

Report on Examination
of
American Bankers
Life Assurance Company of Florida
Miami, Florida
as of
December 31, 2017



**FLORIDA OFFICE OF
INSURANCE REGULATION**



OFFICE OF INSURANCE REGULATION

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COMMISSIONER OF AGRICULTURE

David Altmaier, Commissioner
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, Florida 32399

Dear Sir:

In accordance with Section 624.316, Florida Statutes, and the *Financial Condition Examiners Handbook* of the National Association of Insurance Commissioners, we have completed a financial condition examination of American Bankers Life Assurance Company of Florida as of December 31, 2017. Our report on the examination follows.

Florida Office of Insurance Regulation
May 20, 2019

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SCOPE OF EXAMINATION

We have completed a financial condition examination as of December 31, 2017 of American Bankers Life Assurance Company of Florida (Company), a multi-state insurer domiciled in Florida. The examination covered the period of January 1, 2014 through December 31, 2017 and took place primarily in the Company's Miami, Florida office and Tallahassee, Florida. The examination was performed as part of a full-scope, coordinated examination of the Assurant, Inc. Group as of December 31, 2017, with the State of Delaware serving as the facilitating lead state. The last financial condition examination of the Company by the Florida Office of Insurance Regulation (Office) was as of December 31, 2013.

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. The Handbook required that we plan and perform our examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. Our examination also included identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein.

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statute (F.S.) and general information about the insurer and its financial condition. There

may be other items identified during the examination that, due to their nature (e.g. subjective conclusions, proprietary information, etc.), are not included within the examination report but were separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no findings of a significant nature to report for the period of this examination.

COMPANY HISTORY

The Company was incorporated in Florida on February 6, 1952 and licensed by the Office as an insurer on July 14, 1952. It was authorized by the State of Florida to operate as a life and health insurer in accordance with Section 624.401, F.S.

Mergers and Acquisitions

On October 17, 2017, Assurant, Inc. entered into an Agreement and Plan of Merger (Merger Agreement), with TWG Holdings Limited (TWG Holdings), TWG Re, Ltd. (TWG Re), and Arbor Merger Sub, Inc. (Merger Sub). Under the terms of the Merger Agreement, Assurant, Inc. and TWG Holdings combined their businesses. The transaction consisted of Merger Sub merging with and into Assurant, Inc. As a result of this Merger Agreement, Assurant, Inc. continued as the surviving corporation and a wholly owned subsidiary of TWG Holdings. Refer to Subsequent Events for further discussion.

CORPORATE RECORDS

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

DIVIDENDS AND CAPITAL CONTRIBUTIONS

The Company distributed dividends to its parent American Insurance Group during the years 2014 through 2017. During 2014, the Company obtained approval and paid an extraordinary dividend of \$9 million distributed out of gross paid-in and contributed surplus. During 2015, the Company paid \$8.5 million of dividends. It also obtained approval for a capital distribution of up to \$6 million which was paid out of contributed surplus. During 2016, the Company paid \$24 million of dividends. It also obtained approval for a capital distribution of up to \$8 million, of which \$3.1 million was paid out of contributed surplus. During 2017, the Company paid \$21 million of dividends.

MANAGEMENT AND CONTROL

The Company is a wholly owned subsidiary of America Bankers Insurance Group, Inc. (ABIG), an insurance holding company domiciled in the state of Florida. ABIG is directly owned by Interfinancial Inc., which is directly owned by Assurant, Inc., (the ultimate parent). Assurant, Inc. is a Delaware holding company whose common stock is traded on the New York Stock Exchange under the symbol AIZ.

Senior Officers

<u>Name</u>	<u>Title</u>
Keith Warner Demmings	President
Jeannie Amy Aragon-Cruz	Secretary
Andrew Paul Chung	Treasurer

Board of Directors

<u>Name</u>	<u>Location</u>
Julie Elizabeth Cosio	Miami, Florida
Keith Warner Demmings	Atlanta, Georgia
Julia Mercedes Hix	Weston, Florida
Ivan Carlos Lopez-Morales	Atlanta, Georgia
Ricardo Jesus Morales-Gomez	Miami, Florida

