ASSURANT INC
Form 10-Q
November 02, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended September 30, 2011

OR

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from to

Assurant, Inc.

(Exact name of registrant as specified in its charter)

Delaware	001-31978	39-1126612
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

One Chase Manhattan Plaza, 41st Floor

New York, New York 10005

(212) 859-7000

(Address, including zip code, and telephone number, including area code, of Registrant s Principal Executive Offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES þ NO ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES þ NO ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES ¨ NO þ

The number of shares of the registrant s Common Stock outstanding at October 28, 2011 was 92,108,357.

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ASSURANT, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2011

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Amounts are presented in United States of America (U.S.) dollars and all amounts are in thousands, except number of shares and per share amounts.

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Assurant, Inc.

Consolidated Balance Sheets (unaudited)

At September 30, 2011 and December 31, 2010

	September 30, 2011	December 31, 2010
	(in thousands except number of shares and per share amounts)	
Assets		
Investments:		
Fixed maturity securities available for sale, at fair value (amortized cost $9,988,891 in 2011 and $10,009,320 in 2010)	$ 10,978,902	$ 10,612,552
Equity securities available for sale, at fair value (cost $401,225 in 2011 and $452,648 in 2010)	403,098	466,954
Commercial mortgage loans on real estate, at amortized cost	1,307,569	1,320,964
Policy loans	54,565	56,142
Short-term investments	508,375	358,702
Collateral held/pledged under securities agreements	96,080	136,589
Other investments	587,704	567,945
Total investments	13,936,293	13,519,848
Cash and cash equivalents	1,059,523	1,150,516
Premiums and accounts receivable, net	614,277	542,927
Reinsurance recoverables	5,295,502	4,997,316
Accrued investment income	159,470	147,069
Tax receivable	30,691	0
Deferred acquisition costs	2,563,885	2,493,422
Property and equipment, at cost less accumulated depreciation	247,497	267,169
Deferred income taxes, net	0	76,430
Goodwill	639,018	619,779
Value of business acquired	73,372	82,208
Other intangible assets, net	306,387	311,509
Other assets	186,039	188,454
Assets held in separate accounts	1,662,046	2,000,371
Total assets	$ 26,774,000	$ 26,397,018

See the accompanying notes to the consolidated financial statements

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Assurant, Inc.

Consolidated Balance Sheets (unaudited)

At September 30, 2011 and December 31, 2010

	September 30, 2011	December 31, 2010
	(in thousands except number of shares and per share amounts)	
Liabilities		
Future policy benefits and expenses	$ 8,217,526	$ 8,105,153
Unearned premiums	5,315,673	5,063,999
Claims and benefits payable	3,485,270	3,351,169
Commissions payable	259,104	275,409
Reinsurance balances payable	87,879	104,333
Funds held under reinsurance	67,696	65,894
Deferred gain on disposal of businesses	139,141	154,493
Obligation under securities agreements	96,449	137,212
Accounts payable and other liabilities	1,442,821	1,339,582
Deferred income taxes, net	13,674	0
Tax payable	0	41,702
Debt	972,249	972,164
Mandatorily redeemable preferred stock	0	5,000
Liabilities related to separate accounts	1,662,046	2,000,371
Total liabilities	21,759,528	21,616,481
Commitments and contingencies (Note 15)		
Stockholders equity		
Common stock, par value $0.01 per share, 800,000,000 shares authorized, 92,926,138 and 102,000,371 shares outstanding at September 30, 2011 and December 31, 2010, respectively	1,458	1,453
Additional paid-in capital	3,016,300	2,993,957
Retained earnings	3,596,751	3,264,025
Accumulated other comprehensive income	524,412	285,524
Treasury stock, at cost; 52,959,178 and 43,344,638 shares at September 30, 2011 and December 31, 2010, respectively	(2,124,449)	(1,764,422)
Total stockholders equity	5,014,472	4,780,537
Total liabilities and stockholders equity	$ 26,774,000	$ 26,397,018

See the accompanying notes to the consolidated financial statements

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Assurant, Inc.

Consolidated Statement of Operations (unaudited)

Three and Nine Months Ended September 30, 2011 and 2010

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(in thousands except number of shares and per share amounts)			
Revenues				
Net earned premiums and other considerations	$ 1,777,315	$ 1,832,514	$ 5,307,635	$ 5,589,052
Net investment income	172,176	176,170	517,893	525,380
Net realized gains on investments, excluding other-than- temporary impairment losses	5,079	7,280	27,937	33,705
Total other-than-temporary impairment losses	(4,703)	(924)	(7,848)	(2,803)
Portion of net loss (gain) recognized in other comprehensive income, before taxes	156	(313)	266	(1,234)
Net other-than-temporary impairment losses recognized in earnings	(4,547)	(1,237)	(7,582)	(4,037)
Amortization of deferred gain on disposal of businesses	5,114	6,024	15,353	18,129
Fees and other income	106,578	93,220	300,037	259,892
Total revenues	2,061,715	2,113,971	6,161,273	6,422,121
Benefits, losses and expenses				
Policyholder benefits	998,875	913,253	2,881,582	2,746,565
Amortization of deferred acquisition costs and value of business acquired	370,107	376,850	1,086,720	1,144,151
Underwriting, general and administrative expenses	562,346	581,974	1,685,821	1,757,367
Interest expense	15,078	15,162	45,284	45,484
Total benefits, losses and expenses	1,946,406	1,887,239	5,699,407	5,693,567
Income before provision for income taxes	115,309	226,732	461,866	728,554
Provision for income taxes	39,326	85,062	78,282	264,986
Net income	$ 75,983	$ 141,670	$ 383,584	$ 463,568
Earnings Per Share				
Basic	$ 0.80	$ 1.31	$ 3.91	$ 4.13
Diluted	$ 0.79	$ 1.30	$ 3.88	$ 4.11
Dividends per share	$ 0.18	$ 0.16	$ 0.52	$ 0.47
Share Data				
Weighted average shares outstanding used in basic per share calculations	95,351,601	107,806,207	98,065,082	112,137,558
Plus: Dilutive securities	951,411	778,075	895,630	653,565
Weighted average shares used in diluted per share calculations	96,303,012	108,584,282	98,960,712	112,791,123

See the accompanying notes to the consolidated financial statements

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Assurant, Inc.

Consolidated Statement of Stockholders Equity (unaudited)

From December 31, 2010 through September 30, 2011

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
	(in thousands except number of shares and per share amounts)					
Balance, December 31, 2010	$ 1,453	$ 2,993,957	$ 3,264,025	$ 285,524	$ (1,764,422)	$ 4,780,537
Stock plan exercises	5	332	0	0	0	337
Stock plan compensation expense	0	24,974	0	0	0	24,974
Change in tax benefit from share-based payment arrangements	0	(2,963)	0	0	0	(2,963)
Dividends	0	0	(50,858)	0	0	(50,858)
Acquisition of common stock	0	0	0	0	(360,027)	(360,027)
Comprehensive income:						
Net income	0	0	383,584	0	0	383,584
Other comprehensive income:						
Net change in unrealized gains on securities, net of taxes of $(124,596)	0	0	0	244,435	0	244,435
Net change in other-than- temporary impairment gains recognized in other comprehensive income, net of taxes of $(1,981)	0	0	0	3,679	0	3,679
Net change in foreign currency translation, net of taxes of $3,651	0	0	0	(17,278)	0	(17,278)
Amortization of pension and postretirement unrecognized net periodic benefit cost, net of taxes of $(4,347)	0	0	0	8,052	0	8,052
Total other comprehensive income	0	0	0	0	0	238,888
Total comprehensive income	0	0	0	0	0	622,472
Balance, September 30, 2011	$ 1,458	$ 3,016,300	$ 3,596,751	$ 524,412	$ (2,124,449)	$ 5,014,472

See the accompanying notes to the consolidated financial statements

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Assurant, Inc.

Consolidated Statement of Cash Flows (unaudited)

Nine Months Ended September 30, 2011 and 2010

	Nine Months Ended September 30,	
	2011	2010
	(in thousands)	
Net cash provided by operating activities	$ 509,691	$ 465,461
Investing activities		
Sales of:		
Fixed maturity securities available for sale	1,183,324	1,437,872
Equity securities available for sale	71,798	66,985
Property and equipment and other	2,565	118
Maturities, prepayments, and scheduled redemption of:		
Fixed maturity securities available for sale	749,210	567,337
Purchases of:		
Fixed maturity securities available for sale	(1,908,896)	(2,206,168)
Equity securities available for sale	(33,326)	(19,346)
Property and equipment and other	(25,153)	(42,100)
Subsidiary, net of cash transferred	(45,080)	(7,162)
Change in commercial mortgage loans on real estate	12,591	56,934
Change in short-term investments	(155,564)	1,655
Change in other invested assets	(24,900)	(41,415)
Change in policy loans	1,489	(229)
Change in collateral held under securities lending	26,483	85,031
Net cash used in investing activities	(145,459)	(100,488)
Financing activities		
Repayment of mandatorily redeemable preferred stock	(5,000)	0
Change in tax benefit from share-based payment arrangements	(2,963)	(6,665)
Acquisition of common stock	(364,943)	(369,159)
Dividends paid	(50,858)	(52,702)
Change in obligation under securities lending	(26,482)	(85,031)
Change in receivables under securities loan agreements	14,370	0
Change in obligations to return borrowed securities	(14,281)	0
Net cash used in financing activities	(450,157)	(513,557)
Effect of exchange rate changes on cash and cash equivalents	(5,068)	(1,661)
Change in cash and cash equivalents	(90,993)	(150,245)
Cash and cash equivalents at beginning of period	1,150,516	1,318,552
Cash and cash equivalents at end of period	$ 1,059,523	$ 1,168,307

See the accompanying notes to the consolidated financial statements

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited)

Nine Months Ended September 30, 2011 and 2010

(In thousands, except number of shares and per share amounts)

1. Nature of Operations

Assurant, Inc. (the Company) is a holding company whose subsidiaries provide specialized insurance products and related services in North America and select worldwide markets.

The Company is traded on the New York Stock Exchange under the symbol AIZ.

Through its operating subsidiaries, the Company provides debt protection administration, credit-related insurance, warranties and service contracts, pre-funded funeral insurance, lender-placed homeowners insurance, manufactured housing homeowners insurance, individual health and small employer group health insurance, group dental insurance, group disability insurance, and group life insurance.

2. Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information. Accordingly, these statements do not include all of the information and footnotes required by GAAP for complete financial statements.

The interim financial data as of September 30, 2011 and for the three and nine months ended September 30, 2011 and 2010 is unaudited; in the opinion of management, the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary to a fair statement of the results for the interim periods. The unaudited interim consolidated financial statements include the accounts of the Company and all of its wholly owned subsidiaries. All inter-company transactions and balances are eliminated in consolidation. Certain prior period amounts have been reclassified to conform to the 2011 presentation.

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, and the rules and regulations thereunder (together, the Affordable Care Act) was signed into law in March 2010. One provision of the Affordable Care Act, effective January 1, 2011, established a minimum medical loss ratio (MLR) designed to ensure that a minimum level of benefits are paid to health insurance policyholders. The Affordable Care Act established an MLR of 80% for individual and small group business and 85% for large group business. If the actual loss ratios, calculated in a manner prescribed by the Department of Health and Human Services (HHS), are less than the required MLR, rebates are payable to the policyholders by August 1 of the subsequent year. For additional information, please refer to Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates in Item 2 contained elsewhere in this report.

Operating results for the three and nine months ended September 30, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

3. Recent Accounting Pronouncements

Recent Accounting Pronouncements Adopted

On January 1, 2011, the Company adopted the guidance on multiple deliverable revenue arrangements. This guidance requires entities to use their best estimate of the selling price of a deliverable within a multiple deliverable revenue arrangement if the entity and other entities do not sell the deliverable separate from the other deliverables within the arrangement. In addition, it requires both qualitative and quantitative disclosures. The adoption of this guidance did not have an impact on the Company s financial position or results of operations.

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited)

Nine Months Ended September 30, 2011 and 2010

(In thousands, except number of shares and per share amounts)

Recent Accounting Pronouncements Not Yet Adopted

In September 2011, the Financial Accounting Standards Board (FASB) issued amendments to the intangibles goodwill and other guidance to allow an entity to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. Under these amendments, an entity would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. The amendments include a number of events and circumstances for an entity to consider in conducting the qualitative assessment. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. The Company chose to early adopt the revised standard as of October 1, 2011 and will apply the amended guidance to its fourth quarter annual test. The amended guidance results in a change in the procedures for assessing goodwill impairment and will not have an impact on the Company s financial position and results of operations.

In July 2011, the FASB issued amendments to the other expenses guidance to address how health insurers should recognize and classify in their income statements fees mandated by the Affordable Care Act. The Affordable Care Act imposes an annual fee on health insurers for each calendar year beginning on or after January 1, 2014. The amendments specify that the liability for the fee should be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable with a corresponding deferred cost that is amortized to expense ratably over the calendar year during which it is payable. The guidance is effective for calendar years beginning after December 31, 2013, when the fee initially becomes effective. Therefore, the Company is required to adopt this guidance on January 1, 2014. The Company is currently evaluating the requirements of the amendments and the potential impact on the Company s financial position and results of operations.

In June 2011, the FASB issued amendments to the comprehensive income guidance to provide two alternatives for presenting comprehensive income. An entity can report comprehensive income either in a single continuous financial statement or in two separate but consecutive financial statements. Each component of net income and each component of other comprehensive income, together with totals for comprehensive income and its two parts, net income and other comprehensive income, are displayed under either alternative. The statement(s) are to be presented with equal prominence as the other primary financial statements. The amendments eliminate the Company s currently applied option to report other comprehensive income and its components in the statement of changes in stockholders equity. The guidance will not change the items that constitute net income or other comprehensive income, and will not change when an item of other comprehensive income must be reclassified to net income. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. Therefore, the Company is required to adopt this guidance on January 1, 2012. Early adoption is permitted, but full retrospective application is required. The Company is currently evaluating which alternative to choose; however, the new presentation requirements will not have an impact on the Company s financial position or results of operations.

In May 2011, the FASB issued amendments to existing guidance on fair value measurement to achieve common fair value measurement and disclosure requirements in GAAP and International Financial Reporting Standards (IFRS). Consequently, the amendments change the wording used to describe many of the requirements in GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the FASB does not intend for the amendments to result in a change in the application of the requirements in the fair value accounting guidance. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. Therefore, the Company is required to adopt this guidance on January 1, 2012. The amendments are to be applied prospectively. The Company is currently evaluating the requirements of the amendments and the potential impact on the Company s financial position and results of operations.

In October 2010, the FASB issued amendments to existing guidance on accounting for costs associated with acquiring or renewing insurance contracts. The amendments modify the definition of the types of costs incurred by insurance entities that can be capitalized in the acquisition of

new and renewal contracts. Under this amended guidance, acquisition costs are defined as costs that are directly related to the successful acquisition of new or renewal insurance contracts. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. Therefore, the Company is required to adopt this guidance on January 1, 2012. Prospective application as of the date of adoption is required, however, retrospective application to all prior periods presented upon the date of adoption is permitted, but not required. We expect to adopt the guidance retrospectively. This will result in a reduction in our deferred acquisition cost asset. It will also cause an increase in our liability for future policy benefits and expenses for certain preneed policies whose reserves are calculated utilizing deferred acquisition costs. There will also be a decrease in the amortization associated with the previously deferred acquisition costs. We are evaluating the full effects of implementing the amended guidance, but we currently estimate that the cumulative effect adjustment that will result from our retrospective adoption will reduce the opening balance of retained earnings between $140,000 and $150,000 in the year of adoption,

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited)

Nine Months Ended September 30, 2011 and 2010

(In thousands, except number of shares and per share amounts)

net of the related tax benefit. This estimate is preliminary in nature and the actual amount of the reduction may be above or below the range. We currently estimate the adoption of these amendments will result in immaterial changes in net income in 2011 and in the years preceding 2011 to which the retrospective adoption will be applied. The amendments are generally more restrictive with regard to which costs can be deferred and may impact the pattern of reported income for certain products. We are still assessing the impact on future periods, but because of our overall mix of business we do not currently expect the amendments to cause material changes to net income.

4. Business Combinations

On June 21, 2011, in an all cash transaction, the Company acquired the SureDeposit business, the leading provider of security deposit alternatives to the multifamily housing industry, for $45,080. In connection with the acquisition, the Company recorded $25,350 of intangible assets, all of which are amortizable, and $19,608 of goodwill. The primary factor contributing to the recognition of goodwill is the future expected growth of this business. This acquisition expands the multifamily housing product offering and associated cross-selling opportunities with existing clients for the Assurant Specialty Property segment.

5. Investments

The following tables show the cost or amortized cost, gross unrealized gains and losses, fair value and other-than-temporary impairment (OTTI) of our fixed maturity and equity securities as of the dates indicated:

	September 30, 2011				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	OTTI in AOCI (1)
Fixed maturity securities:					
United States Government and government agencies and authorities	$ 130,760	$ 9,466	$ (291)	$ 139,935	$ 0
States, municipalities and political subdivisions	822,875	87,747	(327)	910,295	0
Foreign governments	630,990	62,349	(1,358)	691,981	0
Asset-backed	32,585	2,264	(173)	34,676	1,114
Commercial mortgage-backed	84,318	5,407	(167)	89,558	0
Residential mortgage-backed	853,348	62,087	(1,644)	913,791	8,512
Corporate	7,434,015	828,679	(64,028)	8,198,666	15,367
Total fixed maturity securities	$ 9,988,891	$ 1,057,999	$ (67,988)	$ 10,978,902	$ 24,993
Equity securities:					
Common stocks	$ 12,808	$ 838	$ (330)	$ 13,316	$ 0
Non-redeemable preferred stocks	388,417	29,905	(28,540)	389,782	0
Total equity securities	$ 401,225	$ 30,743	$ (28,870)	$ 403,098	$ 0

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited)

Nine Months Ended September 30, 2011 and 2010

(In thousands, except number of shares and per share amounts)

	December 31, 2010				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	OTTI in AOCI (1)
Fixed maturity securities:					
United States Government and government agencies and authorities	$ 244,659	$ 6,050	$ (1,198)	$ 249,511	$ 0
States, municipalities and political subdivisions	829,923	39,568	(4,657)	864,834	0
Foreign governments	617,164	32,789	(1,418)	648,535	0
Asset-backed	39,310	2,524	(84)	41,750	1,016
Commercial mortgage-backed	102,312	4,670	(11)	106,971	0
Residential mortgage-backed	764,884	36,842	(4,998)	796,728	4,741
Corporate	7,411,068	541,720	(48,565)	7,904,223	13,576
Total fixed maturity securities	$ 10,009,320	$ 664,163	$ (60,931)	$ 10,612,552	$ 19,333
Equity securities:					
Common stocks	$ 5,545	$ 1,029	$ (8)	$ 6,566	$ 0
Non-redeemable preferred stocks	447,103	32,238	(18,953)	460,388	0
Total equity securities	$ 452,648	$ 33,267	$ (18,961)	$ 466,954	$ 0

(1) Represents the amount of OTTI gains in accumulated other comprehensive income (AOCI), which, from April 1, 2009, were not included in earnings under the OTTI guidance for debt securities.

Our states, municipalities and political subdivisions holdings are highly diversified across the United States and Puerto Rico, with no individual state s exposure (including both general obligation and revenue securities) exceeding 0.5% of the overall investment portfolio as of September 30, 2011 and December 31, 2010. At September 30, 2011 and December 31, 2010, the securities include general obligation and revenue bonds issued by states, cities, counties, school districts and similar issuers, including $162,292 and $154,742, respectively, of advance refunded or escrowed-to-maturity bonds (collectively referred to as pre-refunded bonds), which are bonds for which an irrevocable trust has been established to fund the remaining payments of principal and interest. As of September 30, 2011 and December 31, 2010, revenue bonds account for 51% and 48% of the holdings, respectively. Excluding pre-refunded bonds, sales tax, highway, water, transit and miscellaneous (which includes bond banks, finance authorities and appropriations) provide for 79% and 80% of the revenue sources, as of September 30, 2011 and December 31, 2010, respectively.

