet line items that included Canadian dollar amounts should have been converted from Canadian dollars to U.S. dollars, in accordance with SSAP No. 23. However, in its 2003 annual statement, the Company reported a liability in the amount of $8,326,103 for the net effect of foreign exchange rates on its assets and liabilities denominated in Canadian dollars. This was a classification error with no effect on surplus. **We recommend that the Company comply with SSAP No. 23 with respect to its Canadian currency transactions.**

SUBSEQUENT EVENTS

In February of 2004, Fortis, Inc. merged into Assurant, Inc., a Delaware corporation. After the merger, Assurant, Inc. became the successor to the business, operations and obligations of Fortis, Inc., and the Company became an indirectly owned subsidiary of Assurant, Inc., which is traded on the New York Stock Exchange under the ticket symbol AIZ.

Effective April 1, 2004, Voyager Life Insurance Company and Voyager Life and Health Insurance Company, both Georgia-domiciled insurers and wholly-owned subsidiaries of American Bankers Insurance Group, Inc., merged with the Company, with the Company being the surviving entity.

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** as of December 31, 2003, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's total surplus was $177,806,372, which was in compliance with Section 624.408, F.S.

In addition to the undersigned, American Express Tax and Business Services, Inc., Kerry A. Krantz, Actuary, and Ruth L. Lieberman, Financial Specialist, participated in this examination.

Respectively submitted,

____
C. Alan Irvin
Financial Administrator
Florida Office of Insurance Regulation

____
Craig A. Moore, CFE
Managing Director
American Express Tax and Business Services, Inc.