Audit Committee Board Members

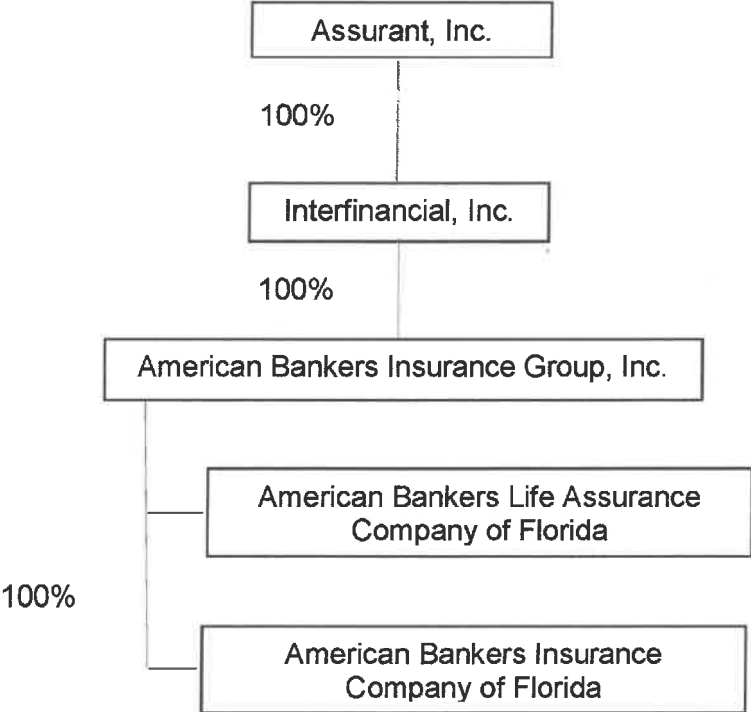
Robert Stein (Chair), CPA
Howard Carver, CPA
Elyse Douglas, CPA
Paul Reilly, CPA

* The Assurant, Inc. Audit Committee serves as the Company's Audit Committee.

The Company was a member of an insurance holding company system. Its latest holding company registration statement was filed with the State of Florida as required by Section 628.801, F.S., and Rule 69O-143.046, Florida Administrative Code (F.A.C.), on March 28, 2019.

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

**American Bankers Life Assurance Company of Florida
Abbreviated Organizational Chart
December 31, 2017**



AFFILIATED AND OTHER AGREEMENTS

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

Administrative Services Agreement

The Company performed for Assurant, Inc., for the benefit of USLIC of New York, services such as distribution and producer management; marketing support, product development and administration; reinsurance and underwriting; policyholder services and claims adjudication; human resources, actuarial, financial, information technology, legal and government relations services and other general services pursuant to the administrative service agreement.

Investment Management Agreement

Assurant, Inc. provided services to the Company related to investment management, investment accounting, safekeeping of assets other functions to effectively manage the investment portfolio pursuant to the investment management agreement.

Tax Allocation Agreement

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

Operational Service Agreements

ABIG and the Company were parties to various intercompany services agreements with affiliates to furnish and receive data processing, management, premium processing, and claims processing services.

TERRITORY AND PLAN OF OPERATIONS

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

COMPANY GROWTH

The Company reported the following for years 2014 through 2017:

(Dollars are in millions.)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Premiums	\$ 67.9	\$ 30.6	\$ 35.7	\$ 79.1
Total revenues	\$ 163.0	\$ 116.3	\$ 99.2	\$ 134.9
Net income	\$ 18.6	\$ 21.2	\$ 21.5	\$ 23.8
Stockholder dividends	\$ -	\$ 8.5	\$ 23.9	\$ 21.0
Paid in surplus received	\$ (9.0)	\$ (6.0)	\$ (3.1)	\$ -
Admitted assets	\$ 489.6	\$ 406.2	\$ 378.7	\$ 364.0
Liabilities	\$ 433.7	\$ 349.5	\$ 324.0	\$ 311.0
Capital and surplus	\$ 55.9	\$ 56.7	\$ 54.7	\$ 53.0

REINSURANCE

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

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

ACCOUNTS AND RECORDS

There were no findings of a significant nature during the period of this examination.