The Company s investments in foreign government fixed maturity securities are held mainly in countries and currencies where the Company has policyholder liabilities, which allow the assets and liabilities to be more appropriately matched. At September 30, 2011, approximately 60%, 14%, and 8% of the foreign government securities were held in the Canadian government/provincials and the governments of Brazil and Germany, respectively. At December 31, 2010, approximately 60%, 11%, 7%, and 6% of the foreign government securities were held in the Canadian government/provincials, and the governments of Brazil, Germany and the United Kingdom, respectively. No other country represented more than 5% of our foreign government securities as of September 30, 2011 and December 31, 2010.

The cost or amortized cost and fair value of fixed maturity securities at September 30, 2011 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because issuers of the securities may have the right to call or prepay obligations with or

without call or prepayment penalties.

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited)

Nine Months Ended September 30, 2011 and 2010

(In thousands, except number of shares and per share amounts)

	Cost or Amortized Cost	Fair Value
Due in one year or less	$ 467,219	$ 474,761
Due after one year through five years	1,965,019	2,074,567
Due after five years through ten years	2,341,384	2,516,196
Due after ten years	4,245,018	4,875,353
Total	9,018,640	9,940,877
Asset-backed	32,585	34,676
Commercial mortgage-backed	84,318	89,558
Residential mortgage-backed	853,348	913,791
Total	$ 9,988,891	$ 10,978,902

The following table summarizes the proceeds from sales of available-for-sale securities and the gross realized gains and gross realized losses that have been included in earnings as a result of those sales.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
Proceeds from sales	$ 332,490	$ 520,567	$ 1,280,982	$ 1,505,701
Gross realized gains	14,018	18,846	42,453	50,258
Gross realized losses	5,705	1,689	15,012	6,095

The following table sets forth the net realized gains (losses), including OTTI, recognized in the statement of operations as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net realized gains (losses) related to sales and other:				
Fixed maturity securities	$ 13,036	$ 14,950	$ 33,941	$ 40,579
Equity securities	(4,719)	2,239	(4,808)	4,980
Commercial mortgage loans on real estate	0	(9,000)	0	(15,772)
Other investments	(3,238)	(909)	(1,196)	3,918
Total net realized gains related to sales and other	5,079	7,280	27,937	33,705
Net realized losses related to other-than-temporary impairments:				

Fixed maturity securities	(4,547)	(1,055)	(7,561)	(3,544)
Equity securities	0	(182)	(21)	(493)
Total net realized losses related to other-than-temporary impairments	(4,547)	(1,237)	(7,582)	(4,037)
Total net realized gains	$ 532	$ 6,043	$ 20,355	$ 29,668

Other-Than-Temporary Impairments

The Company adopted the OTTI guidance, which requires entities to separate an OTTI of a debt security into two components when there are credit related losses associated with the impaired debt security for which the Company asserts that it does not have the intent to sell, and it is more likely than not that it will not be required to sell before recovery of its cost basis. Under the OTTI guidance, the amount of the OTTI related to a credit loss is recognized in earnings, and the amount of the OTTI related to other, non-credit, factors (e.g. interest rates and market conditions) is recorded as a component of other comprehensive income. In instances where no credit loss exists but the Company intends to sell the security or it is more likely than not that the Company will have to sell

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the debt security prior to the anticipated recovery, the decline in market value below amortized cost is recognized as an OTTI in earnings. In periods after the recognition of an OTTI on debt securities, the Company accounts for such securities as if they had been purchased on the measurement date of the OTTI at an amortized cost basis equal to the previous amortized cost basis less the OTTI recognized in earnings. For debt securities for which OTTI was recognized in earnings, the difference between the new amortized cost basis and the cash flows expected to be collected will be accreted or amortized into net investment income.

For the three and nine months ended September 30, 2011, the Company recorded $4,703 and $7,848, respectively, of OTTI, of which $4,547 and $7,582, respectively, was related to credit losses and recorded as net OTTI losses recognized in earnings, with the remaining $156 and $266, respectively, related to all other factors and recorded as an unrealized loss component of AOCI. For the three and nine months ended September 30, 2010, the Company recorded $924 and $2,803, respectively, of OTTI, of which $1,237 and $4,037, respectively, was related to credit losses and recorded as net OTTI losses recognized in earnings, with the remaining $(313) and $(1,234), respectively, related to all other factors and recorded as an unrealized gain component of AOCI.

The following tables set forth the amount of credit loss impairments recognized within the results of operations on fixed maturity securities held by the Company as of the dates indicated, for which a portion of the OTTI loss was recognized in AOCI, and the corresponding changes in such amounts.

	2011	2010
Balance, June 30,	$ 105,634	$ 105,762
Additions for credit loss impairments recognized in the current period on securities not previously impaired	0	9
Additions for credit loss impairments recognized in the current period on securities previously impaired	9	694
Reductions for securities which the amount previously recognized in other comprehensive income was recognized in earnings because the entity intends to sell the security	0	(116)
Reductions for increases in cash flows expected to be collected that are recognized over the remaining life of the security	(202)	(3)
Reductions for credit loss impairments previously recognized on securities which matured, paid down, prepaid or were sold during the period	(1,895)	(2,227)
Balance, September 30,	$ 103,546	$ 104,119

	2011	2010
Balance, January 1,	$ 105,245	$ 108,053
Additions for credit loss impairments recognized in the current period on securities not previously impaired	1,455	494
Additions for credit loss impairments recognized in the current period on securities previously impaired	1,567	2,698
Reductions for securities which the amount previously recognized in other comprehensive income was recognized in earnings because the entity intends to sell the security	0	(116)
Reductions for increases in cash flows expected to be collected that are recognized over the remaining life of the security	(470)	(287)
Reductions for credit loss impairments previously recognized on securities which matured, paid down, prepaid or were sold during the period	(4,251)	(6,723)

Balance, September 30,	$ 103,546	$ 104,119

We regularly monitor our investment portfolio to ensure investments that may be other-than-temporarily impaired are identified in a timely fashion, properly valued, and charged against earnings in the proper period. The determination that a security has incurred an other-than-temporary decline in value requires the judgment of management. Assessment factors include, but are not limited to, the length of time and the extent to which the market value has been less than cost, the financial condition and rating of the issuer, whether any collateral is held, the intent and ability of the Company to retain the investment for a period of time sufficient to allow for recovery for equity securities and the intent to sell or whether it is more likely than not that the Company will be required to sell the fixed maturity securities. Inherently, there are risks and uncertainties involved in making these judgments. Changes in circumstances and critical assumptions such as a continued weak economy, a more pronounced economic downturn or unforeseen events which affect one or more companies, industry sectors, or countries could result in additional impairments in future periods for other-than-temporary declines in value. Any equity security whose price decline is deemed other-than-temporary is written down to its then

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current market value with the amount of the impairment reported as a realized loss in that period. The impairment of a fixed maturity security that the Company has the intent to sell or that it is more likely than not that the Company will be required to sell is deemed other-than-temporary and is written down to its market value at the balance sheet date with the amount of the impairment reported as a realized loss in that period. For all other-than-temporarily impaired fixed maturity securities that do not meet either of these two criteria, the Company is required to analyze its ability to recover the amortized cost of the security by calculating the net present value of projected future cash flows. For these other-than-temporarily impaired fixed maturity securities, the net amount recognized in earnings is equal to the difference between the amortized cost of the fixed maturity security and its net present value.

The Company considers different factors to determine the amount of projected future cash flows and discounting methods for corporate debt and residential and commercial mortgage-backed or asset-backed securities. For corporate debt securities, the split between the credit and non-credit losses is driven principally by assumptions regarding the amount and timing of projected future cash flows. The net present value is calculated by discounting the Company s best estimate of projected future cash flows at the effective interest rate implicit in the security at the date of acquisition. For residential and commercial mortgage-backed and asset-backed securities, cash flow estimates, including prepayment assumptions, are based on data from widely accepted third-party data sources or internal estimates. In addition to prepayment assumptions, cash flow estimates vary based on assumptions regarding the underlying collateral including default rates, recoveries and changes in value. The net present value is calculated by discounting the Company s best estimate of projected future cash flows at the effective interest rate implicit in the fixed maturity security prior to impairment at the balance sheet date. The discounted cash flows become the new amortized cost basis of the fixed maturity security.

In periods subsequent to the recognition of an OTTI, the Company generally accretes the discount (or amortizes the reduced premium) into net investment income, up to the non-discounted amount of projected future cash flows, resulting from the reduction in cost basis, based upon the amount and timing of the expected future cash flows over the estimated period of cash flows.

Realized gains and losses on sales of investments are recognized on the specific identification basis.

The investment category and duration of the Company s gross unrealized losses on fixed maturity securities and equity securities at September 30, 2011 and December 31, 2010 were as follows:

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	September 30, 2011					
	Less than 12 months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturity securities:						
United States Government and government agencies and authorities	$ 7,033	$ (291)	$ 0	$ 0	$ 7,033	$ (291)
States, municipalities and political subdivisions	0	0	5,474	(327)	5,474	(327)
Foreign governments	9,982	(2)	9,728	(1,356)	19,710	(1,358)
Asset-backed	2,771	(173)	0	0	2,771	(173)
Commercial mortgage-backed	18,663	(167)	0	0	18,663	(167)
Residential mortgage-backed	49,182	(1,602)	1,367	(42)	50,549	(1,644)
Corporate	1,018,259	(42,997)	159,390	(21,031)	1,177,649	(64,028)
Total fixed maturity securities	$ 1,105,890	$ (45,232)	$ 175,959	$ (22,756)	$ 1,281,849	$ (67,988)
Equity securities:						
Common stocks	$ 5,416	$ (330)	$ 0	$ 0	$ 5,416	$ (330)
Non-redeemable preferred stocks	60,931	(6,304)	95,386	(22,236)	156,317	(28,540)
Total equity securities	$ 66,347	$ (6,634)	$ 95,386	$ (22,236)	$ 161,733	$ (28,870)

	December 31, 2010					
	Less than 12 months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturity securities:						
United States Government and government agencies and authorities	$ 105,597	$ (1,198)	$ 0	$ 0	$ 105,597	$ (1,198)
States, municipalities and political subdivisions	136,578	(3,520)	10,743	(1,137)	147,321	(4,657)
Foreign governments	97,725	(538)	9,902	(880)	107,627	(1,418)
Asset-backed	2,865	(84)	0	0	2,865	(84)
Commercial mortgage-backed	4,754	(11)	0	0	4,754	(11)
Residential mortgage-backed	168,942	(4,907)	1,982	(91)	170,924	(4,998)
Corporate	753,340	(21,674)	310,107	(26,891)	1,063,447	(48,565)
Total fixed maturity securities	$ 1,269,801	$ (31,932)	$ 332,734	$ (28,999)	$ 1,602,535	$ (60,931)
Equity securities:						
Common stocks	$ 479	$ (8)	$ 0	$ 0	$ 479	$ (8)
Non-redeemable preferred stocks	46,336	(2,791)	146,361	(16,162)	192,697	(18,953)

Total equity securities	$ 46,815	$ (2,799)	$ 146,361	$ (16,162)	$ 193,176	$ (18,961)

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Total gross unrealized losses represent less than 7% and 5% of the aggregate fair value of the related securities at September 30, 2011 and December 31, 2010, respectively. Approximately 54% and 43% of these gross unrealized losses have been in a continuous loss position for less than twelve months at September 30, 2011 and December 31, 2010, respectively. The total gross unrealized losses are comprised of 474 and 457 individual securities at September 30, 2011 and December 31, 2010, respectively. In accordance with its policy described above, the Company concluded that for these securities an adjustment to its results of operations for other-than-temporary impairments of the gross unrealized losses was not warranted at September 30, 2011 and December 31, 2010. These conclusions are based on a detailed analysis of the underlying credit and expected cash flows of each security. As of September 30, 2011, the gross unrealized losses that have been in a continuous loss position for twelve months or more were concentrated in non-redeemable preferred stocks and in the financial industry of the Company s corporate fixed maturity securities. For these concentrations, gross unrealized losses of twelve months or more were $40,016, or 89%, of the total. The non-redeemable preferred stocks are perpetual preferred securities that have characteristics of both debt and equity securities. To evaluate these securities, we apply an impairment model similar to that used for our fixed maturity securities. As of September 30, 2011, the Company did not intend to sell these securities and it was not more likely than not that the Company would be required to sell them and no underlying cash flow issues were noted. Therefore, we did not recognize an OTTI on those perpetual preferred securities that had been in a continuous unrealized loss position for twelve months or more. As of September 30, 2011, the Company did not intend to sell the corporate fixed maturity securities and it was not more likely than not that the Company would be required to sell the securities before the anticipated recovery of their amortized cost basis. The gross unrealized losses are primarily attributable to widening credit spreads associated with an underlying shift in overall credit risk premium.

The Company has made commercial mortgage loans, collateralized by the underlying real estate, on properties located throughout the U.S. and Canada. At September 30, 2011, approximately 40% of the outstanding principal balance of commercial mortgage loans was concentrated in the states of California, New York, and Washington. Although the Company has a diversified loan portfolio, an economic downturn could have an adverse impact on the ability of its debtors to repay their loans. The outstanding balance of commercial mortgage loans range in size from $10 to $16,369 at September 30, 2011 and from $5 to $16,614 at December 31, 2010.

Credit quality indicators for commercial mortgage loans are loan-to-value and debt-service coverage ratios. Loan-to-value and debt-service coverage ratios are measures commonly used to assess the credit quality of commercial mortgage loans. The loan-to-value ratio compares the principal amount of the loan to the fair value of the underlying property collateralizing the loan, and is commonly expressed as a percentage. The debt-service coverage ratio compares a property s net operating income to its debt-service payments and is commonly expressed as a ratio of one. The loan-to-value and debt-service coverage ratios are generally updated annually in the third quarter. The following summarizes our loan-to value and average debt-service coverage ratios as of the dates indicated:

		September 30, 2011	
Loan-to-Value	**Carrying Value**	**% of Gross Mortgage Loans**	**Debt-Service Coverage ratio**
70% and less	$ 1,011,595	76.8%	2.10
71 80%	186,085	14.1%	1.38
81 95%	76,714	5.8%	1.16
Greater than 95%	43,921	3.3%	0.80
Gross commercial mortgage loans	1,318,315	100.0%	1.90

Less valuation allowance	(10,746)
Net commercial mortgage loans	$ 1,307,569

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Loan-to-Value	Carrying Value	December 31, 2010 % of Gross Mortgage Loans	Debt-Service Coverage ratio
70% and less	$ 902,271	66.6%	2.03
71 80%	217,282	16.1%	1.41
81 95%	147,493	10.9%	1.25
Greater than 95%	86,756	6.4%	0.94
Gross commercial mortgage loans	1,353,802	100.0%	1.78
Less valuation allowance	(32,838)		
Net commercial mortgage loans	$ 1,320,964		

All commercial mortgage loans that are individually impaired have an established mortgage loan valuation allowance for losses. Changing economic conditions affect our valuation of commercial mortgage loans. Changing vacancies and rents are incorporated into the discounted cash flow analysis that we perform for monitored loans and may contribute to the establishment of (or an increase or decrease in) a commercial mortgage loan valuation allowance for losses. In addition, we continue to monitor the entire commercial mortgage loan portfolio to identify risk. Areas of emphasis are properties that have exposure to earthquakes, have deteriorating credits or have experienced a reduction in debt-service coverage ratio. Where warranted, we have established or increased a valuation allowance based upon this analysis.

The commercial mortgage loan valuation allowance for losses was $10,746 and $32,838 at September 30, 2011 and December 31, 2010, respectively. In 2010, an overall expense of $16,709 was recorded primarily to increase the valuation allowance on one individually impaired commercial mortgage loan with a loan valuation allowance of $22,092 and a net loan value of $0 at December 31, 2010. In 2011, the loan valuation allowance was decreased by $22,092 due to the direct write down of the same individually impaired mortgage loan. This resulted in no impact to realized capital gains and losses on commercial mortgage loans.

Collateralized Transactions

The Company engages in transactions in which fixed maturity securities, especially bonds issued by the U.S. government, government agencies and authorities, and U.S. corporations, are loaned to selected broker/dealers. Collateral, greater than or equal to 102% of the fair value of the securities lent, plus accrued interest, is received in the form of cash and cash equivalents held by a custodian bank for the benefit of the Company. The use of cash collateral received is unrestricted. The Company reinvests the cash collateral received, generally in investments of high credit quality that are designated as available-for-sale. The Company monitors the fair value of securities loaned and the collateral received, with additional collateral obtained, as necessary. The Company is subject to the risk of loss to the extent there is a loss on the re-investment of cash collateral.

As of September 30, 2011 and December 31, 2010, our collateral held under securities lending, of which its use is unrestricted, was $96,080 and $122,219, respectively, and is included in the consolidated balance sheets under the collateral held/pledged under securities agreements caption. Our liability to the borrower for collateral received was $96,449 and $122,931, respectively, and is included in the consolidated balance sheets under the obligation under securities agreements caption. The difference between the collateral held and obligations under securities lending is recorded as an unrealized loss and is included as part of AOCI. All securities with unrealized losses have been in a continuous loss position for twelve months or longer as of September 30, 2011 and December 31, 2010. The Company has actively reduced the size of its securities lending

to mitigate counter-party exposure. The Company includes the available-for-sale investments purchased with the cash collateral in its evaluation of other-than-temporary impairments.

Cash proceeds that the Company receives as collateral for the securities it lends and subsequent repayment of the cash are regarded by the Company as cash flows from financing activities, since the cash received is considered a borrowing. Since the Company reinvests the cash collateral generally in investments that are designated as available-for-sale, the reinvestment is presented as cash flows from investing activities.

The Company has engaged in transactions in which securities issued by the U.S. government and government agencies and authorities are purchased under agreements to resell (reverse repurchase agreements). However, as of September 30, 2011, the Company has no open transactions. The Company may take possession of the securities purchased under reverse repurchase agreements. Collateral, greater than or equal to 100% of the fair value of the securities purchased, plus accrued interest, is pledged to

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selected broker/dealers in the form of cash and cash equivalents or other securities, as provided for in the underlying agreement. The use of the cash collateral pledged is unrestricted. Interest earned on the collateral pledged is recorded as investment income. As of December 31, 2010, we had $14,370 of cash pledged under securities loan agreements, which is included in the consolidated balance sheets under the obligation under the collateral held/pledged under securities agreements caption.

The Company entered into these reverse repurchase agreements in order to initiate short positions in its investment portfolio. The borrowed securities are sold to a third party in the marketplace. The Company records obligations to return the securities that we no longer hold. The financial liabilities resulting from these borrowings are carried at fair value with the changes in value reported as realized gains or losses. As of December 31, 2010, we had $14,281 of obligations to return borrowed securities, which is included in the consolidated balance sheets under the obligation under securities agreements caption.

Cash payments for the collateral pledged, subsequent cash adjustments to receivables under securities loan agreements and obligations to return borrowed securities, and the return of the cash collateral from the secured parties is regarded by the Company as cash flows from financing activities, since the cash payments and receipts relate to borrowing of securities under a financing arrangement.

6. Fair Value Disclosures

Fair Values, Inputs and Valuation Techniques for Financial Assets and Liabilities Disclosures

The fair value measurements and disclosures guidance defines fair value and establishes a framework for measuring fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with this guidance, the Company has categorized its recurring basis financial assets and liabilities into a three-level fair value hierarchy based on the priority of the inputs to the valuation technique.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The levels of the fair value hierarchy are described below:

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access.

Level 2 inputs utilize other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly, for substantially the full term of the asset. Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active and inputs other than quoted prices that are observable in the marketplace for the asset. The observable inputs are used in valuation models to calculate the fair value for the asset.

Level 3 inputs are unobservable but are significant to the fair value measurement for the asset, and include situations where there is little, if any, market activity for the asset. These inputs reflect management s own assumptions about the assumptions a market participant would use in pricing the asset.

A review of fair value hierarchy classifications is conducted on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy.