SURPLUS NOTES

The Company had no surplus notes.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, F.S., Section 625.51(2), F.S., and with other jurisdictions as required:

Holder	CUSIP	Description	Par Value	Market Value
Florida	917565HF3	Ut Trn S/Tax-A	\$ 100,000	\$ 100,000
Florida	917565HG1	Ut Trn S/Tax-A	25,000	25,000
Florida	88579EAC9	3M Company	2,000,000	2,581,400
Florida	92976GAG6	Wells Fargo Bank Na	1,000,000	1,251,000
Florida	478160AN4	Johnson & Johnson	1,000,000	1,329,300
Florida	917565HG1	Ut Trn S/Tax-A	975,000	975,000
Florida	92817AFH5	Va Res Auth Txb-Revol	620,000	621,302
Florida	917565HF3	Ut Trn S/Tax-A	805,000	805,000
Total Florida deposits			\$ 6,525,000	\$ 7,688,002
624.411 (OIR - L&H FINANCIAL OVERSIGHT)			2,125,000	2,706,400
625.51(2) (OIR - L&H FINANCIAL OVERSIGHT)			4,400,000	4,981,602
Total deposits			\$ 6,525,000	\$ 7,688,002

FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment was identified, the impact of such adjustment would be documented separately following the Company's financial statements. Financial Statements, as reported and filed by the Company with the Office, are reflected in the following pages:

American Bankers Life Assurance Company of Florida
Admitted Assets, Liabilities, Capital and Surplus
December 31, 2017

	Per Company	Examination Adjustments	Per Examination
Admitted Assets			
Bonds	\$ 193,705,257	\$ -	\$ 193,705,257
Preferred stocks	1,991,866	-	1,991,866
Common stocks	400,379	-	400,379
Mortgage loans (first liens)	12,213,884	-	12,213,884
Properties occupied by the company	41,494,633	-	41,494,633
Cash, cash equivalents and short-term investments	37,920,624	-	37,920,624
Contract loans	3,696,430	-	3,696,430
Other invested assets	195,112	-	195,112
	291,618,185	-	291,618,185
Investment income due and accrued	2,077,564	-	2,077,564
Uncollected premiums and agents' balances	5,999,489	-	5,999,489
Deferred premiums and agents' balances in the course of collection	70,019	-	70,019
Amounts recoverable from reinsurers	3,219,247	-	3,219,247
Other amounts receivable under reinsurance contracts	2,938,826	-	2,938,826
Current federal and foreign income tax recoverable	219,862	-	219,862
Net deferred tax asset	8,667,571	-	8,667,571
Guaranty funds receivable or on deposit	617,498	-	617,498
Electronic data processing equipment and software	1,257,991	-	1,257,991
Receivables from parent, subsidiaries and affiliates	47,138,888	-	47,138,888
Aggregate write-ins for other than invested assets	177,240	-	177,240
Total admitted assets	\$ 364,002,380	\$ -	\$ 364,002,380
Liabilities			
Aggregate reserve for life contracts	\$ 116,703,910	\$ -	\$ 116,703,910
Aggregate reserve for accident and health contracts	57,056,614	-	57,056,614
Liability for deposit-type contracts	8,341,442	-	8,341,442
Contract claims - life	8,045,362	-	8,045,362
Contract claims - accident and health	6,324,260	-	6,324,260
Premiums and annuity considerations for life and A&H contracts	34,111	-	34,111
Other amounts payable on reinsurance	20,029,280	-	20,029,280
Interest maintenance reserve	6,763,457	-	6,763,457
Commissions to agents due or accrued-life and annuity contracts	5,971,456	-	5,971,456
Commissions and expense payable on reinsurance assumed	5	-	5
General expenses due or accrued	1,949,679	-	1,949,679
Taxes, licenses and fees due or accrued	3,568,179	-	3,568,179
Current federal and foreign income taxes	5,651,408	-	5,651,408
Unearned investment income	122,031	-	122,031
Amounts withheld or retained by company as agent or trustee	1,526,977	-	1,526,977
Amounts held of agents' account	266,784	-	266,784
Remittances and items not allocated	111,231	-	111,231
Asset Valuation Reserve	4,319,858	-	4,319,858
Reinsurance in unauthorized and certified companies	123,468	-	123,468
Funds held under reinsurance treaties with unauthorized & certified	15,124,244	-	15,124,244
Payable to parent, subsidiaries and affiliates	45,343,491	-	45,343,491
Derivatives	846,619	-	846,619
Aggregate write-ins for liabilities	2,807,315	-	2,807,315
Total liabilities	\$ 311,031,181	\$ -	\$ 311,031,181.00
Capital and Surplus			
Common capital stock	\$ 4,472,341	\$ -	\$ 4,472,341
Gross paid in and contributed surplus	39,891,678	-	39,891,678
Unassigned funds (deficit)	8,607,180	-	8,607,180
Total capital and surplus	52,971,199	-	52,971,199
Total liabilities, capital and surplus	\$ 364,002,380	\$ -	\$ 364,002,380

American Bankers Life Assurance Company of Florida
Summary of Operations
Year Ended December 31, 2017

Premiums and annuity considerations for life and accident and health contracts	\$ 79,114,744
Net investment income	10,687,283
Amortization of Interest Maintenance Reserve	824,931
Commissions and expense allowances on reinsurance ceded	50,090,115
Reserve adjustments on reinsurance ceded	(6,104,430)
Aggregate write-ins for miscellaneous income	289,259
Total revenues	134,901,902
Death Benefits	7,999,634
Annuity benefits	190,092
Disability benefits under accident and health contracts	10,019,790
Surrender benefits and withdrawals for life contracts	8,476,085
Interest and adjustments on contracts or deposit-type contract funds	(722,318)
Payments on supplementary contracts with life contingencies	597,280
Increase in aggregate reserves for life and accident and health contracts	(19,920,017)
	6,640,546
Commissions on premiums, annuity considerations and deposit-type contract funds	64,937,574
Commissions and expense allowances on reinsurance assumed	13,308,669
General insurance expenses	12,179,103
Insurance taxes, licenses and fees	8,275,343
Aggregate write-ins for deductions	27,966
	105,369,201
Net gain from operations after dividends to policyholders and federal income taxes	29,532,701
Federal and foreign income taxes incurred	7,210,780
Net realized capital gains (losses)	1,512,413
Net income	\$ 23,834,334

**American Bankers Assurance Company of Florida
Comparative Analysis of Changes in Capital and Surplus
December 31, 2017**

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

Capital and surplus, December 31, 2017 - per annual statement				\$ 52,971,199
	<u>Per Company</u>	<u>Per Examination</u>	Increase (Decrease) In Capital & Surplus	
Total assets	\$ 364,002,380	\$ 364,002,380	\$ -	
Total liabilities	\$ 311,031,181	\$ 311,031,181	\$ -	-
Capital and surplus, December 31, 2017 - per examination				<u>\$ 52,971,199</u>

COMMENTS ON FINANCIAL STATEMENTS

There were no examination adjustments to the Financial Statements.

SUMMARY OF RECOMMENDATIONS

There were no recommendations for findings of a significant nature during this examination period.

SUBSEQUENT EVENTS

On January 8, 2018, Assurant, Inc. entered into an Amended and Restated Agreement and Plan of Merger (A&R Merger Agreement), with TWG Holdings, TWG Re, Merger Sub, and Spartan Merger Sub, Ltd. (Spartan Merger). The A&R Merger Agreement amends and restates in its entirety the Merger Agreement entered into with Assurant, Inc., on October 17, 2017.

Under the terms of the A&R Merger Agreement, Assurant, Inc. acquired TWG Holdings through a transaction in which Merger Sub merged with and into TWG Holdings. As a result of A&R Merger Agreement, TWG Holdings will continue as the surviving corporation and as a wholly owned subsidiary of Assurant, Inc.

On May 31, 2018, the acquisition of TWG Holdings by Assurant, Inc. was finalized.

CONCLUSION

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

At December 31, 2017, the Company's capital and surplus was \$52,971,199 and the Company was in compliance with the minimum capital and surplus requirement of Section 624.408, F.S.

In addition to the undersigned, the following individuals participated in the examination: Jim Williams, CPA, CFE, CIE, Supervisor; Michael Nadeau, CPA, CISA, CFE, AES, Examiner-In-Charge; Charles Kreske, CFE, MCM, Participating Examiner, associated with the firm of Eide Bailly, LLP; and from the Florida Office of Insurance Regulation: Shantia Simmons, APIR, Financial Examiner/Analyst Supervisor; and Glenn Coats, Financial Specialist.

Respectfully submitted,



Carolyn M. Morgan, APIR
Director, Life & Health Financial Oversight
Florida Office of Insurance Regulation