The following tables present the Company s fair value hierarchy for assets and liabilities measured at fair value on a recurring basis as of September 30, 2011 and December 31, 2010. The amounts presented below for Collateral held/pledged under securities agreements, Other investments, Cash equivalents, Other assets, Assets and Liabilities held in separate accounts, Obligation under securities agreements and Other liabilities differ from the amounts presented in the consolidated balance sheets because only certain investments or certain assets and liabilities within these line items are measured at estimated fair value. Other investments are comprised of investments in the Assurant Investment Plan, American Security Insurance Company Investment Plan, Assurant

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Deferred Compensation Plan, a modified coinsurance arrangement and other derivatives. The fair value amount and the majority of the associated levels presented for Other investments and Assets held in separate accounts are received directly from third parties.

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	September 30, 2011			
Financial Assets	**Total**	**Level 1**	**Level 2**	**Level 3**
Fixed maturity securities:				
United States Government and government agencies and authorities	$ 139,935	$ 0	$ 135,525	$ 4,410
State, municipalities and political subdivisions	910,295	0	910,295	0
Foreign governments	691,981	1,999	667,758	22,224
Asset-backed	34,676	0	34,198	478
Commercial mortgage-backed	89,558	0	88,610	948
Residential mortgage-backed	913,791	0	913,791	0
Corporate	8,198,666	0	8,054,680	143,986
Equity securities:				
Common stocks	13,316	12,633	683	0
Non-redeemable preferred stocks	389,782	0	389,760	22
Short-term investments	508,375	409,623 b	98,752 c	0
Collateral held/pledged under securities agreements	71,080	54,731 b	16,349 c	0
Other investments	267,005	47,059 a	199,574 c	20,372 d
Cash equivalents	800,365	791,242 b	9,123 c	0
Other assets	8,739	0	832	7,907 e
Assets held in separate accounts	1,601,355	1,390,165 a	211,190 c	0
Total financial assets	$ 14,638,919	$ 2,707,452	$ 11,731,120	$ 200,347
Financial Liabilities				
Other liabilities	$ 49,974	$ 47,058 a	$ 52 f	$ 2,864 f
Liabilities related to separate accounts	1,601,355	1,390,165 a	211,190 c	0
Total financial liabilities	$ 1,651,329	$ 1,437,223	$ 211,242	$ 2,864

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	December 31, 2010			
Financial Assets	**Total**	**Level 1**	**Level 2**	**Level 3**
Fixed maturity securities:				
United States Government and government agencies and authorities	$ 249,511	$ 0	$ 235,005	$ 14,506
State, municipalities and political subdivisions	864,834	0	864,834	0
Foreign governments	648,535	2,999	619,915	25,621
Asset-backed	41,750	0	41,750	0
Commercial mortgage-backed	106,971	0	102,429	4,542
Residential mortgage-backed	796,728	0	796,728	0
Corporate	7,904,223	0	7,778,538	125,685
Equity securities:				
Common stocks	6,566	5,543	1,023	0
Non-redeemable preferred stocks	460,388	0	459,830	558
Short-term investments	358,702	248,859 b	109,843 c	0
Collateral held/pledged under securities agreements	72,219	54,134 b	18,085 c	0
Other investments	261,428	56,507 a	196,612 c	8,309 d
Cash equivalents	864,649	840,210 b	24,439 c	0
Other assets	11,280	0	1,455	9,825 e
Assets held in separate accounts	1,934,658	1,707,170 a	227,488 c	0
Total financial assets	$ 14,582,442	$ 2,915,422	$ 11,477,974	$ 189,046
Financial Liabilities				
Obligation under securities agreements	$ 14,281	$ 0	$ 14,281	$ 0
Other liabilities	51,632	51,323	309	0
Liabilities related to separate accounts	1,934,658	1,707,170 a	227,488 c	0
Total financial liabilities	$ 2,000,571	$ 1,758,493	$ 242,078	$ 0

a. Mainly includes mutual funds.
b. Mainly includes money market funds.
c. Mainly includes fixed maturity securities.
d. Mainly includes fixed maturity securities and other derivatives
e. Mainly includes the Consumer Price Index Cap Derivatives (CPI Caps).
f. Mainly includes other derivatives.

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There were no significant transfers between Level 1 and Level 2 financial assets during the period. However, there were transfers between Level 2 and Level 3 financial assets during the period, which are reflected in the Net transfers line below. Transfers between Level 2 and Level 3 most commonly occur when market observable inputs that were previously available become unavailable in the current period. The remaining unpriced securities are submitted to independent brokers who provide non-binding broker quotes or are priced by other qualified sources.

The following tables summarize the change in balance sheet carrying value associated with Level 3 financial assets and liabilities carried at fair value during the three and nine months ended September 30, 2011 and 2010:

	Three Months Ended September 30, 2011									
		Fixed Maturity Securities					Equity Securities			
	Total level 3 assets and liabilities	United States Government and government agencies and authorities	Foreign governments	Asset-backed	Commercial mortgage-backed	Corporate	Non-redeemable preferred stocks	Other Investments	Other Assets	Other Liabilities
Balance, beginning of period	$ 180,079	$ 12,223	$ 21,947	$ 0	$ 995	$ 127,557	$ 35	$ 8,699	$ 8,623	$ 0
Total gains (losses) (realized/unrealized) included in earnings	4,409	(1)	(1)	0	0	(2,471)	0	7,787	(716)	(189)
Net unrealized gains (losses) included in stockholders equity	260	(10)	278	(28)	(10)	111	(13)	(68)	0	0
Purchases	19,296	3,980	0	0	0	13,801	0	4,190	0	(2,675)
Sales	(5,296)	(100)	0	0	(37)	(4,923)	0	(236)	0	0
Net transfers (1)	(1,265)	(11,682)	0	506	0	9,911	0	0	0	0
Balance, end of period	$ 197,483	$ 4,410	$ 22,224	$ 478	$ 948	$ 143,986	$ 22	$ 20,372	$ 7,907	$ (2,864)

	Three Months Ended September 30, 2010								
		Fixed Maturity Securities					Equity Securities		
	Total level 3 assets	United States Government and government agencies and	Foreign governments	Asset-backed	Commercial mortgage-backed	Corporate	Non-redeemable preferred stocks	Other Investments	Other Assets

		authorities							
Balance, beginning of period	$ 180,234	$ 17,215	$ 3,131	$ 9	$ 9,997	$ 119,149	$ 18,807	$ 4,207	$ 7,719
Total gains (losses) (realized/unrealized) included in earnings	1,901	(159)	0	(9)	4	(21)	2,639	0	(553)
Net unrealized gains (losses) included in stockholders equity	2,505	(85)	222	0	13	4,796	(2,417)	(24)	0
Purchases	12,881	12,812	0	0	0	0	0	69	0
Sales	(12,640)	(1,133)	0	0	(318)	(4,996)	(5,722)	(335)	(136)
Net transfers (1)	(8,345)	0	0	0	(4,887)	9,292	(12,750)	0	0
Balance, end of period	$ 176,536	$ 28,650	$ 3,353	$ 0	$ 4,809	$ 128,220	$ 557	$ 3,917	$ 7,030

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	Nine Months Ended September 30, 2011									
		Fixed Maturity Securities					Equity Securities			
	Total level 3 assets and liabilities	United States Government and government agencies and authorities	Foreign governments	Asset-backed	Commercial mortgage-backed	Corporate	Non-redeemable preferred stocks	Other Investments	Other Assets	Other Liabilities
Balance, beginning of period	$ 189,046	$ 14,506	$ 25,621	$ 0-	$ 4,542	$ 125,685	$ 558	$ 8,309	$ 9,825	$ 0
Total gains (losses) (realized/unrealized) included in earnings	3,260	(248)	(3)	0	0	(2,870)	(28)	8,516	(1,918)	(189)
Net unrealized gains (losses) included in stockholders equity	5,511	(47)	726	(28)	17	4,577	67	199	0	0
Purchases	32,922	3,980	0	0	0	27,427	0	4,190	0	(2,675)
Sales	(29,414)	(2,099)	0	0	(109)	(25,790)	(574)	(842)	0	0
Net transfers (1)	(3,842)	(11,682)	(4,120)	506	(3,502)	14,957	(1)	0	0	0
Balance, end of period	$ 197,483	$ 4,410	$ 22,224	$ 478	$ 948	$ 143,986	$ 22	$ 20,372	$ 7,907	$ (2,864)

	Nine Months Ended September 30, 2010								
		Fixed Maturity Securities					Equity Securities		
	Total level 3 assets	United States Government and government agencies and authorities	Foreign governments	Asset-backed	Commercial mortgage-backed	Corporate	Non-redeemable preferred stocks	Other Investments	Other Assets
Balance, beginning of period	$ 196,131	$ 0	$ 3,088	$ 9	$ 32,288	$ 136,726	$ 5,735	$ 4,275	$ 14,010
Total (losses) gains (realized/unrealized) included in earnings	(3,859)	(487)	1	(8)	52	(233)	2,639	4	(5,827)
Net unrealized gains (losses) included in stockholders equity	9,267	(19)	264	5	527	11,604	(3,350)	236	0
Purchases	44,317	32,333	0	588	0	2,658	8,116	622	0
Sales	(59,917)	(3,867)	0	0	(22,147)	(25,808)	(5,722)	(1,220)	(1,153)

Net transfers (1)	(9,403)	690	0	(594)	(5,911)	3,273	(6,861)	0	0
Balance, end of period	$ 176,536	$ 28,650	$ 3,353	$ 0	$ 4,809	$ 128,220	$ 557	$ 3,917	$ 7,030

(1) Net transfers are primarily attributable to changes in the availability of market observable information and re-evaluation of the observability of pricing inputs.

Three different valuation techniques can be used in determining fair value for financial assets and liabilities: the market, income or cost approaches. The three valuation techniques described in the fair value measurements and disclosures guidance are consistent with generally accepted valuation methodologies. The market approach valuation techniques use prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. When possible, quoted prices (unadjusted) in

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active markets are used as of the period-end date (such as for mutual funds and money market funds). Otherwise, valuation techniques consistent with the market approach including matrix pricing and comparables are used. Matrix pricing is a mathematical technique employed principally to value debt securities without relying exclusively on quoted prices for those securities but rather by relying on the securities relationship to other benchmark quoted securities. Market approach valuation techniques often use market multiples derived from a set of comparables. Multiples might lie in ranges with a different multiple for each comparable. The selection of where within the range the appropriate multiple falls requires judgment, considering both qualitative and quantitative factors specific to the measurement.

Income approach valuation techniques convert future amounts, such as cash flows or earnings, to a single present amount, or a discounted amount. These techniques rely on current market expectations of future amounts as of the period-end date. Examples of income approach valuation techniques include present value techniques, option-pricing models, binomial or lattice models that incorporate present value techniques and the multi-period excess earnings method.

Cost approach valuation techniques are based upon the amount that would be required to replace the service capacity of an asset at the period-end date, or the current replacement cost. That is, from the perspective of a market participant (seller), the price that would be received for the asset is determined based on the cost to a market participant (buyer) to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence.

While not all three approaches are applicable to all financial assets or liabilities, where appropriate, one or more valuation techniques may be used. For all the classes of financial assets and liabilities included in the above hierarchy, excluding the CPI Caps and certain privately placed corporate bonds, the market valuation technique is generally used. For certain privately placed corporate bonds and the CPI Caps, the income valuation technique is generally used. For the periods ended September 30, 2011 and December 31, 2010, the application of the valuation technique applied to the Company s classes of financial assets and liabilities has been consistent.

Level 2 securities are valued using various observable market inputs obtained from a pricing service. The pricing service prepares estimates of fair value measurements for our Level 2 securities using proprietary valuation models based on techniques such as matrix pricing which include observable market inputs. The fair value measurements and disclosures guidance defines observable market inputs as the assumptions market participants would use in pricing the asset or liability developed on market data obtained from sources independent of the Company. The extent of the use of each observable market input for a security depends on the type of security and the market conditions at the balance sheet date. Depending on the security, the priority of the use of observable market inputs may change as some observable market inputs may not be relevant or additional inputs may be necessary. The following observable market inputs (standard inputs), listed in the approximate order of priority, are utilized in the pricing evaluation of Level 2 securities: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. To price municipal bonds, the pricing service uses material event notices and new issue data inputs in addition to the standard inputs. To price residential and commercial mortgage-backed securities and asset-backed securities, the pricing service uses vendor trading platform data, monthly payment information and collateral performance inputs in addition to the standard inputs. To price fixed maturity securities denominated in Canadian dollars, the pricing service uses observable inputs, including but not limited to, benchmark yields, reported trades, issuer spreads, benchmark securities and reference data. The pricing service also evaluates each security based on relevant market information including: relevant credit information, perceived market movements and sector news. Valuation models can change period to period, depending on the appropriate observable inputs that are available at the balance sheet date to price a security. When market observable inputs are unavailable to the pricing service, the remaining unpriced securities are submitted to independent brokers who provide non-binding broker quotes or are priced by other qualified sources and are categorized as Level 3 securities. The Company could not corroborate the non-binding broker quotes with Level 2 inputs.

A non-pricing service source prices certain privately placed corporate bonds using a model with observable inputs including, but not limited to, the credit rating, credit spreads, sector add-ons, and issuer specific add-ons. A non-pricing service source prices our CPI Caps using a model

with inputs including, but not limited to, the time to expiration, the notional amount, the strike price, the forward rate, implied volatility and the discount rate.

Management evaluates the following factors in order to determine whether the market for a financial asset is inactive. The factors include, but are not limited to:

There are few recent transactions,

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Little information is released publicly,

The available prices vary significantly over time or among market participants,

The prices are stale (i.e., not current), and

The magnitude of the bid-ask spread.

Illiquidity did not have a material impact in the fair value determination of the Company s financial assets.

The Company generally obtains one price for each financial asset. The Company performs a monthly analysis to assess if the evaluated prices represent a reasonable estimate of their fair value. This process involves quantitative and qualitative analysis and is overseen by investment and accounting professionals. Examples of procedures performed include, but are not limited to, initial and on-going review of pricing service methodologies, review of the prices received from the pricing service, review of pricing statistics and trends, and comparison of prices for certain securities with two different appropriate price sources for reasonableness. Following this analysis, the Company generally uses the best estimate of fair value based upon all available inputs. On infrequent occasions, a non-pricing service source may be more familiar with the market activity for a particular security than the pricing service. In these cases the price used is taken from the non-pricing service source. The pricing service provides information to indicate which securities were priced using market observable inputs so that the Company can properly categorize our financial assets in the fair value hierarchy.

Disclosures for Non-Financial Assets Measured at Fair Value on a Non-Recurring Basis

The Company also measures the fair value of certain assets on a non-recurring basis, generally on an annual basis, or when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. These assets include commercial mortgage loans, goodwill and finite-lived intangible assets.

The Company carried a loan valuation allowance of $22,092 as of December 31, 2010 on one individually impaired commercial mortgage loan with a principal balance of $22,092. Due to the continued decline in the regional commercial real estate market, the value of the loan was determined to be zero at December 31, 2010. In 2011, the loan was written down and the valuation allowance was released, resulting in no impact to realized capital gains and losses on commercial mortgage loans. The fair value measurement was classified as Level 3 (unobservable) inputs in the fair value hierarchy at December 31, 2010.

The Company reviews goodwill annually in the fourth quarter for impairment or more frequently if indicators of impairment exist. When required, the Company utilizes both the income and market valuation approaches to estimate the fair value of its reporting units in Step 1 of the goodwill impairment test. Under the income approach, the Company determines the fair value of the reporting unit considering distributable earnings which were estimated from operating plans. The resulting cash flows are then discounted using a market participant weighted average cost of capital estimated for the reporting unit. After discounting the future discrete earnings to their present value, the Company estimates the terminal value attributable to the years beyond the discrete operating plan period. The discounted terminal value is then added to the aggregate discounted distributable earnings from the discrete operating plan period to estimate the fair value of the reporting unit. Under the market approach, the Company derives the fair value of the reporting unit based on various financial multiples, including but not limited to: price to tangible book value of equity, price to estimated 2011 earnings and price to estimated 2012 earnings which are estimated based on publicly

available data related to comparable guideline companies. In addition, financial multiples are also estimated from publicly available purchase price data for acquisitions of companies operating in the insurance industry. The estimated fair value of the reporting units is more heavily weighted towards the income approach because the earnings capacity of a business is generally considered the most important factor in the valuation of a business enterprise.

Fair Value of Financial Instruments Disclosures

The financial instruments guidance requires disclosure of fair value information about financial instruments, as defined therein, for which it is practicable to estimate such fair value. Therefore, it requires fair value disclosure for financial instruments that are not recognized or are not carried at fair value in the consolidated balance sheets. However, this guidance excludes certain financial

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instruments, including those related to insurance contracts and those accounted for under the equity method and joint ventures guidance (such as real estate joint ventures).

For the financial instruments included within the following financial assets and financial liabilities, the carrying value in the consolidated balance sheets equals or approximates fair value. Please refer to the *Fair Value Inputs and Valuation Techniques for Financial Assets and Liabilities Disclosures* section above for more information on the financial instruments included within the following financial assets and financial liabilities and the methods and assumptions used to estimate fair value:

Cash and cash equivalents

Fixed maturity securities

Equity securities

Short-term investments

Collateral held/pledged under securities agreements

Other investments

Other assets

Assets held in separate accounts

Obligation under securities agreements

Other liabilities

Liabilities related to separate accounts

In estimating the fair value of the financial instruments that are not recognized or are not carried at fair value in the consolidated balance sheets, the Company used the following methods and assumptions:

Commercial mortgage loans and policy loans: the fair values of mortgage loans are estimated using discounted cash flow analyses, based on interest rates currently being offered for similar loans to borrowers with similar credit ratings. Mortgage loans with similar characteristics are aggregated for purposes of the calculations. The carrying value of policy loans reported in the balance sheets approximates fair value.

Policy reserves under investment products: the fair values for the Company s policy reserves under the investment products are determined using discounted cash flow analysis.

Funds held under reinsurance: the carrying value reported approximates fair value due to the short maturity of the instruments.

Debt: the fair value of debt is based upon matrix pricing performed by the pricing service.

Mandatorily redeemable preferred stock: the fair value of mandatorily redeemable preferred stock equals the carrying value for all series of mandatorily redeemable preferred stock.

Obligation under securities agreements: obligation under securities agreements is reported at the amount received from the selected broker/dealers.

The following table discloses the carrying value and fair value of the financial instruments that are not recognized or are not carried at fair value in the consolidated balance sheets as of September 30, 2011 and December 31, 2010.

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	September 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Commercial mortgage loans on real estate	$ 1,307,569	$ 1,428,100	$ 1,320,964	$ 1,400,553
Policy loans	54,565	54,565	56,142	56,142
Financial liabilities				
Policy reserves under investment products (Individual and group annuities, subject to discretionary withdrawal)	$ 793,624	$ 759,614	$ 815,769	$ 788,258
Funds held under reinsurance	67,696	67,696	65,894	65,894
Debt	972,249	1,032,420	972,164	992,340
Mandatorily redeemable preferred stocks	0	0	5,000	5,000
Obligations under securities agreements	96,449	96,449	122,931	122,931

Only the fair value of the Company s policy reserves for investment-type contracts (those without significant mortality or morbidity risk) are reflected in the table above. However, the fair values of liabilities under all insurance contracts are taken into consideration in the Company s overall management of interest rate risk, such that the Company s exposure to changing interest rates is minimized through the matching of investment maturities with amounts due under insurance contracts.

Reinsurance Recoverables Credit Disclosures

A key credit quality indicator for reinsurance is the A.M. Best financial strength ratings of the reinsurer. The A.M. Best ratings are an independent opinion of a reinsurer s ability to meet ongoing obligations to policyholders. The A.M. Best ratings for new reinsurance agreements where there is material credit exposure are reviewed at the time of execution. The A.M. Best ratings for existing reinsurance agreements are reviewed on a periodic basis, at least annually. The A.M. Best ratings have not changed significantly since December 31, 2010.

An allowance for doubtful accounts for reinsurance recoverables is recorded on the basis of periodic evaluations of balances due from reinsurers (net of collateral), reinsurer solvency, management s experience and current economic conditions. Information about the allowance for doubtful accounts for reinsurance recoverable as of September 30, 2011 is as follows:

Balance as of beginning-of-year	$ 15,635
Provision	(2,707)
Other additions	57
Direct write-downs charged against the allowance	(1,756)
Balance as of the end-of-period	$ 11,229

7. Income Taxes

As of December 31, 2010, the Company had a cumulative valuation allowance of $90,738 against deferred tax assets. During the nine months ended September 30, 2011, the Company recognized a cumulative income tax benefit of $80,252 related to the release of a portion of the valuation allowance due to sufficient taxable income of the appropriate character during the period from new planning strategies. The $80,252 consists of $80,000 of capital losses and $252 of operating losses. It is management s assessment that it is more likely than not that $10,485 of

deferred tax assets will not be realized.

The Company s ability to realize deferred tax assets depends on its ability to generate sufficient taxable income of the same character within the carryback or carryforward periods. In assessing future GAAP taxable income, the Company has considered all sources of taxable income available to realize its deferred tax asset, including the future reversal of existing temporary differences,

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future taxable income exclusive of reversing temporary differences and carryforwards, taxable income in carryback years and tax-planning strategies.

8. Debt

In February 2004, the Company issued two series of senior notes with an aggregate principal amount of $975,000 (the Senior Notes). The Company received net proceeds of $971,537 from this transaction, which represents the principal amount less the discount. The discount of $3,463 is being amortized over the life of the Senior Notes and is included as part of interest expense on the statement of operations. The first series is $500,000 in principal amount, bears interest at 5.63% per year and is payable in a single installment due February 15, 2014 and was issued at a 0.11% discount. The second series is $475,000 in principal amount, bears interest at 6.75% per year and is payable in a single installment due February 15, 2034 and was issued at a 0.61% discount.

The interest expense incurred related to the Senior Notes was $15,047 for the three months ended September 30, 2011 and 2010, respectively, and $45,141 for the nine months ended September 30, 2011 and 2010, respectively. There was $7,523 of accrued interest at September 30, 2011 and 2010, respectively. The Company made interest payments of $30,094 on February 15, 2011 and 2010 and August 15, 2011 and 2010.

Credit Facility

The Company s commercial paper program requires the Company to maintain liquidity facilities either in an available amount equal to any outstanding notes from the commercial paper program or in an amount sufficient to maintain the ratings assigned to the notes issued from the commercial paper program. The Company s subsidiaries do not maintain commercial paper or other borrowing facilities at their level. This program is currently backed up by a $350,000 senior revolving credit facility, of which $325,704 was available at September 30, 2011, due to outstanding letters of credit.

On September 21, 2011, the Company entered into a four-year unsecured $350,000 revolving credit agreement (2011 Credit Facility) with a syndicate of banks arranged by JP Morgan Chase Bank, N.A. and Bank of America, N.A. The 2011 Credit Facility replaces the Company s prior three-year $350,000 revolving credit facility (2009 Credit Facility), which was entered into on December 18, 2009 and was scheduled to expire in December 2012. The 2009 Credit Facility terminated upon the effective date of the 2011 Credit Facility. The 2011 Credit Facility provides for revolving loans and the issuance of multi-bank, syndicated letters of credit and/or letters of credit from a sole issuing bank in an aggregate amount of $350,000 and is available until September 2015, provided the Company is in compliance with all covenants. The 2011 Credit Facility has a sublimit for letters of credit issued thereunder of $50,000. The proceeds of these loans may be used for the Company s commercial paper program or for general corporate purposes. The Company may increase the total amount available under the 2011 Credit Facility to $525,000 subject to certain conditions.

The Company did not use the commercial paper program during the nine months ended September 30, 2011 and 2010 and there were no amounts outstanding relating to the commercial paper program at September 30, 2011 and December 31, 2010. The Company made no borrowings using either the 2009 or the 2011 Credit Facility and no loans are outstanding at September 30, 2011. The Company had $24,296 of letters of credit outstanding under the 2011 Credit Facility as of September 30, 2011.

The 2011 Credit Facility contains restrictive covenants and requires that the Company maintain certain specified minimum ratios and thresholds. Among others, these covenants include maintaining a maximum debt to capitalization ratio and a minimum consolidated adjusted net worth. At September 30, 2011, the Company was in compliance with all covenants, minimum ratios and thresholds.

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9. Accumulated Other Comprehensive Income

The components of AOCI, net of tax, at September 30, 2011 are as follows:

	Foreign currency translation adjustment	Unrealized gains on securities	OTTI	Pension under-funding	Accumulated other comprehensive income
Balance at December 31, 2010	$ 32,098	$ 413,255	$ 12,567	$ (172,396)	$ 285,524
Activity in 2011	(17,278)	244,435	3,679	8,052	238,888
Balance at September 30, 2011	$ 14,820	$ 657,690	$ 16,246	$ (164,344)	$ 524,412

The amounts in the unrealized gains on securities column are net of reclassification adjustments of $11,092, net of tax, for the nine months ended September 30, 2011, for net realized gains on sales of securities included in net income. The amounts in the OTTI column are net of reclassification adjustments of $(973), net of tax, for the nine months ended September 30, 2011, for net realized losses on sales of securities included in net income.

10. Stock Based Compensation

Long-Term Equity Incentive Plan

In May 2008, the shareholders of the Company approved the Assurant, Inc. Long-Term Equity Incentive Plan (ALTEIP), which authorized the granting of up to 3,400,000 shares of the Company s common stock to employees, officers and non-employee directors. In May 2010, the shareholders of the Company approved an amended and restated ALTEIP, increasing the number of shares of the Company s common stock authorized for issuance to 5,300,000. Under the ALTEIP, the Company may grant awards based on shares of our common stock, including stock options, stock appreciation rights (SARs), restricted stock (including performance shares), unrestricted stock, restricted stock units (RSUs), performance share units (PSUs) and dividend equivalents. All future share-based grants will be awarded under the ALTEIP.

The Compensation Committee of the Board of Directors (the Compensation Committee) awarded RSUs and PSUs in 2011 and 2010. RSUs and PSUs are promises to issue actual shares of common stock at the end of a vesting period or performance period. The RSUs granted to employees under the ALTEIP were based on salary grade and performance and will vest one-third each year over a three-year period. RSUs granted to non-employee directors also vest one-third each year over a three-year period. RSUs receive dividend equivalents in cash during the restricted period and do not have voting rights during the restricted period. PSUs accrue dividend equivalents during the performance period based on a target payout, and will be paid in cash at the end of the performance period based on the actual number of shares issued.

For the PSU portion of an award, the number of shares a participant will receive upon vesting is contingent upon the Company meeting certain pre-established performance goals, identified below, at the end of a three-year performance period. Performance will be measured against these to determine the number of shares a participant will receive. The payout levels can vary between 0% and 150% (maximum) of the target (100%) ALTEIP award amount based on the Company s level of performance against the pre-established performance goals.

PSU Performance Goals. For 2011 and 2010, the Compensation Committee established book value per share (BVPS) growth excluding AOCI, revenue growth and total stockholder return as the three performance measures for PSU awards. BVPS growth is defined as the year-over-year growth of the Company s stockholders equity excluding AOCI divided by the number of fully diluted total shares outstanding at the end of the period. Revenue growth is defined as the year-over-year change in GAAP total revenues as disclosed in the Company s annual statement of operations. Total stockholder return is defined as appreciation in Company stock plus dividend yield to stockholders. For the 2011-2013 and 2010-2012 performance cycles, payouts will be determined by measuring performance against the average performance of companies included in the A.M. Best Insurance Index, excluding those with revenues of less than $1,000,000 or that are not in the health or insurance Global Industry Classification Standard codes.

Under the ALTEIP, the Company s Chief Executive Officer (CEO) is authorized by the Board of Directors to grant common stock, restricted stock and RSUs to employees other than the executive officers of the Company (as defined in Section 16 of the

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Securities Exchange Act of 1934, as amended (the Exchange Act)). Restricted stock and RSUs granted under this program may have different vesting periods.

Restricted Stock Units

RSUs granted to employees and to non-employee directors were 23,181 and 21,425 for the three months ended September 30, 2011 and 2010, respectively, and 515,746 and 549,732 for the nine months ended September 30, 2011 and 2010, respectively. The compensation expense recorded related to RSUs was $5,219 and $3,699 for the three months ended September 30, 2011 and 2010, respectively, and $14,984 and $10,091 for the nine months ended September 30, 2011 and 2010, respectively. The related total income tax benefit was $1,822 and $1,294 for the three months ended September 30, 2011 and 2010, respectively, and $5,230 and $3,532 for the nine months ended September 30, 2011 and 2010, respectively. The weighted average grant date fair value for RSUs granted during the nine months ended September 30, 2011 and 2010 was $38.15 and $33.42, respectively.

As of September 30, 2011, there was $22,326 of unrecognized compensation cost related to outstanding RSUs. That cost is expected to be recognized over a weighted-average period of 1.3 years. The total fair value of RSUs vested during the three months ended September 30, 2011 and 2010 was $1,842 and $323, respectively, and $16,333 and $8,343 for the nine months ended September 30, 2011 and 2010, respectively.

Performance Share Units

No PSUs were granted during the three months ended September 30, 2011 and 2010. PSUs granted to employees were 401,735 and 439,934 for the nine months ended September 30, 2011 and 2010, respectively. The compensation expense recorded related to PSUs was $3,982 and $3,206 for the three months ended September 30, 2011 and 2010, respectively, and $7,854 and $7,541 for the nine months ended September 2011 and 2010, respectively. Portions of the compensation expense recorded during 2010 and 2009 were reversed during the first quarters of 2011 and 2010, since the Company s level of actual performance as measured against pre-established performance goals had declined. The related total income tax benefit was $1,390 and $1,122 for the three months ended September 30, 2011 and 2010, respectively and $2,740 and $2,639 for the nine months ended September 30, 2011 and 2010, respectively. The weighted average grant date fair value for PSUs granted during the nine months ended September 30, 2011 and 2010 was $37.83 and $33.12, respectively.

As of September 30, 2011, there was $15,426 of unrecognized compensation cost related to outstanding PSUs. That cost is expected to be recognized over a weighted-average period of 0.89 years.

The fair value of PSUs with market conditions was estimated on the date of grant using a Monte Carlo simulation model, which utilizes multiple variables that determine the probability of satisfying the market condition stipulated in the award. Expected volatilities for awards issued during the nine months ended September 30, 2011 and 2010 were based on the historical stock prices of the Company s stock and peer insurance group. The expected term for grants issued during the nine months ended September 30, 2011 and 2010 was assumed to equal the average of the vesting period of the PSUs. The risk-free rate was based on the U.S. Treasury yield curve in effect at the time of grant.

Long-Term Incentive Plan

Prior to the approval of the ALTEIP, share based awards were granted under the 2004 Assurant Long-Term Incentive Plan (ALTIP), which authorized the granting of up to 10,000,000 new shares of the Company s common stock to employees and officers under the ALTIP, Business Value Rights Program (BVR) and CEO Equity Grants Program. Under the ALTIP, the Company was authorized to grant restricted stock and SARs. Since May 2008, no new grants have been made under this plan.

Restricted stock granted under the ALTIP vests on a prorated basis over a three year period. SARs granted prior to 2007 under the ALTIP cliff vest as of December 31 of the second calendar year following the calendar year in which the right was granted, and have a five year contractual life. SARs granted in 2007 and through May 2008 cliff vest on the third anniversary from the date the award was granted, and have a five year contractual life. SARs granted under the BVR Program have a three-year cliff vesting period. Restricted stock granted under the CEO Equity Grants Program have variable vesting schedules.

Restricted Stock

There was no restricted stock granted during the three months or nine months ended September 30, 2011 and 2010. The compensation expense recorded related to restricted stock was $65 and $317 for the three months ended September 30, 2011 and 2010, respectively, and $336 and $1,426 for the nine months ended September 30, 2011 and 2010, respectively. The related total

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income tax benefit recognized was $23 and $111 for the three months ended September 30, 2011 and 2010, respectively, and $118 and $499 for the nine months ended September 30, 2011 and 2010, respectively.

As of September 30, 2011, there was $58 of unrecognized compensation cost related to outstanding restricted stock. That cost is expected to be recognized over a weighted-average period of 0.24 years. The total fair value of restricted stock vested was $110 and $240 during the three months ended September 30, 2011 and 2010, respectively, and $1,398 and $2,330 for the nine months ended September 30, 2011 and 2010, respectively.

Stock Appreciation Rights

There were no SARs granted during the three and nine months ended September 30, 2011 and 2010. Currently there are no plans to award SARs in the future. The compensation expense recorded related to SARs was $1,273 for the three months ended September 30, 2010, and $880 and $5,518 for the nine months ended September 30, 2011 and 2010, respectively. The related total income tax benefit was $445 for the three months ended September 30, 2010, and $308 and $1,931 for the nine months ended September 30, 2011 and 2010, respectively. As of March 31, 2011, all outstanding SARs are fully vested and expensed, so there is no expense for the three months ended September 30, 2011 and no unrecognized compensation cost related to these awards.

The total intrinsic value of SARs exercised during the three months ended September 30, 2010 was $416, and $1,174 and $1,216 for the nine months ended September 30, 2011 and 2010, respectively. There were no SARs exercised during the three months ended September 30, 2011.

The fair value of each SAR granted to employees and officers was estimated on the date of grant using the Black-Scholes option-pricing model. Expected volatilities for awards issued were based on the median historical stock price volatility of insurance guideline companies and implied volatilities from traded options on the Company s stock. The expected term for grants issued was assumed to equal the average of the vesting period of the SARs and the full contractual term of the SARs. The risk-free rate for periods within the contractual life of the option was based on the U.S. Treasury yield curve in effect at the time of grant. The dividend yield was based on the current annual dividend and share price as of the grant date.

Directors Compensation Plan

The Company s Amended and Restated Directors Compensation Plan, as amended, permitted the issuance of up to 500,000 shares of the Company s common stock to non-employee directors. Since May 2008, all grants awarded to directors have been awarded from the ALTEIP, discussed above. There were no common shares issued or expense recorded under the Director s Compensation Plan for the three and nine months ended September 30, 2011 and 2010, respectively.

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan (ESPP), the Company is authorized to issue up to 5,000,000 new shares to employees who are participants in the ESPP. Eligible employees can purchase shares at a 10% discount applied to the lower of the closing price of the common stock on the first or last day of the offering period. The compensation expense recorded related to the ESPP was $321 and $397 for the three months ended September 30, 2011 and 2010, respectively, and $985 and $1,310 for the nine months ended September 30, 2011 and 2010, respectively.

In January 2011, the Company issued 111,414 shares to employees at a discounted price of $31.06 for the offering period of July 1, 2010 through December 31, 2010. In January 2010, the Company issued 181,718 shares to employees at a discounted price of $21.65 for the offering period of July 1, 2009 through December 31, 2009.

In July 2011, the Company issued 106,373 shares to employees at a discounted price of $32.64 for the offering period of January 1, 2011 through June 30, 2011. In July 2010, the Company issued 142,444 shares to employees at a discounted price of $27.14 for the offering period of January 1, 2010 through June 30, 2010.

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(In thousands, except number of shares and per share amounts)

The fair value of each award under the ESPP was estimated at the beginning of each offering period using the Black-Scholes option-pricing model. Expected volatilities are based on implied volatilities from traded options on the Company s stock and the historical volatility of the Company s stock. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The dividend yield is based on the current annualized dividend and share price as of the grant date.

11. Stock Repurchase

The following table shows the shares repurchased during the periods indicated:

Period in 2011	Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs
January	1,695,000	$ 38.76	1,695,000
February	1,097,940	40.27	1,097,940
March	1,629,100	39.00	1,629,100
April	1,469,000	38.21	1,469,000
May	213,000	39.68	213,000
June	1,302,000	35.16	1,302,000
July	687,000	35.20	687,000
August	994,000	33.76	994,000
September	527,500	35.04	527,500
Total	9,614,540	$ 37.45	9,614,540

On January 22, 2010, the Company s Board of Directors authorized the Company to repurchase up to $600,000 of its outstanding common stock. On January 18, 2011, the Company s Board of Directors authorized the Company to repurchase up to an additional $600,000 of its outstanding common stock, making the total remaining under the authorization $805,587 as of that date.

During the nine months ended September 30, 2011, the Company repurchased 9,614,540 shares of the Company s outstanding common stock at a cost of $359,835, exclusive of commissions, leaving $478,205 remaining at September 30, 2011 under the total repurchase authorization.

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12. Earnings Per Common Share

The following table presents net income, the weighted average common shares used in calculating basic earnings per common share (EPS) and those used in calculating diluted EPS for each period presented below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Numerator				
Net income	$ 75,983	$ 141,670	$ 383,584	$ 463,568
Deduct dividends paid	(17,178)	(17,238)	(50,858)	(52,702)
Undistributed earnings	$ 58,805	$ 124,432	$ 332,726	$ 410,866
Denominator				
Weighted average shares outstanding used in basic earnings per share calculations	95,351,601	107,806,207	98,065,082	112,137,558
Incremental common shares from :				
SARs	167,924	223,192	193,330	197,191
PSUs	783,487	554,883	702,300	456,374
Weighted average shares used in diluted earnings per share calculations	96,303,012	108,584,282	98,960,712	112,791,123
Earnings per common share - Basic				
Distributed earnings	$ 0.18	$ 0.16	$ 0.52	$ 0.47
Undistributed earnings	0.62	1.15	3.39	3.66
Net income	$ 0.80	$ 1.31	$ 3.91	$ 4.13
Earnings per common share - Diluted				
Distributed earnings	$ 0.18	$ 0.16	$ 0.52	$ 0.47
Undistributed earnings	0.61	1.14	3.36	3.64
Net income	$ 0.79	$ 1.30	$ 3.88	$ 4.11

Average SARs totaling 1,825,748 and 2,960,688 for the three months ended September 30, 2011 and 2010, respectively, and 2,184,815 and 3,355,176 for the nine months ended September 30, 2011 and 2010, respectively, were outstanding but were anti-dilutive and thus not included in the computation of diluted EPS under the treasury stock method.

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(In thousands, except number of shares and per share amounts)

13. Retirement and Other Employee Benefits

The components of net periodic benefit cost for the Company s qualified pension benefits plan, nonqualified pension benefits plan and retirement health benefits plan for the three and nine months ended September 30, 2011 and 2010 were as follows:

	Qualified Pension Benefits For the Three Months Ended September 30,		Nonqualified Pension Benefits (1) For the Three Months Ended September 30,		Retirement Health Benefits For the Three Months Ended September 30,	
	2011	2010	2011	2010	2011	2010
Service cost	$ 6,677	$ 7,956	$ 763	$ 741	$ 567	$ 1,328
Interest cost	8,160	8,438	1,475	1,523	833	1,353
Expected return on plan assets	(10,074)	(9,785)	0	0	(754)	(718)
Amortization of prior service cost	24	30	199	206	(238)	367
Amortization of net loss (gain)	3,026	2,702	633	751	(145)	0
Curtailment credit / special termination benefits	0	0	136	0	0	0
Net periodic benefit cost	$ 7,813	$ 9,341	$ 3,206	$ 3,221	$ 263	$ 2,330

	Qualified Pension Benefits For the Nine Months Ended September 30,		Nonqualified Pension Benefits (1) For the Nine Months Ended September 30,		Retirement Health Benefits For the Nine Months Ended September 30,	
	2011	2010	2011	2010	2011	2010
Service cost	$ 22,177	$ 20,406	$ 2,213	$ 1,841	$ 2,667	$ 3,228
Interest cost	24,910	24,188	4,375	4,623	3,083	3,653
Expected return on plan assets	(30,624)	(28,285)	0	0	(2,204)	(1,968)
Amortization of prior service cost	74	80	499	656	512	1,117
Amortization of net loss (gain)	9,426	7,502	2,033	1,701	(145)	0
Curtailment credit / special termination benefits	0	0	386	0	0	0
Net periodic benefit cost	$ 25,963	$ 23,891	$ 9,506	$ 8,821	$ 3,913	$ 6,030

(1) The Company s nonqualified plan is unfunded.

Our qualified pension benefits plan (the Plan) was under-funded by $130,536 and $96,278 (based on the fair value of Plan assets compared to the projected benefit obligation) on a GAAP basis at September 30, 2011 and December 31, 2010, respectively. This equates to an 82% and 85% funded status at September 30, 2011 and December 31, 2010, respectively. The change in under-funded status is mainly due to a decrease in the discount rate used to determine the projected benefit obligation. During the first nine months of 2011, $40,000 in cash was contributed to the Plan. The Company is considering whether or not to make any additional contributions to the Plan over the remainder of 2011.

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14. Segment Information

The Company has five reportable segments, which are defined based on the nature of the products and services offered: Assurant Solutions, Assurant Specialty Property, Assurant Health, Assurant Employee Benefits, and Corporate & Other. Assurant Solutions provides debt protection administration, credit-related insurance, warranties and service contracts, and pre-funded funeral insurance. Assurant Specialty Property provides lender-placed homeowners insurance and manufactured housing homeowners insurance. Assurant Health provides individual health and small employer group health insurance. Assurant Employee Benefits primarily provides group dental insurance, group disability insurance, and group life insurance. Corporate & Other includes activities of the holding company, financing and interest expenses, net realized gains (losses) on investments, interest income earned from short-term investments held and additional costs associated with excess of loss reinsurance programs reinsured and ceded to certain subsidiaries in the London market between 1995 and 1997. Corporate & Other also includes the amortization of deferred gains associated with the sales of Fortis Financial Group and Long-Term Care through reinsurance agreements.

The Company evaluates performance of the operating segments based on segment income (loss) after-tax excluding realized gains (losses) on investments. The Company determines reportable segments in a manner consistent with the way the Company organizes for purposes of making operating decisions and assessing performance.

The following tables summarize selected financial information by segment:

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Nine Months Ended September 30, 2011 and 2010

(In thousands, except number of shares and per share amounts)

	Three Months Ended September 30, 2011					
	Solutions	Specialty Property	Health	Employee Benefits	Corporate & Other	Consolidated
Revenues						
Net earned premiums and other considerations	$ 600,679	$ 476,712	$ 428,971	$ 270,953	$ 0	$ 1,777,315
Net investment income	98,453	25,980	11,703	32,316	3,724	172,176
Net realized gains on investments	0	0	0	0	532	532
Amortization of deferred gain on disposal of businesses	0	0	0	0	5,114	5,114
Fees and other income	70,126	21,329	8,989	6,157	(23)	106,578
Total revenues	769,258	524,021	449,663	309,426	9,347	2,061,715
Benefits, losses and expenses						
Policyholder benefits	214,861	265,072	328,235	190,707	0	998,875
Amortization of deferred acquisition costs and value of business acquired	270,505	90,287	0	9,315	0	370,107
Underwriting, general and administrative expenses	229,739	104,249	111,766	88,963	27,629	562,346
Interest expense	0	0	0	0	15,078	15,078
Total benefits, losses and expenses	715,105	459,608	440,001	288,985	42,707	1,946,406
Segment income (loss) before provision (benefit) for income tax	54,153	64,413	9,662	20,441	(33,360)	115,309
Provision (benefit) for income taxes	18,830	20,759	3,899	6,826	(10,988)	39,326
Segment income (loss) after tax	$ 35,323	$ 43,654	$ 5,763	$ 13,615	$ (22,372)	
Net income						$ 75,983

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Assurant, Inc.

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(In thousands, except number of shares and per share amounts)

	Three Months Ended September 30, 2010					
	Solutions	Specialty Property	Health	Employee Benefits	Corporate & Other	Consolidated
Revenues						
Net earned premiums and other considerations	$ 611,264	$ 481,108	$ 467,726	$ 272,416	$ 0	$ 1,832,514
Net investment income	99,084	27,064	11,985	33,599	4,438	176,170
Net realized gains on investments	0	0	0	0	6,043	6,043
Amortization of deferred gain on disposal of businesses	0	0	0	0	6,024	6,024
Fees and other income	59,090	18,544	10,027	5,528	31	93,220
Total revenues	769,438	526,716	489,738	311,543	16,536	2,113,971
Benefits, losses and expenses						
Policyholder benefits	223,597	165,977	334,216	189,463	0	913,253
Amortization of deferred acquisition costs and value of business acquired	276,816	90,931	714	8,389	0	376,850
Underwriting, general and administrative expenses	219,216	107,061	144,980	87,773	22,944	581,974
Interest expense	0	0	0	0	15,162	15,162
Total benefits, losses and expenses	719,629	363,969	479,910	285,625	38,106	1,887,239
Segment income (loss) before provision (benefit) for income tax	49,809	162,747	9,828	25,918	(21,570)	226,732
Provision (benefit) for income taxes	17,476	56,094	4,488	8,986	(1,982)	85,062
Segment income (loss) after tax	$ 32,333	$ 106,653	$ 5,340	$ 16,932	$ (19,588)	
Net income						$ 141,670

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited)

Nine Months Ended September 30, 2011 and 2010

(In thousands, except number of shares and per share amounts)

	Nine Months Ended September 30, 2011					
	Solutions	Specialty Property	Health	Employee Benefits	Corporate & Other	Consolidated
Revenues						
Net earned premiums and other considerations	$ 1,815,305	$ 1,409,465	$ 1,280,572	$ 802,293	$ 0	$ 5,307,635
Net investment income	295,508	78,370	34,410	97,355	12,250	517,893
Net realized gains on investments	0	0	0	0	20,355	20,355
Amortization of deferred gain on disposal of businesses	0	0	0	0	15,353	15,353
Fees and other income	196,976	56,878	26,828	19,095	260	300,037
Total revenues	2,307,789	1,544,713	1,341,810	918,743	48,218	6,161,273
Benefits, losses and expenses						
Policyholder benefits	645,419	686,600	962,229	587,334	0	2,881,582
Amortization of deferred acquisition costs and value of business acquired	791,473	267,893	0	27,354	0	1,086,720
Underwriting, general and administrative expenses	700,989	305,147	348,530	260,851	70,304	1,685,821
Interest expense	0	0	0	0	45,284	45,284
Total benefits, losses and expenses	2,137,881	1,259,640	1,310,759	875,539	115,588	5,699,407
Segment income (loss) before provision (benefit) for income tax	169,908	285,073	31,051	43,204	(67,370)	461,866
Provision (benefit) for income taxes	56,875	96,156	12,904	14,571	(102,224)	78,282
Segment income after tax	$ 113,033	$ 188,917	$ 18,147	$ 28,633	$ 34,854	
Net income						$ 383,584

	As of September 30, 2011					
Segment assets:						
Segment assets, excluding goodwill	$ 11,291,955	$ 3,397,772	$ 1,093,401	$ 2,495,356	$ 7,856,498	$ 26,134,982
Goodwill						639,018
Total assets						$ 26,774,000

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited)

Nine Months Ended September 30, 2011 and 2010

(In thousands, except number of shares and per share amounts)

	Nine Months Ended September 30, 2010					
	Solutions	Specialty Property	Health	Employee Benefits	Corporate & Other	Consolidated
Revenues						
Net earned premiums and other considerations	$ 1,886,310	$ 1,467,052	$ 1,402,873	$ 832,817	$ 0	$ 5,589,052
Net investment income	296,493	81,007	35,628	99,008	13,244	525,380
Net realized gains on investments	0	0	0	0	29,668	29,668
Amortization of deferred gain on disposal of businesses	0	0	0	0	18,129	18,129
Fees and other income	159,382	50,492	30,683	19,091	244	259,892
Total revenues	2,342,185	1,598,551	1,469,184	950,916	61,285	6,422,121
Benefits, losses and expenses						
Policyholder benefits	680,004	503,716	980,623	584,260	(2,038)	2,746,565
Amortization of deferred acquisition costs and value of business acquired	831,945	281,993	3,364	26,849	0	1,144,151
Underwriting, general and administrative expenses	678,349	312,862	424,250	269,902	72,004	1,757,367
Interest expense	0	0	0	0	45,484	45,484
Total benefits, losses and expenses	2,190,298	1,098,571	1,408,237	881,011	115,450	5,693,567
Segment income (loss) before provision (benefit) for income tax	151,887	499,980	60,947	69,905	(54,165)	728,554
Provision (benefit) for income taxes	60,365	171,132	21,938	24,113	(12,562)	264,986
Segment income (loss) after tax	$ 91,522	$ 328,848	$ 39,009	$ 45,792	$ (41,603)	
Net income						$ 463,568

	As of December 31, 2010					
Segment assets:						
Segment assets, excluding goodwill	$ 10,916,959	$ 3,164,604	$ 1,046,662	$ 2,487,966	$ 8,161,048	$ 25,777,239
Goodwill						619,779
Total assets						$ 26,397,018

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Assurant, Inc.

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15. Commitments and Contingencies

In the normal course of business, letters of credit are issued primarily to support reinsurance arrangements in which the Company is the reinsurer. These letters of credit are supported by commitments under which the Company is required to indemnify the financial institutions issuing the letter of credit if the letter of credit is drawn. The Company had $24,296 and $24,946 of letters of credit outstanding as of September 30, 2011 and December 31, 2010, respectively.

The Company is involved in litigation in the ordinary course of business, both as a defendant and as a plaintiff. The Company may from time to time be subject to a variety of legal and regulatory actions relating to the Company s current and past business operations. While the Company cannot predict the outcome of any pending or future litigation, examination or investigation and although no assurances can be given, the Company does not believe that any pending matter will have a material adverse effect individually or in the aggregate, on the Company s financial condition, results of operations, or cash flows.

One of the Company s subsidiaries, American Reliable Insurance Company (ARIC), participated in certain excess of loss reinsurance programs in the London market and, as a result, reinsured certain personal accident, ransom and kidnap insurance risks from 1995 to 1997. ARIC and a foreign affiliate ceded a portion of these risks to retrocessionaires. ARIC ceased reinsuring such business in 1997. However, certain disputes arose regarding these programs. The disputes generally involved multiple layers of reinsurance, and allegations that the reinsurance programs involved interrelated claims spirals devised to disproportionately pass claims losses to higher-level reinsurance layers.

The companies involved in these programs, including ARIC, have resolved many of these disputes. The disputes involving ARIC and an affiliate, Assurant General Insurance Limited (formerly Bankers Insurance Company Limited) (AGIL), for the 1995 and 1996 program years, were the subject of working group settlements negotiated with other market participants. For the 1995 program year, the participants have negotiated a final commutation agreement that extinguishes any future liability between the participants. For the 1996 program year, four of the five participants (representing approximately 95% of the exposure) have negotiated a final commutation agreement that extinguishes any future liability between the participants. For the 1997 program year all disputes and litigation have been resolved, but some routine claims activity continues with individual reinsureds.

On the basis of information currently available, the Company believes that the existing loss accruals related to these programs are adequate. However, the inherent uncertainty of resolving these matters, including the uncertainty of estimating whether any settlements the Company may enter into in the future would be on favorable terms, makes it difficult to predict the outcomes.

In the course of implementing procedures for compliance with the new mandatory reporting requirements under the Medicare, Medicaid, and SCHIP Extension Act of 2007, Assurant Health identified a possible ambiguity in the Medicare Secondary Payer Act and related regulations about which the Company has since had a meeting with representatives of the Centers for Medicare and Medicaid Services (CMS). Assurant Health believes that its historical interpretation and application of such laws and regulations is correct and has requested that CMS issue a written determination to that effect. CMS has not made a determination. The Company does not believe that any loss relating to this issue is probable, nor can the Company make any estimate of any possible loss or range of possible loss associated with this issue.

16. Catastrophe Bond Program

On May 5, 2009, the Company announced the establishment of a multi-year catastrophe bond program to provide reinsurance protection for losses resulting from hurricanes. As part of the program, certain of the Company s subsidiaries (the Subsidiaries) entered into two reinsurance agreements with Ibis Re Ltd., an independent special purpose reinsurance company domiciled in the Cayman Islands (Ibis Re). The Ibis Re

agreements provide up to $150,000 of reinsurance coverage for protection against losses over a three-year period from individual hurricane events in Hawaii and along the Gulf and Eastern Coasts of the United States. The agreements expire in May 2012. Ibis Re financed the property catastrophe reinsurance coverage by issuing catastrophe bonds in an aggregate amount of $150,000 to unrelated investors (the Series 2009-1 Notes).

On April 27, 2010, the Subsidiaries entered into two additional reinsurance agreements with Ibis Re providing up to $150,000 of reinsurance coverage for protection against losses over a three-year period from individual hurricane events in Hawaii and along the Gulf and Eastern Coasts of the United States. The agreements expire in May 2013. Ibis Re financed the property catastrophe

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reinsurance coverage by issuing catastrophe bonds in an aggregate amount of $150,000 to unrelated investors (the Series 2010-1 Notes).

The $300,000 of fully collateralized hurricane coverage, purchased from Ibis Re provides per occurrence first event coverage as part of the Company s catastrophe program. This $300,000 of coverage represents approximately 22.9% of the $1,310,000 of first event coverage (net of reimbursements of the Florida Hurricane Catastrophe Fund) purchased by the Company in excess of the Company s $190,000 retention. The coverage is expected to provide protection for a storm that generates in excess of approximately $310,000 of losses net of any reimbursements from the Florida Hurricane Catastrophe Fund.

Under the terms of these reinsurance agreements, the Subsidiaries are obligated to pay annual reinsurance premiums to Ibis Re for the reinsurance coverage. The reinsurance agreements with Ibis Re utilize a dual trigger that is based upon an index that is created by applying predetermined percentages to insured industry losses in each state in the covered area as reported by an independent party and the Subsidiaries covered losses incurred. Reinsurance contracts that have a separate, pre-identified variable (e.g., a loss-based index) are accounted for as reinsurance if certain conditions are met. In the case of the reinsurance agreements with Ibis Re, these conditions were met, thus the Company accounted for them as reinsurance in accordance with the guidance for reinsurance contracts.

Amounts payable to the Subsidiaries under the reinsurance agreements will be determined by the index-based losses, which are designed to approximate the Subsidiaries actual losses from any covered event. The amount of actual losses and index losses from any covered event may differ. For each covered event, Ibis Re pays the Subsidiaries the lesser of the covered index-based losses or the Subsidiaries actual losses. The principal amount of the catastrophe bonds will be reduced by any amounts paid to the Subsidiaries under the reinsurance agreements. The Subsidiaries have not incurred any losses subject to the reinsurance agreements since their inception.

As of September 30, 2011, the Company had not ceded any losses to Ibis Re.

As with any reinsurance agreement, there is credit risk associated with collecting amounts due from reinsurers. In connection with the issuance of the Series 2009-1 Notes, Ibis Re set up two reinsurance trusts to hold certain investments to secure payments to the Subsidiaries under the reinsurance agreements and the repayment of principal to the bondholders, as applicable, and entered into two related total return swap agreements. Refer to the Loss Protection and Capital Management section included in Note 14 of the Company s Annual Report on Form 10-K for the year ended December 31, 2010 for further discussion.

With regard to the Series 2010-1 Notes, the credit risk is mitigated by two reinsurance trust accounts. Each reinsurance trust account has been funded by Ibis Re with money market funds that invest solely in direct government obligations backed by the U.S. government with maturities of no more than 13 months. The money market funds must have a principal stability rating of at least AAA by Standard & Poor s.

At the time the agreements were entered into with Ibis Re, the Company evaluated the applicability of the accounting guidance that addresses variable interest entities (VIEs). Entities which do not have sufficient equity at risk to allow the entity to finance its activities without additional financial support or in which the equity investors, as a group, do not have the characteristic of a controlling financial interest are referred to as VIEs. A VIE is consolidated by the variable interest holder that is determined to have the controlling financial interest (primary beneficiary) as a result of having both the power to direct the activities of a VIE that most significantly impact the VIE s economic performance and the obligation to absorb losses or right to receive benefits from the VIE that could potentially be significant to the VIE. The Company determines whether it is the primary beneficiary of an entity subject to consolidation based on a qualitative assessment of the VIE s capital structure, contractual terms, nature of the VIE s operations and purpose and the Company s relative exposure to the related risks of the VIE on the date it becomes initially involved in the VIE. The Company reassesses its VIE determination with respect to an entity on an ongoing basis.

As a result of the evaluation of the reinsurance agreements with Ibis Re, the Company concluded that Ibis Re is a VIE. However, while Ibis Re is a VIE, the Company concluded that it does not have a significant variable interest in Ibis Re as the variability in Ibis Re s results, caused by the reinsurance agreements, is expected to be absorbed entirely by the bondholders and the Company is not entitled to any residual amounts. Accordingly, the Company is not the primary beneficiary of Ibis Re and does not consolidate the entity in the Company s financial statements.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

(Dollar amounts in thousands)

This Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) addresses the financial condition of Assurant, Inc. and its subsidiaries (which we refer to collectively as Assurant or the Company) as of September 30, 2011, compared with December 31, 2010, and our results of operations for the three and nine months ended September 30, 2011 and 2010. This discussion should be read in conjunction with our MD&A and annual audited consolidated financial statements as of December 31, 2010 included in our Annual Report on Form 10-K for the year ended December 31, 2010 filed with the U.S. Securities and Exchange Commission (the SEC) and the September 30, 2011 unaudited consolidated financial statements and related notes included elsewhere in this Form 10-Q. The 2010 Annual Report on Form 10-K, First Quarter 2011 Form 10-Q, Second Quarter 2011 Form 10-Q, Third Quarter 2011 Form 10-Q and other documents related to the Company are available free of charge through the SEC website at www.sec.gov and through our website at www.assurant.com.

Some of the statements included under Management s Discussion and Analysis of Financial Condition and Results of Operations and elsewhere in this report, particularly those anticipating future financial performance, business prospects, growth and operating strategies and similar matters, are forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they may use words like will, may, anticipates, expects, estimates, projects, intends, plans, believes, potential, approximately, or the negative version of those words and other words and terms with a similar meaning. Any forward-looking statements contained in this report are based upon our historical performance and on current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates, or expectations contemplated by us will be achieved. Our actual results might differ materially from those projected in the forward-looking statements. The Company undertakes no obligation to update or review any forward-looking statement, whether as a result of new information, future events or other developments.

In addition to the factors described under Critical Factors Affecting Results and Liquidity, the following risk factors could cause our actual results to differ materially from those currently estimated by management: (i) the effects of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, and the rules and regulations thereunder (together, the Affordable Care Act), on our health and employee benefits businesses; (ii) actions by governmental agencies that could result in the reduction of the premium rates we charge; (iii) loss of significant client relationships, distribution sources and contracts; (iv) failure to attract and retain sales representatives; (v) losses due to natural and man-made catastrophes; (vi) a decline in our credit or financial strength ratings (including the risk of ratings downgrades in the insurance industry); (vii) deterioration in the Company s market capitalization compared to its book value that could result in further impairment of goodwill; (viii) unfavorable outcomes in litigation and/or regulatory investigations that could negatively affect our business and reputation; (ix) current or new laws and regulations that could increase our costs and decrease our revenues; (x) general global economic, financial market and political conditions (including difficult conditions in financial, capital and credit markets, the global economic slowdown, fluctuations in interest rates, monetary policies, unemployment and inflationary pressure); (xi) inadequacy of reserves established for future claims losses; (xii) failure to predict or manage benefits, claims and other costs; (xiii) uncertain tax positions; (xiv) fluctuations in exchange rates and other risks related to our international operations; (xv) unavailability, inadequacy and unaffordable pricing of reinsurance coverage; (xvi) diminished value of invested assets in our investment portfolio (due to, among other things, volatility in financial markets, the global economic slowdown, credit and liquidity risk, other than temporary impairments and increases in interest rates); (xvii) insolvency of third parties to whom we have sold or may sell businesses through reinsurance or modified co-insurance; (xviii) inability of reinsurers to meet their obligations; (xix) credit risk of some of our agents in Assurant Specialty Property and Assurant Solutions; (xx) failure to effectively maintain and modernize our information systems; (xxi) failure to protect client information and privacy; (xxii) failure to find and integrate suitable acquisitions and new ventures; (xxiii) inability of our subsidiaries to pay sufficient dividends; (xxiv) failure to provide for succession of senior management and key executives; and (xxv) significant competitive pressures in our businesses and (xxvi) cyclicality of the insurance industry. For a more detailed discussion of the risk factors that could affect our actual results, please refer to the Risk Factors in Item 1A of our 2010 Annual Report on Form 10-K.

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Executive Summary

Assurant has five reportable segments. Our four operating segments are Assurant Solutions, Assurant Specialty Property, Assurant Health, and Assurant Employee Benefits. These operating segments partner with clients who are leaders in their industries in the United States of America (the U.S.) and select worldwide markets. The operating segments provide lender-placed homeowners insurance, manufactured housing homeowners insurance, debt protection administration, credit-related insurance, warranties and service contracts, individual health and small employer group health insurance, group dental insurance, group disability insurance, group life insurance and pre-funded funeral insurance.

Our fifth segment, Corporate & Other, includes activities of the holding company, financing and interest expenses, net realized gains and losses on investments, interest income earned from short-term investments held and additional costs associated with excess of loss reinsurance programs reinsured and ceded to certain subsidiaries in the London market between 1995 and 1997. Corporate & Other also includes the amortization of deferred gains associated with the sales of Fortis Financial Group and Long-Term Care through reinsurance agreements.

The following discussion relates to the three and nine months ended September 30, 2011 (Third Quarter 2011 and Nine Months 2011, respectively) and the three and nine months ended September 30, 2010 (Third Quarter 2010 and Nine Months 2010, respectively).

Results for Third Quarter 2011 reflect considerable storm loss activity. Consolidated net income decreased $65,687 to $75,983 in Third Quarter 2011, compared with $141,670 for Third Quarter 2010, while Nine Months 2011 net income declined to $383,584 compared with $463,568 for Nine Months 2010.

Assurant Solutions Third Quarter 2011 net income improved compared with Third Quarter 2010. This improvement was primarily due to improved underwriting experience across our international and domestic service contract businesses and strong Preneed sales. Despite a challenging global economic environment, Assurant Solutions was able to generate new domestic and international sales evidenced by growth in gross written premiums.

We anticipate modest net earned premiums and fees growth in 2012 with the international and domestic service contract businesses and Preneed being the key contributors. In addition, we will continue to build our capabilities to serve the wireless marketplace and manage our expenses for continued improvement in the international combined ratio.

At Assurant Specialty Property, Third Quarter 2011 results reflect the adverse impact of reportable catastrophe losses. During the quarter, we helped our customers affected by these catastrophes, and we continue to assist them as they rebuild and repair their homes. We believe that our alignment with market leaders, combined with the investments we have made in our sophisticated tracking system, which ensures homeowner properties are covered for damage, helps us respond quickly when portfolios move between mortgage servicers. Because of this, a new client mortgage loan portfolio acquired during the second quarter was successfully implemented earlier than we had previously anticipated, allowing us to begin generating premiums starting in the fourth quarter of 2011. We believe we are well positioned for the movement of mortgage loan portfolios which we expect will continue in 2012.

The second quarter 2011 acquisition of SureDeposit, the market leader in rental security deposit alternatives, expands our multifamily housing product offerings. This acquisition was accretive during Third Quarter 2011, and we anticipate this business will increase during 2012.

Assurant Health Third Quarter 2011 results reflect progress as we continue to adapt to the Affordable Care Act. We believe that both consumers and distribution partners are recognizing the value of our Health Access and supplemental product offerings, which are designed to address affordability needs of consumers. Sales of these products continued to show improvement during Third Quarter 2011. In addition, we significantly reduced expenses during 2011.

The Affordable Care Act will continue to affect reported results in future years. However, we remain focused on generating sales and achieving further expense efficiencies. We believe that providing a better customer experience and a simplified business model will help us achieve these goals.

At Assurant Employee Benefits, Third Quarter 2011 results continued to be challenged by a high level of unemployment in the United States. The decrease in net income was primarily attributed to less favorable disability experience compared to Third

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Quarter 2010 and the lowering of the reserve discount rate earlier this year. This was partially offset by improved life and dental experience.

We believe our strategic focus on distribution through key brokers and our expanded product offerings continued to improve sales of voluntary products. During Third Quarter 2011, more than 50% of new sales at Assurant Employee Benefits came from supplemental and voluntary products.

During Third Quarter 2011, we repurchased 2,208,500 shares of our stock and paid a quarterly dividend of $0.18 per share. We expect to continue repurchasing shares of our common stock during the remainder of 2011, subject to market conditions and applicable legal and regulatory constraints, and to take dividends from our operating entities equal to their earnings.

Critical Factors Affecting Results and Liquidity

Our results depend on the adequacy of our product pricing, underwriting and the accuracy of our methodology for the establishment of reserves for future policyholder benefits and claims, returns on and values of invested assets and our ability to manage our expenses. Factors affecting these items, including unemployment, difficult conditions in financial markets and the global economy, may have a material adverse effect on our results of operations or financial condition. For more information on these factors, see Item 1A Risk Factors and Item 7 MD&A Critical Factors Affecting Results in our 2010 Annual Report on Form 10-K.

Management believes the Company will have sufficient liquidity to satisfy its needs over the next twelve months including the ability to pay interest on our Senior Notes and dividends on our common stock.

For the nine months ended September 30, 2011, net cash provided by operating activities, including the effect of exchange rate changes on cash and cash equivalents, totaled $504,623; net cash used in investing activities totaled $145,459 and net cash used in financing activities totaled $450,157. We had $1,059,523 in cash and cash equivalents as of September 30, 2011. Please see Liquidity and Capital Resources, below for further details.

Critical Accounting Policies and Estimates

Our 2010 Annual Report on Form 10-K described the accounting policies and estimates that are critical to the understanding of our results of operations, financial condition and liquidity. The accounting policies and estimation process described in the 2010 Annual Report on Form 10-K were consistently applied to the unaudited interim consolidated financial statements for Nine Months 2011.

The Affordable Care Act was signed into law in March 2010. One provision of the Affordable Care Act, effective January 1, 2011, established a minimum medical loss ratio (MLR) designed to ensure that a minimum percentage of premiums is paid for clinical services or health care quality improvement activities. The Affordable Care Act established an MLR of 80% for individual and small group business and 85% for large group business. If the actual loss ratios, calculated in a manner prescribed by the Department of Health and Human Services (HHS), are less than the required MLR, rebates are payable to the policyholders by August 1 of the subsequent year.

The Assurant Health loss ratio reported on page 51 (the GAAP loss ratio) differs from the loss ratio calculated under the MLR rules (MLR loss ratio) specified under the Affordable Care Act. The more noteworthy differences include the fact that the MLR loss ratio is calculated separately by state and legal entity; the MLR loss ratio calculation includes credibility adjustments for each entity, which are not applicable to the GAAP loss ratio; the MLR loss ratio calculation applies only to some of our health insurance products, while the GAAP loss ratio applies to the entire portfolio, including products not governed by the Affordable Care Act; the MLR loss ratio includes quality improvement expenses, taxes and fees; changes in reserves are treated differently in the MLR loss ratio calculation; and the MLR rebate amounts are considered adjustments to premiums for GAAP reporting whereas they are reported as additions to incurred claims in the MLR rebate estimate calculations.

Assurant Health has estimated its Third Quarter 2011 impact of this regulation and recorded a premium rebate accrual of $9,250 and $48,429 for the three and nine months ended September 30, 2011, respectively. The accruals were based on definitions and calculation methodologies outlined in the Interim Final Regulation from HHS released December 1, 2010 with Technical Corrections released December 29, 2010. The MLR rebate accrual was based on separate projection models for individual medical and small group business using projections of expected premiums, claims, and enrollment by state, legal entity and market for medical business

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subject to MLR requirements for the MLR reporting year. In addition, the projection models include quality improvement expenses, state assessments and taxes.

We have estimated the 2011 full-year premium rebate accrual to be in a range of $60,000 and $65,000; however, emerging regulations and interpretations from HHS could cause the actual rebate (and the provisions we establish during the balance of the year) to differ. We will not know the actual rebate amount with certainty until mid-2012; it will be based on actual premium and claim experience for all of 2011. The estimated liability may also need to be adjusted for any further regulatory clarifications or transition relief granted for states in which we do business. The rebate is presented as a reduction of net earned premiums in the consolidated statement of operations and included in unearned premiums in the consolidated balance sheets.

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Assurant Consolidated

Overview

The table below presents information regarding our consolidated results of operations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues:				
Net earned premiums and other considerations	$ 1,777,315	$ 1,832,514	$ 5,307,635	$ 5,589,052
Net investment income	172,176	176,170	517,893	525,380
Net realized gains on investments	532	6,043	20,355	29,668
Amortization of deferred gain on disposal of businesses	5,114	6,024	15,353	18,129
Fees and other income	106,578	93,220	300,037	259,892
Total revenues	2,061,715	2,113,971	6,161,273	6,422,121
Benefits, losses and expenses:				
Policyholder benefits	998,875	913,253	2,881,582	2,746,565
Selling, underwriting and general expenses (1)	932,453	958,824	2,772,541	2,901,518
Interest expense	15,078	15,162	45,284	45,484
Total benefits, losses and expenses	1,946,406	1,887,239	5,699,407	5,693,567
Income before provision for income taxes	115,309	226,732	461,866	728,554
Provision for income taxes	39,326	85,062	78,282	264,986
Net income	$ 75,983	$ 141,670	$ 383,584	$ 463,568

(1) Includes amortization of deferred acquisition costs (DAC) and value of business acquired (VOBA).

The following discussion provides a general overall analysis of how the consolidated results were affected by our four operating segments and our Corporate and Other segment for Third Quarter 2011 and Nine Months 2011, and Third Quarter 2010 and Nine Months 2010. Please see the discussion that follows, for each of these segments, for a more detailed analysis of the fluctuations.

For The Three Months Ended September 30, 2011 Compared to The Three Months Ended September 30, 2010.

Net Income

The Company reported net income of $75,983 in Third Quarter 2011, a decrease of $65,687 or 46%, compared with $141,670 of net income for Third Quarter 2010. The decrease was primarily due to reportable catastrophe losses of $52,323 (after-tax) and increased frequency of non-catastrophe weather related losses during Third Quarter 2011 in our Assurant Specialty Property segment.

For The Nine Months Ended September 30, 2011 Compared to The Nine Months Ended September 30, 2010.

Net Income

Net income decreased $79,984, or 17%, to $383,584 for Nine Months 2011 from $463,568 for Nine Months 2010. The decrease was primarily due to an increase in reportable catastrophe losses of $97,484 (after-tax) and increased frequency of non-catastrophe weather related losses in our Assurant Specialty Property segment. In addition, our Assurant Health and Assurant Employee Benefits segments experienced lower

underwriting results compared with the same period last year. These decreases were partially offset by improved international underwriting results in our Assurant Solutions segment and an $80,000 release of a capital loss valuation allowance related to deferred tax assets.

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Assurant Solutions

Overview

The tables below present information regarding Assurant Solutions segment results of operations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues:				
Net earned premiums and other considerations	$ 600,679	$ 611,264	$ 1,815,305	$ 1,886,310
Net investment income	98,453	99,084	295,508	296,493
Fees and other income	70,126	59,090	196,976	159,382
Total revenues	769,258	769,438	2,307,789	2,342,185
Benefits, losses and expenses:				
Policyholder benefits	214,861	223,597	645,419	680,004
Selling, underwriting and general expenses	500,244	496,032	1,492,462	1,510,294
Total benefits, losses and expenses	715,105	719,629	2,137,881	2,190,298
Segment income before provision for income taxes	54,153	49,809	169,908	151,887
Provision for income taxes	18,830	17,476	56,875	60,365
Segment net income	$ 35,323	$ 32,333	$ 113,033	$ 91,522
Net earned premiums and other considerations:				
Domestic:				
Credit	$ 42,438	$ 46,791	$ 129,926	$ 145,062
Service contracts	284,786	313,861	884,268	989,000
Other (1)	13,644	11,677	38,701	36,612
Total domestic	340,868	372,329	1,052,895	1,170,674
International:				
Credit	102,417	87,901	294,352	258,000
Service contracts	126,833	116,049	371,115	342,513
Other (1)	5,827	4,217	17,549	13,584
Total international	235,077	208,167	683,016	614,097
Preneed	24,734	30,768	79,394	101,539
Total	$ 600,679	$ 611,264	$ 1,815,305	$ 1,886,310
Fees and other income:				
Domestic:				
Debt protection	$ 7,554	$ 7,541	$ 22,003	$ 25,611
Service contracts	31,296	29,216	91,349	79,881
Other (1)	515	2,127	2,838	6,790

Total domestic	39,365	38,884	116,190	112,282
International	9,947	7,561	24,286	20,876
Preneed	20,814	12,645	56,500	26,224
Total	$ 70,126	$ 59,090	$ 196,976	$ 159,382
Gross written premiums (2):				
Domestic:				
Credit	$ 102,820	$ 109,389	$ 294,506	$ 320,518
Service contracts	355,003	272,044	1,069,836	841,199
Other (1)	23,643	17,014	63,046	47,225
Total domestic	481,466	398,447	1,427,388	1,208,942

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International:				
Credit	255,324	238,510	756,579	725,390
Service contracts	161,567	129,984	423,800	361,392
Other (1)	10,468	5,159	33,491	16,705
Total international	427,359	373,653	1,213,870	1,103,487
Total	$ 908,825	$ 772,100	$ 2,641,258	$ 2,312,429
Preneed (face sales)	$ 195,223	$ 211,834	$ 567,106	$ 579,589
Combined ratios (3):				
Domestic	99.4%	99.8%	97.3%	97.9%
International	101.5%	104.1%	103.5%	106.3%

(1) This includes emerging products and run-off products lines.
(2) Gross written premiums does not necessarily translate to an equal amount of subsequent net earned premiums since Assurant Solutions reinsures a portion of its premiums to insurance subsidiaries of its clients.
(3) The combined ratio is equal to total benefits, losses and expenses divided by net earned premiums and other considerations and fees and other income excluding the preneed business.

For The Three Months Ended September 30, 2011 Compared to The Three Months Ended September 30, 2010.

Net Income

Segment net income increased $2,990, or 9%, to $35,323 for Third Quarter 2011 from $32,333 for Third Quarter 2010. The increase was primarily attributable to improved underwriting experience across our international and domestic service contract businesses, partially offset by reduced earnings from certain domestic blocks of business that are in run-off.

Total Revenues

Total revenues were essentially flat at $769,258 for Third Quarter 2011 compared with $769,438 for Third Quarter 2010. Net earned premiums declined $10,585, primarily attributable to the continued run-off of certain domestic service contract business from former clients that are no longer in business (mainly Circuit City) and the continued run-off of our domestic credit insurance business. We anticipate full year 2011 net earned premiums to decline approximately $170,000 from these two sources compared with 2010. Partially offsetting these decreases were new domestic service contract business growth and increases in both our international credit and service contracts businesses, which also benefited from the favorable impact of foreign exchange rates. Fees and other income increased $11,036 primarily as a result of growth in our preneed business.

Gross written premiums increased $136,725, or 18%, to $908,825 for Third Quarter 2011 from $772,100 for Third Quarter 2010. Gross written premiums from our domestic service contract business increased $82,959 primarily due to the addition of a large new client in 2010 and organic growth in our automobile vehicle service contract sales. Our international service contract business increased $31,583 and our international credit business increased $16,814, primarily due to growth from new and existing clients, mostly in Latin America, and the favorable impact of foreign exchange rates. Partially offsetting these increases was a $6,569 decrease in our domestic credit insurance business, due to the continued run-off of this product line.

Preneed face sales decreased $16,611, to $195,223 for Third Quarter 2011, from $211,834 for Third Quarter 2010. This decrease was primarily attributable to increased consumer buying in 2010 in advance of a consumer tax rate change that took effect July 1, 2010 in certain Canadian provinces. This was partially offset by domestic growth from our exclusive distribution partnership with Service Corporation International (SCI), the largest funeral provider in North America. This exclusive distribution partnership is effective through September 29, 2014. Third Quarter 2011 face sales also benefited from recent acquisitions made by SCI.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses decreased $4,524, or less than 1%, to $715,105 for Third Quarter 2011 from $719,629 for Third Quarter 2010. Policyholder benefits decreased $8,736 primarily due to improved loss experience across our international and domestic service contract businesses and a decrease associated with certain domestic lines of business that are in run-off. Selling, underwriting and general expenses increased $4,212. Commissions, taxes, licenses and fees, of which amortization of DAC is a component, decreased $2,736 due to lower earnings in our domestic service contract business, partially offset by increased

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commissions in our international business resulting from growth of the business coupled with the unfavorable impact of foreign exchange rates. General expenses increased $6,948 due primarily to higher expenses associated with the growth of our international and domestic service contract businesses, partially offset by expense management efforts in domestic lines of business that are in run-off.

For The Nine Months Ended September 30, 2011 Compared to The Nine Months Ended September 30, 2010.

Net Income

Segment net income increased $21,511, or 24%, to $113,033 for Nine Months 2011 from $91,522 for Nine Months 2010. The increase was partially attributable to improved underwriting experience across our international and domestic service contract businesses and favorable preneed results. Preneed results increased primarily due to the relative change in the value of our consumer price index caps (CPI Caps) (derivative instruments that protect against inflation risk in our preneed products) and increased net investment income from higher invested assets. In addition, Nine Months 2010 included a $2,800 tax valuation allowance increase against deferred tax assets related to our European business restructuring. These items were partially offset by reduced earnings from certain domestic blocks of business that are in run-off.

Total Revenues

Total revenues decreased $34,396, or 1%, to $2,307,789 for Nine Months 2011 from $2,342,185 for Nine Months 2010. The decrease was mainly the result of lower net earned premiums of $71,005, which is primarily attributable to the continued run-off of certain domestic service contract business from former clients that are no longer in business (mainly Circuit City) and the continued run-off of our domestic credit insurance business. Net earned premiums for full year 2011 are expected to decline approximately $170,000 from these two sources compared with 2010. Partially offsetting these decreases was new domestic service contract business growth and increases in both our international credit and service contract businesses, which also benefited from the favorable impact of foreign exchange rates. Fees and other income increased $37,594 as a result of increases in our preneed business and the relative change in the value of our CPI Caps.

Gross written premiums increased $328,829, or 14%, to $2,641,258 for Nine Months 2011 from $2,312,429 for Nine Months 2010. Gross written premiums from our domestic service contract business increased $228,637 primarily due to the 2010 addition of a large new client and an increase in automobile vehicle service contract sales. Our international service contract business increased $62,408 and our international credit business increased $31,189, primarily due to growth from new and existing clients, mostly in Latin America, and the favorable impact of foreign exchange rates. Partially offsetting these increases was a $26,012 decrease in our domestic credit insurance business, due to the continued run-off of this product line.

Preneed face sales decreased $12,483, to $567,106 for Nine Months 2011 from $579,589 for Nine Months 2010. This decrease was primarily attributable to increased consumer buying in 2010 in advance of a consumer tax rate change that took effect July 1, 2010 in certain Canadian provinces. This was partially offset by domestic growth from our exclusive distribution partnership with SCI, the largest funeral provider in North America. This exclusive distribution partnership is effective through September 29, 2014. Nine Months 2011 face sales also benefited from recent acquisitions made by SCI.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses decreased $52,417, or 2%, to $2,137,881 for Nine Months 2011 from $2,190,298 for Nine Months 2010. Policyholder benefits decreased $34,585 primarily due to improved loss experience across our international and domestic service contract businesses and a decrease associated with certain domestic lines of business that are in run-off. Selling, underwriting and general expenses decreased $17,832. Commissions, taxes, licenses and fees, of which amortization of DAC is a component, decreased $28,068 due to lower earnings in our domestic service contract business, partially offset by increased commissions in our international business resulting from growth of the business coupled with the unfavorable impact of foreign exchange rates. General expenses increased $10,236 due primarily to higher expenses associated with the growth of our international and domestic service contract businesses, partially offset by expense management efforts in domestic lines of business that are in run-off.

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Assurant Specialty Property

Overview

The tables below present information regarding Assurant Specialty Property s segment results of operations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues:				
Net earned premiums and other considerations	$ 476,712	$ 481,108	$ 1,409,465	$ 1,467,052
Net investment income	25,980	27,064	78,370	81,007
Fees and other income	21,329	18,544	56,878	50,492
Total revenues	524,021	526,716	1,544,713	1,598,551
Benefits, losses and expenses:				
Policyholder benefits	265,072	165,977	686,600	503,716
Selling, underwriting and general expenses	194,536	197,992	573,040	594,855
Total benefits, losses and expenses	459,608	363,969	1,259,640	1,098,571
Segment income before provision for income taxes	64,413	162,747	285,073	499,980
Provision for income taxes	20,759	56,094	96,156	171,132
Segment net income	$ 43,654	$ 106,653	$ 188,917	$ 328,848
Net earned premiums and other considerations:				
By major product groupings				
Homeowners (lender placed and voluntary)	$ 317,796	$ 330,375	$ 940,578	$ 1,010,519
Manufactured housing (lender placed and voluntary)	52,796	54,120	163,318	165,306
Other (1)	106,120	96,613	305,569	291,227
Total	$ 476,712	$ 481,108	$ 1,409,465	$ 1,467,052
Ratios:				
Loss ratio (2)	55.6%	34.5%	48.7%	34.3%
Expense ratio (3)	39.1%	39.6%	39.1%	39.2%
Combined ratio (4)	92.3%	72.8%	85.9%	72.4%

(1) This primarily includes flood, miscellaneous specialty property and multifamily housing insurance products.
(2) The loss ratio is equal to policyholder benefits divided by net earned premiums and other considerations.
(3) The expense ratio is equal to selling, underwriting and general expenses divided by net earned premiums and other considerations and fees and other income.
(4) The combined ratio is equal to total benefits, losses and expenses divided by net earned premiums and other considerations and fees and other income.

For The Three Months Ended September 30, 2011 Compared to The Three Months Ended September 30, 2010.

Net Income

Segment net income decreased $62,999, or 59%, to $43,654 for Third Quarter 2011 from $106,653 for Third Quarter 2010. The decline is primarily due to reportable catastrophe losses of $52,323 (after-tax) and increased frequency of non-catastrophe weather related losses during

Third Quarter 2011. There were no reportable catastrophes in Third Quarter 2010. Reportable loss events for Third Quarter 2011 included Hurricane Irene, Tropical Storm Lee and the wildfires in Texas. The principal causes of loss for these events were wind and water damage, followed by flood. Reportable catastrophe losses includes only individual catastrophic events that generated losses to the Company in excess of $5,000, pre-tax and net of reinsurance.

Total Revenues

Total revenues decreased $2,695, or less than 1%, to $524,021 for Third Quarter 2011 from $526,716 for Third Quarter 2010. Growth in lender-placed homeowners and multifamily housing products gross earned premiums were more than offset by increased

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ceded lender-placed homeowners premiums and $2,258 of increased catastrophe reinsurance premiums. Growth in lender-placed homeowners gross earned premiums is primarily due to clients added in 2010 and client loan portfolio acquisitions.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses increased $95,639, or 26%, to $459,608 for Third Quarter 2011 from $363,969 for Third Quarter 2010. The loss ratio increased 2,110 basis points primarily attributable to $80,497 of reportable catastrophe losses in Third Quarter 2011. There were no reportable catastrophe losses in Third Quarter 2010. Assurant Specialty Property defines a reportable catastrophe loss as an Insurance Services Office designated event that results in a loss greater than $5,000. Commissions, taxes, licenses, and fees decreased $8,462 primarily due to client contract changes which resulted in lower commission expense. General expenses increased $5,005 primarily due to increased employee related expenses and increased intangible asset amortization related to the SureDeposit acquisition during the second quarter of 2011.

For The Nine Months Ended September 30, 2011 Compared to The Nine Months Ended September 30, 2010.

Net Income

Segment net income decreased $139,931, or 43%, to $188,917 for Nine Months 2011 from $328,848 for Nine Months 2010. The decline is primarily due to an increase in reportable catastrophe losses of $97,484 (after-tax) in Nine Months 2011. In addition, Nine Months 2010 net income included a $7,629 (after-tax) favorable adjustment from an unearned premium reserve review. Increased frequency of non-catastrophe weather related losses during Nine Months 2011 compared with Nine Months 2010 also contributed to the decline.

Total Revenues

Total revenues decreased $53,838, or 3%, to $1,544,713 for Nine Months 2011 from $1,598,551 for Nine Months 2010. Growth in lender-placed homeowners and multifamily housing products gross earned premiums were more than offset by increased ceded lender-placed homeowners premiums and $16,525 of increased catastrophe reinsurance premiums. In addition, Nine Months 2010 net earned premiums included a $13,595 favorable adjustment from an unearned premium reserve review.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses increased $161,069, or 15%, to $1,259,640 for Nine Months 2011 from $1,098,571 for Nine Months 2010. The loss ratio increased 1,440 basis points attributable to $157,645 of reportable catastrophe losses in Nine Months 2011 compared to $7,670 of reportable catastrophe losses in Nine Months 2010. Commissions, taxes, licenses, and fees decreased $33,221 primarily due to client contract changes which resulted in lower commission expense. General expenses increased $11,405 primarily due to intangible asset amortization related to the SureDeposit acquisition, and increased employee related expenses.

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Assurant Health

Overview

The tables below present information regarding Assurant Health s segment results of operations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011*	2010	2011*	2010
Revenues:				
Net earned premiums and other considerations	$ 428,971	$ 467,726	$ 1,280,572	$ 1,402,873
Net investment income	11,703	11,985	34,410	35,628
Fees and other income	8,989	10,027	26,828	30,683
Total revenues	449,663	489,738	1,341,810	1,469,184
Benefits, losses and expenses:				
Policyholder benefits	328,235	334,216	962,229	980,623
Selling, underwriting and general expenses	111,766	145,694	348,530	427,614
Total benefits, losses and expenses	440,001	479,910	1,310,759	1,408,237
Segment income before provision for income taxes	9,662	9,828	31,051	60,947
Provision for income taxes	3,899	4,488	12,904	21,938
Segment net income	$ 5,763	$ 5,340	$ 18,147	$ 39,009
Net earned premiums and other considerations:				
Individual markets:				
Individual markets	$ 320,460	$ 346,002	$ 971,463	$ 1,035,416
Group markets	117,761	121,724	357,538	367,457
Gross earned premiums	438,221	467,726	1,329,001	1,402,873
Premium rebates (4)	(9,250)		(48,429)	
Total	$ 428,971	$ 467,726	$ 1,280,572	$ 1,402,873
Covered lives by product line (5):				
Individual markets			590	608
Group markets			132	113
Total			722	721
Ratios:				
Loss ratio (1)	76.5%	71.5%	75.1%	69.9%
Expense ratio (2)	25.5%	30.5%	26.6%	29.8%
Combined ratio (3)	100.5%	100.5%	100.3%	98.2%

* 2011 period results are not fully comparable to prior periods due to regulatory changes associated with the Affordable Care Act.

(1) The loss ratio is equal to policyholder benefits divided by net earned premiums and other considerations.

(2)

The expense ratio is equal to selling, underwriting and general expenses divided by net earned premiums and other considerations and fees and other income.

(3) The combined ratio is equal to total benefits, losses and expenses divided by net earned premiums and other considerations and fees and other income.

(4) As of January 1, 2011, the Company began accruing premium rebates to comply with the minimum medical loss ratio requirement under the Affordable Care Act

(5) As of January 1, 2011, covered lives consist of all policies, including supplemental coverages and self-funded group products, purchased by policyholders. Prior periods consisted only of medical policies.

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The Affordable Care Act

Some provisions of the Affordable Care Act took effect in the past year, and other provisions will become effective at various dates over the next several years. In November 2010, HHS issued a number of interim final regulations with respect to the Affordable Care Act. HHS has issued additional technical corrections and Q&As since then. As of this filing, final regulations have not yet been issued under many Affordable Care Act provisions. As a result, the impact of the Affordable Care Act is clearer but not yet fully known. Management continues to modify its business model to adapt to these new regulations and will continue to monitor HHS and state regulatory activity for clarification and additional regulations. Given the sweeping nature of the changes represented by the Affordable Care Act, our results of operations and financial position could be materially adversely affected. For more information, see Item 1A, Risk Factors Risks related to our industry Recently enacted legislation reforming the U.S. health care system may have a material adverse effect on our financial condition and results of operations in our 2010 Annual Report on Form 10-K.

For the Three Months Ended September 30, 2011 Compared to The Three Months Ended September 30, 2010.

Net Income

Segment results increased slightly to $5,763 for Third Quarter 2011 from $5,340 for Third Quarter 2010. The increase was primarily attributable to reduced expenses associated with organizational and operational expense reduction initiatives and lower commissions due to agent compensation changes. Partially offsetting these expense reductions were accrued premium rebates of $6,013 (after-tax) associated with the MLR requirement included in the Affordable Care Act for our comprehensive health coverage business, lower sales of new policies and a high effective tax rate. Third Quarter 2010 results included a $4,969 (after-tax) restructuring charge.

Total Revenues

Total revenues decreased $40,075, or 8%, to $449,663 for Third Quarter 2011 from $489,738 for Third Quarter 2010. Net earned premiums and other considerations before premium rebates from our individual markets business decreased $25,542, or 7%, due to a decline in traditional individual medical product sales, caused by the transition to supplemental and affordable choice products and changes to agent commissions, resulting from the Affordable Care Act. These decreases were partially offset by premium rate increases. Net earned premiums and other considerations before premium rebates from our small employer group business decreased $3,964, or 3%, due to a continued high level of policy lapses, partially offset by premium rate increases. Third Quarter 2011 included a premium rebate accrual of $9,250 associated with the MLR requirement included in the Affordable Care Act for our comprehensive health coverage business. There was no premium rebate accrual in Third Quarter 2010 as the MLR requirement was not yet in effect.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses decreased $39,909, or 8%, to $440,001 for Third Quarter 2011 from $479,910 for Third Quarter 2010. Policyholder benefits decreased $5,981, or 2%; however, the benefit loss ratio increased to 76.5% from 71.5%. The decrease in policyholder benefits was primarily attributable to a decline in business volume. The increase in the benefit loss ratio was attributable to the inclusion of premium rebates in net earned premiums and other considerations, and a disproportionate decline in benefits in relation to the decrease in net earned premiums and other considerations. Selling, underwriting and general expenses decreased $33,928, or 23%, primarily due to reduced employee-related and advertising expenses, lower amortization of deferred acquisition costs, and reduced commissions due to agent compensation changes and lower sales of new policies.

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For the Nine Months Ended September 30, 2011 Compared to The Nine Months Ended September 30, 2010.

Net Income

Segment results decreased $20,862 to $18,147 for Nine Months 2011 from $39,009 for Nine Months 2010. The decrease was partly attributable to accrued premium rebates of $31,479 (after-tax) associated with the MLR requirement included in the Affordable Care Act for our comprehensive health coverage business. Nine Months 2010 results included a $17,421 (after-tax) benefit from a reserve release related to a legal settlement. These items were partially offset by a $4,780 (after-tax) reimbursement from a pharmacy services provider related to 2009 and 2010 activity, reduced expenses associated with organizational and operational expense initiatives, and lower commissions due to agent compensation changes and lower sales of new policies. Nine Months 2010 results also included a $4,969 (after-tax) restructuring charge.

Total Revenues

Total revenues decreased $127,374, or 9%, to $1,341,810 for Nine Months 2011 from $1,469,184 for Nine Months 2010. Net earned premiums and other considerations before premium rebates from our individual markets business decreased $63,952, or 6%, due to a decline in traditional individual medical product sales, caused by the transition to supplemental and affordable choice products and changes in agent commissions, resulting from the Affordable Care Act. These decreases were partially offset by premium rate increases. Net earned premiums and other considerations before premium rebates from our small employer group business decreased $9,919, or 3%, due to a continued high level of policy lapses, partially offset by premium rate increases. Nine Months 2011 included a premium rebate accrual of $48,429 associated with the MLR requirement included in the Affordable Care Act for our comprehensive health coverage business. There was no premium rebate accrual in Nine Months 2010 as the MLR requirement was not yet in effect.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses decreased $97,478, or 7%, to $1,310,759 for Nine Months 2011 from $1,408,237 for Nine Months 2010. Policyholder benefits decreased $18,394, or 2%, however, the benefit loss ratio increased to 75.1% from 69.9%. The decrease in policyholder benefits was primarily attributable to a decline in business volume, partially offset by a $26,802 benefit from a reserve release related to a legal settlement in Nine Months 2010. The increase in the benefit loss ratio was primarily attributable to the inclusion of premium rebates in net earned premiums and other considerations, and a disproportionate decline in benefits in relation to the decrease in net earned premiums and other considerations. Selling, underwriting and general expenses decreased $79,084, or 18%, primarily due to reduced employee-related and advertising expenses, lower amortization of deferred acquisition costs, and reduced commissions due to agent compensation changes and lower sales of new policies.

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Assurant Employee Benefits

Overview

The tables below present information regarding Assurant Employee Benefits segment results of operations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues:				
Net earned premiums and other considerations	$ 270,953	$ 272,416	$ 802,293	$ 832,817
Net investment income	32,316	33,599	97,355	99,008
Fees and other income	6,157	5,528	19,095	19,091
Total revenues	309,426	311,543	918,743	950,916
Benefits, losses and expenses:				
Policyholder benefits	190,707	189,463	587,334	584,260
Selling, underwriting and general expenses	98,278	96,162	288,205	296,751
Total benefits, losses and expenses	288,985	285,625	875,539	881,011
Segment income before provision for income taxes	20,441	25,918	43,204	69,905
Provision for income taxes	6,826	8,986	14,571	24,113
Segment net income	$ 13,615	$ 16,932	$ 28,633	$ 45,792
Net earned premiums and other considerations:				
By major product grouping:				
Group dental	$ 104,045	$ 103,786	$ 313,936	$ 316,145
Group disability single premiums for closed blocks (3)	4,936		4,936	
All other group disability	112,534	120,562	336,962	372,369
Group life	49,438	48,068	146,459	144,303
Total	$ 270,953	$ 272,416	$ 802,293	$ 832,817
Ratios:				
Loss ratio (1)	70.4%	69.5%	73.2%	70.2%
Expense ratio (2)	35.5%	34.6%	35.1%	34.8%

(1) The loss ratio is equal to policyholder benefits divided by net earned premiums and other considerations.
(2) The expense ratio is equal to selling, underwriting and general expenses divided by net earned premiums and other considerations and fees and other income.
(3) This represents single premium on closed blocks of group disability business. For closed blocks of business we receive a single, upfront premium and in turn we record a virtually equal amount of reserves.

For The Three Months Ended September 30, 2011 Compared to The Three Months Ended September 30, 2010.

Net Income

Segment net income decreased 19.6% to $13,615 for Third Quarter 2011 from $16,932 for Third Quarter 2010. This decrease was primarily attributable to less favorable disability experience, partially offset by improved life and dental experience. Third Quarter 2011 results include a previously disclosed decrease in the reserve discount rate primarily for new long-term disability claims.

Total Revenues

Total revenues decreased to $309,426 for Third Quarter 2011 from $311,543 for Third Quarter 2010. Excluding single premiums for closed blocks, net earned premiums and other considerations decreased $6,399. The decrease in net earned premiums and other considerations was primarily due to pricing actions on a block of previously assumed disability business. Premium growth in

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voluntary and supplemental products partially offset the decline. Net investment income decreased $1,283 primarily driven by lower investment yields partially offset by real estate joint venture partnership investment income. Third Quarter 2010 did not have any investment income from real estate joint venture partnerships.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses increased 1% to $288,985 for Third Quarter 2011 from $285,625 for Third Quarter 2010. The loss ratio increased to 70.4% from 69.5%, primarily driven by less favorable disability experience. The expense ratio increased to 35.5% from 34.6% primarily as a result of increased investment in business growth initiatives.

For The Nine Months Ended September 30, 2011 Compared to The Nine Months Ended September 30, 2010.

Net Income

Segment net income decreased 37.5% to $28,633 for Nine Months 2011 from $45,792 for Nine Months 2010. The decrease in net income was primarily attributable to less favorable disability and life experience, partially offset by improved dental experience. Nine Months 2011 results include a previously disclosed decrease in the reserve discount rate primarily for new long-term disability claims.

Total Revenues

Total revenues decreased 3.4% to $918,743 for Nine Months Ended 2011 from $950,916 for Nine Months Ended 2010. Excluding single premiums for closed blocks, net earned premiums and other considerations decreased $35,460. The decrease in net earned premiums and other considerations was primarily due to pricing actions on a block of previously assumed disability business and lower prior year sales. Net investment income decreased $1,653 primarily driven by lower investment yields partially offset by real estate joint venture partnership investment income. Nine Months 2010 did not have any investment income from real estate joint venture partnerships.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses decreased less than 1% to $875,539 for Nine Months Ended 2011 from $881,011 for Nine Months Ended 2010. The loss ratio increased to 73.2% from 70.2%, primarily driven by less favorable disability and life experience. Excluding $6,690 of restructuring costs in Nine Months Ended 2010, the expense ratio increased to 35.1% from 34.0% primarily as a result of increased investment in business growth initiatives as well as decreased net earned premiums.

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Assurant Corporate & Other

The table below presents information regarding the Corporate & Other segment s results of operations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues:				
Net investment income	$ 3,724	$ 4,438	$ 12,250	$ 13,244
Net realized gains on investments	532	6,043	20,355	29,668
Amortization of deferred gain on disposal of business	5,114	6,024	15,353	18,129
Fees and other income	(23)	31	260	244
Total revenues	9,347	16,536	48,218	61,285
Benefits, losses and expenses:				
Policyholder benefits				(2,038)
Selling, underwriting and general expenses	27,629	22,944	70,304	72,004
Interest expense	15,078	15,162	45,284	45,484
Total benefits, losses and expenses	42,707	38,106	115,588	115,450
Segment loss before benefit for income taxes	(33,360)	(21,570)	(67,370)	(54,165)
Benefit for income taxes	(10,988)	(1,982)	(102,224)	(12,562)
Segment net (loss) income	$ (22,372)	$ (19,588)	$ 34,854	$ (41,603)

For The Three Months Ended September 30, 2011 Compared to The Three Months Ended September 30, 2010.

Net Loss

Segment net loss increased $2,784, or 14%, to $(22,372) for Third Quarter 2011 compared with $(19,588) for Third Quarter 2010. The increase is primarily attributable to lower net realized gains on investments of $3,582 (after-tax).

Total Revenues

Total revenues decreased $7,189, or 43%, to $9,347 for Third Quarter 2011 compared with $16,536 for Third Quarter 2010. This decrease in revenues was primarily the result of decreased net realized gains on investments of $5,511 and lower net investment income due to diminished investment yields.

Total Benefits, Losses and Expenses

Total expenses increased $4,601, or 12%, to $42,707 for Third Quarter 2011 compared with $38,106 for Third Quarter 2010. This increase is mainly due to increased pension related costs and the write-off of unamortized costs associated with a new revolving credit agreement. Please see Liquidity and Capital Resources Commercial Paper Program contained elsewhere in this report.

For The Nine Months Ended September 30, 2011 Compared to The Nine Months Ended September 30, 2010.

Net Income (Loss)

Segment results improved $76,457 to $34,854 for Nine Months 2011 compared with $(41,603) for Nine Months 2010. Results increased mainly due to an $80,000 release of a capital loss valuation allowance related to deferred tax assets.

Total Revenues

Total revenues decreased $13,067, or 21%, to $48,218 for Nine Months 2011 compared with $61,285 for Nine Months 2010.

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The decrease in revenues is mainly due to a $9,313 and $2,776 decline in net realized gains on investments and amortization of deferred gain on disposal of business, respectively.

Total Benefits, Losses and Expenses

Total expenses remained relatively flat at $115,588 in Nine Months 2011 compared with $115,450 in Nine Months 2010. Restructuring charges of $4,537 included in Nine Months 2010 did not recur in Nine Months 2011; however, Nine Months 2011 includes increased pension related costs and the write-off of unamortized costs associated with a new revolving credit agreement.

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Investments

The Company had total investments of $13,936,293 and $13,519,848 as of September 30, 2011 and December 31, 2010, respectively. For more information on our investments see Note 5 to the Notes to Consolidated Financial Statements included elsewhere in this report.

The following table shows the credit quality of our fixed maturity securities portfolio as of the dates indicated:

	As of			
Fixed Maturity Securities by Credit Quality (Fair Value)	**September 30, 2011**		**December 31, 2010**	
Aaa / Aa / A	$ 6,578,350	60.0%	$ 6,488,208	61.2%
Baa	3,516,885	32.0%	3,227,216	30.4%
Ba	628,088	5.7%	618,465	5.8%
B and lower	255,579	2.3%	278,663	2.6%
Total	$ 10,978,902	100.0%	$ 10,612,552	100.0%

Major categories of net investment income were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Fixed maturity securities	$ 139,846	$ 143,412	$ 424,865	$ 429,949
Equity securities	7,356	8,350	23,319	25,901
Commercial mortgage loans on real estate	20,271	21,381	60,829	64,990
Policy loans	843	886	2,319	2,340
Short-term investments	1,326	1,614	4,259	3,812
Other investments	6,501	5,254	15,178	13,778
Cash and cash equivalents	1,891	1,502	5,334	3,898
Total investment income	178,034	182,399	536,103	544,668
Investment expenses	(5,858)	(6,229)	(18,210)	(19,288)
Net investment income	$ 172,176	$ 176,170	$ 517,893	$ 525,380

Net investment income decreased $3,994, or 2.3%, to $172,176 for Third Quarter 2011 from $176,170 for Third Quarter 2010 and decreased $7,487, or 1.4%, to $517,893 for Nine Months 2011 from $525,380 for Nine Months 2010. The decrease for both periods was primarily due to lower investment yields in 2011.

As of September 30, 2011, the Company owned $221,365 of securities guaranteed by financial guarantee insurance companies. Included in this amount was $197,386 of municipal securities, whose credit rating was A+ both with and without the guarantee.

The Company has exposure to sub-prime and related mortgages within our fixed maturity security portfolio. At September 30, 2011, approximately 2.4% of our residential mortgage-backed holdings had exposure to sub-prime mortgage collateral. This represented approximately 0.2% of the total fixed income portfolio and 0.8% of the total unrealized gain position. Of the securities with sub-prime exposure, approximately 19.5% are rated as investment grade. All residential mortgage-backed securities, including those with sub-prime exposure, are reviewed as part of the ongoing other-than-temporary impairment monitoring process.

Collateralized Transactions

The Company engages in transactions in which fixed maturity securities, especially bonds issued by the U.S. government, government agencies and authorities, and U.S. corporations, are loaned to selected broker/dealers. Collateral, greater than or equal to 102% of the fair value of the securities lent, plus accrued interest, is received in the form of cash and cash equivalents held by a

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custodian bank for the benefit of the Company. The use of cash collateral received is unrestricted. The Company reinvests the cash collateral received, generally in investments of high credit quality that are designated as available-for-sale. The Company monitors the fair value of securities loaned and the collateral received, with additional collateral obtained, as necessary. The Company is subject to the risk of loss to the extent there is a loss on the re-investment of cash collateral.

As of September 30, 2011 and December 31, 2010, our collateral held under securities lending, of which its use is unrestricted, was $96,080 and $122,219, respectively, and is included in the consolidated balance sheets under the collateral held/pledged under securities agreements. Our liability to the borrower for collateral received was $96,449 and $122,931, respectively, and is included in the consolidated balance sheets under the obligation under securities agreements. The difference between the collateral held and obligations under securities lending is recorded as an unrealized loss and is included as part of AOCI. All securities with unrealized losses have been in a continuous loss position for twelve months or longer as of September 30, 2011 and December 31, 2010. The Company has actively reduced the size of its securities lending to mitigate counter-party-exposure. The Company includes the available-for-sale investments purchased with the cash collateral in its evaluation of other-than-temporary impairments.

Cash proceeds that the Company receives as collateral for the securities it lends and subsequent repayment of the cash are regarded by the Company as cash flows from financing activities, since the cash received is considered a borrowing. Since the Company reinvests the cash collateral generally in investments that are designated as available-for-sale, the reinvestment is presented as cash flows from investing activities.

The Company has engaged in transactions in which securities issued by the U.S. government and government agencies and authorities are purchased under agreements to resell (reverse repurchase agreements). However as of September 30, 2011, the Company has no open transactions. The Company may take possession of the securities purchased under reverse repurchase agreements. Collateral, greater than or equal to 100% of the fair value of the securities purchased, plus accrued interest, is pledged to selected broker/dealers in the form of cash and cash equivalents or other securities, as provided for in the underlying agreement. The use of the cash collateral pledged is unrestricted. Interest earned on the collateral pledged is recorded as investment income. As of December 31, 2010, we had $14,370 of cash pledged under securities loan agreements which is included in the consolidated balance sheets under the collateral held/pledged under securities agreements.

The Company entered into these reverse repurchase agreements in order to initiate short positions in its investment portfolio. The borrowed securities are sold to a third party in the marketplace. The Company records obligations to return the securities that we no longer hold. The financial liabilities resulting from these borrowings are carried at fair value with the changes in value reported as realized gains or losses. As of December 31, 2010, we had $14,281 of obligations to return borrowed securities which is included in the consolidated balance sheets under the obligation under securities agreements.

Cash payments for the collateral pledged, subsequent cash adjustments to receivables under securities loan agreements and obligations to return borrowed securities, and the return of the cash collateral from the secured parties are regarded by the Company as cash flows from financing activities, since the cash payments and receipts relate to borrowing of securities under a financing arrangement.

Liquidity and Capital Resources

Regulatory Requirements

Assurant, Inc. is a holding company and, as such, has limited direct operations of its own. Our holding company s assets consist primarily of the capital stock of our subsidiaries. Accordingly, our future cash flows depend upon the availability of dividends and other statutorily permissible payments from our subsidiaries, such as payments under our tax allocation agreement and under management agreements with our subsidiaries. The ability to pay such dividends and to make such other payments will be limited by applicable laws and regulations of the states in which our subsidiaries are domiciled, which subject our subsidiaries to significant regulatory restrictions. The dividend requirements and regulations vary from state to state and by type of insurance provided by the applicable subsidiary. These laws and regulations require, among other things, our insurance subsidiaries to maintain minimum solvency requirements and limit the amount of dividends these subsidiaries can pay to the holding company. Along with solvency regulations, the primary driver in determining the amount of capital used for dividends is the level of capital needed to maintain desired financial strength ratings from A.M. Best. Given recent economic events that have affected the insurance industry, both regulators and rating agencies could become more conservative in their methodology and criteria, including increasing capital requirements for our insurance subsidiaries which, in turn, could negatively affect our capital resources. On October 27, 2011,

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Standard and Poor s (S&P) revised the outlook on Assurant, Inc. s counterparty credit rating and the financial strength ratings of Assurant s primary property and casualty ratings to positive from stable. In addition, S&P downgraded the financial strength ratings of Assurant s primary health subsidiaries from BBB+ to BBB and revised the outlook on these entities to stable from negative. On March 1, 2011, Moody s Investor Services (Moody s) affirmed Assurant, Inc. s Senior Debt rating of Baa2 but changed the outlook on this rating to negative from stable. In addition, Moody s affirmed the financial strength ratings of Assurant s primary life and health insurance subsidiaries at A3 but changed the outlook on such ratings to negative from stable. For further information on our ratings and the risks of ratings downgrades, see Item 1 Business and Item 1A Risk Factors Risks Related to Our Company A.M. Best, Moody s and S&P rate the financial strength of our insurance company subsidiaries, and a decline in these ratings could affect our standing in the insurance industry and cause our sales and earnings to decrease in our 2010 Annual Report on Form 10-K. For 2011, the maximum amount of distributions our U.S. domiciled insurance subsidiaries could pay, under applicable laws and regulations without prior regulatory approval, is approximately $614,362. During Nine Months 2011, we have taken cash dividends, net of infusions, of $254,881 from our operating companies. We anticipate that we will be able to take dividends in 2011 of amounts equal to operating company earnings.

Liquidity

As of September 30, 2011, we had approximately $638,099 in holding company capital. The Company uses the term holding company capital to represent cash and other liquid marketable securities held at Assurant, Inc., out of a total of $842,271, that we are not otherwise holding for a specific purpose as of the balance sheet date, but can be used for stock repurchases, stockholder dividends, acquisitions, and other corporate purposes. $250,000 of the $638,099 of holding company capital is intended to serve as a buffer against remote risks (such as large-scale hurricanes). Dividends or returns of capital made to the holding Company from its operating companies were $259,881 and $886,200 for Nine Months 2011 and the year ended December 31, 2010, respectively. We use these cash inflows primarily to pay expenses, to make interest payments on indebtedness, to make dividend payments to our stockholders, to make subsidiary capital contributions, to fund acquisitions and to repurchase our outstanding shares.

In addition to paying expenses and making interest payments on indebtedness, our capital management strategy provides for several uses for the cash generated by our subsidiaries, including without limitation, returning capital to shareholders through share repurchases and dividends; investing in our businesses to support growth in targeted areas; and making prudent and opportunistic acquisitions. We made share repurchases and paid dividends to our stockholders of $410,885 and $602,568 during Nine Months 2011 and the year ended December 31, 2010, respectively. During Second Quarter 2011 we acquired SureDeposit for $45,080. See Note 4 to the Notes to Consolidated Financial Statements for more information on the SureDeposit acquisition.

The primary sources of funds for our subsidiaries consist of premiums and fees collected, the proceeds from the sales and maturity of investments and net investment income. Cash is primarily used to pay insurance claims, agent commissions, operating expenses and taxes. We generally invest our subsidiaries excess funds in order to generate investment income.

Generally, our subsidiaries premiums, fees and investment income, along with planned asset sales and maturities, provide sufficient cash to pay claims and expenses. However, there are instances when unexpected cash needs arise in excess of that available from usual operating sources. In such instances, we have several options to raise needed funds, including selling assets from the subsidiaries investment portfolios, using holding company cash (if available), issuing commercial paper, or drawing funds from our revolving credit facility. In addition, we have filed an automatically effective shelf registration statement on Form S-3 with the SEC. This registration statement allows us to issue equity, debt or other types of securities through one or more methods of distribution. The terms of any offering would be established at the time of the offering, subject to market conditions. If we decide to make an offering of securities, we will consider the nature of the cash requirement as well as the cost of capital in determining what type of securities we may offer.

We paid dividends of $0.18 per common share on September 13, 2011 to stockholders of record as of August 29, 2011, $0.18 per common share on June 7, 2011 to stockholders of record as of May 23, 2011, and $0.16 per common share on March 14, 2011 to stockholders of record as of February 28, 2011. Any determination to pay future dividends will be at the discretion of our Board of Directors and will be dependent upon: our subsidiaries payment of dividends and/or other statutorily permissible payments to us; our results of operations and cash flows; our financial position and capital requirements; general business conditions; any legal, tax, regulatory and contractual restrictions on the payment of dividends; and any other factors our Board of Directors deems relevant.

On January 18, 2011, our Board of Directors authorized the Company to repurchase up to an additional $600,000 of its outstanding common stock, making its total authorization $805,587 at that date. During the nine months ended September 30, 2011, we repurchased 9,614,540 shares of our outstanding common stock at a cost of $359,835, exclusive of commissions. As of September 30, 2011, $478,205 remained under the total repurchase authorization. The timing and the amount of future repurchases will depend on market conditions and other factors.

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Management believes the Company will have sufficient liquidity to satisfy its needs over the next twelve months, including the ability to pay interest on our Senior Notes and dividends on our common shares.

Retirement and Other Employee Benefits

Our qualified pension benefits plan (the Plan) was under-funded by $130,536 and $96,278 (based on the fair value of Plan assets compared to the projected benefit obligation) on a GAAP basis at September 30, 2011 and December 31, 2010, respectively. This equates to an 82% and 85% funded status at September 30, 2011 and December 31, 2010, respectively. The change in under-funded status is mainly due to a decrease in the discount rate used to determine the projected benefit obligation.

In prior years we established a funding policy in which service cost plus 15% of qualified plan deficit will be contributed annually. During Nine Months 2011, we contributed $40,000 in cash to the Plan. The Company is considering whether or not to make any additional contributions to the Plan over the remainder of 2011.

Commercial Paper Program

Our commercial paper program requires us to maintain liquidity facilities either in an available amount equal to any outstanding notes from the program or in an amount sufficient to maintain the ratings assigned to the notes issued from the program. Our commercial paper is rated AMB-2 by A.M. Best, P-2 by Moody s and A2 by S&P. Our subsidiaries do not maintain commercial paper or other borrowing facilities at their level. This program is currently backed up by a $350,000 senior revolving credit facility, of which $325,704 was available at September 30, 2011, due to outstanding letters of credit.

On September 21, 2011, we entered into a four-year unsecured $350,000 revolving credit agreement (2011 Credit Facility) with a syndicate of banks arranged by JP Morgan Chase Bank, N.A. and Bank of America, N.A. The 2011 Credit Facility replaces the Company s prior three-year $350,000 revolving credit facility (2009 Credit Facility), which was entered into on December 18, 2009 and was scheduled to expire in December 2012. The 2009 Credit Facility terminated upon the effective date of the 2011 Credit Facility. Due to the termination, the Company wrote off $1,407 of unamortized upfront arrangement fees. The 2011 Credit Facility provides for revolving loans and the issuance of multi-bank, syndicated letters of credit and/or letters of credit from a sole issuing bank in an aggregate amount of $350,000 and is available until September 2015, provided we are in compliance with all covenants. The 2011 Credit Facility has a sublimit for letters of credit issued thereunder of $50,000. The proceeds of these loans may be used for our commercial paper program or for general corporate purposes. The Company may increase the total amount available under the 2011 Credit Facility to $525,000 subject to certain conditions. In addition to more favorable terms, the Company expects annual savings of approximately $1,400 from the 2011 Credit Facility compared with the 2009 Credit Facility.

We did not use the commercial paper program during the nine months ended September 30, 2011 or 2010, and there were no amounts outstanding relating to the commercial paper program at September 30, 2011 and December 31, 2010. We made no borrowings using either the 2009 or 2011 Credit Facility and no loans are outstanding at September 30, 2011. We had $24,296 of letters of credit outstanding under the 2011 Credit Facility as of September 30, 2011.

The 2011 Credit Facility contains restrictive covenants and requires that the Company maintain certain specified minimum ratios and thresholds. Among others, these covenants include maintaining a maximum debt to capitalization ratio and a minimum consolidated adjusted net worth. At September 30, 2011, we were in compliance with all covenants, minimum ratios, and thresholds.

Senior Notes

We have two series of senior notes outstanding in an aggregate principal amount of $975,000 (the Senior Notes). The first series is $500,000 in principal amount, bears interest at 5.63% per year and is due February 15, 2014. The second series is $475,000 in principal amount, bears interest at 6.75% per year and is due February 15, 2034.

Interest on our Senior Notes is payable semi-annually on February 15 and August 15 of each year. The interest expense incurred related to the Senior Notes was $15,047 for the three months ended September 30, 2011 and 2010, respectively, and $45,141 for the nine months ended September 30, 2011 and 2010, respectively. There was $7,523 of accrued interest at September 30, 2011 and 2010, respectively. The Senior Notes are unsecured obligations and rank equally with all of our other senior unsecured indebtedness. The Senior Notes are not redeemable prior to maturity.

In management s opinion, dividends from our subsidiaries together with our income and gains from our investment portfolio will provide sufficient liquidity to meet our needs in the ordinary course of business.

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Cash Flows

We monitor cash flows at the consolidated, holding company and subsidiary levels. Cash flow forecasts at the consolidated and subsidiary levels are provided on a monthly basis, and we use trend and variance analyses to project future cash needs, making adjustments to the forecasts when needed.

The table below shows our recent net cash flows:

	For the Nine Months Ended September 30,	
Net cash provided by (used in):	**2011**	**2010**
Operating activities (1)	$ 504,623	$ 463,800
Investment activities	(145,459)	(100,488)
Financing activities	(450,157)	(513,557)
Net change in cash	$ (90,993)	$ (150,245)

(1) Includes effect of exchange rate changes on cash and cash equivalents.

We typically generate operating cash inflows from premiums collected from our insurance products and income received from our investments while outflows consist of policy acquisition costs, benefits paid, and operating expenses. These net cash flows are then invested to support the obligations of our insurance products and required capital supporting these products. Our cash flows from operating activities are affected by the timing of premiums, fees, and investment income received and expenses paid.

Net cash provided by operating activities was $504,623 and $463,800 for Nine Months 2011 and Nine Months 2010, respectively. The increased operating activity cash flow was primarily due to increased net written premiums.

Net cash used in investing activities was $145,459 and $100,488 for Nine Months 2011 and Nine Months 2010, respectively. The increase in investing activities was mainly due to decreased sales of fixed maturity securities, because the Company would have to reinvest the sale proceeds in lower yielding securities, which would decrease net investment income.

Net cash used in financing activities was $450,157 and $513,557 for Nine Months 2011 and Nine Months 2010, respectively. The decrease in financing activities was primarily due to a decrease in securities lending activities.

The table below shows our cash outflows for interest and dividends for the periods indicated:

	For the Nine Months Ended September 30,	
	2011	**2010**
Interest paid on mandatorily redeemable preferred stock and debt	$ 60,244	$ 60,451
Common stock dividends	50,858	52,702
Total	$ 111,102	$ 113,153

Letters of Credit

In the normal course of business, we issue letters of credit primarily to support reinsurance arrangements. These letters of credit are supported by commitments with financial institutions. We had $24,296 and $24,946 of letters of credit outstanding as of September 30, 2011 and December 31, 2010, respectively.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, see Note 3 to the Notes to Consolidated Financial Statements.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our 2010 Annual Report on Form 10-K described our Quantitative and Qualitative Disclosures About Market Risk. There were no material changes to the assumptions or risks during Nine Months 2011.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company s Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company s disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the Exchange Act) as of September 30, 2011. Based on that review, the Company s Chief Executive Officer and Chief Financial Officer have concluded that the Company s disclosure controls and procedures are effective to provide reasonable assurance that information the Company is required to disclose in its reports under the Exchange Act is recorded, processed, summarized and reported accurately including, without limitation, ensuring that such information is accumulated and communicated to the Company s management as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

During the quarter ended September 30, 2011, we made no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II

OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is involved in litigation in the ordinary course of business, both as a defendant and as a plaintiff. See Note 15 to the Consolidated Financial Statements for a description of certain matters. The Company may from time to time be subject to a variety of legal and regulatory actions relating to our current and past business operations. While the Company cannot predict the outcome of any pending or future litigation, examination or investigation, we do not believe that the outcome of pending matters will have a material adverse effect individually or in the aggregate, on the Company s financial position, results of operations, or cash flows.

Item 1A. Risk Factors.

Certain factors may have a material adverse effect on our business, financial condition and results of operations and you should carefully consider them. It is not possible to predict or identify all such factors. For discussion of our potential risks or uncertainties, please refer to Item 1A Risk Factors included in our 2010 Annual Report on Form 10-K. There have been no material changes during Nine Months 2011.

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Item 2. Unregistered Sale of Equity Securities and Use of Proceeds.
Repurchase of Equity Securities:

Period in 2011	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs(1)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Programs(1)
January 1-31	1,695,000	$ 38.76	1,695,000	$ 772,382,494
February 1-28	1,097,940	40.27	1,097,940	728,194,428
March 1-31	1,629,100	39.00	1,629,100	664,690,944
April 1-30	1,469,000	38.21	1,469,000	608,587,380
May 1-31	213,000	39.68	213,000	600,140,396
June 1-30	1,302,000	35.16	1,302,000	554,385,476
July 1-31	687,000	35.20	687,000	530,214,466
August 1-31	994,000	33.76	994,000	496,679,834
September 1-30	527,500	35.04	527,500	478,204,968
Total	9,614,540	$ 37.45	9,614,540	$ 478,204,968

(1) Shares purchased pursuant to the January 22, 2010 publicly announced share repurchase authorization of up to $600,000 of outstanding common stock, which was increased by an authorization on January 18, 2011 for the repurchase of up to an additional $600,000 of outstanding common stock.

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Item 6. Exhibits.

Pursuant to the rules and regulations of the SEC, the Company has filed or incorporated by reference certain agreements as exhibits to this quarterly report on Form 10-Q. These agreements may contain representations and warranties by the parties. These representations and warranties have been made solely for the benefit of the other party or parties to such agreements and (i) may have been qualified by disclosures made to such other party or parties, (ii) were made only as of the date of such agreements or such other date(s) as may be specified in such agreements and are subject to more recent developments, which may not be fully reflected in the Company s public disclosure, (iii) may reflect the allocation of risk among the parties to such agreements and (iv) may apply materiality standards different from what may be viewed as material to investors. Accordingly, these representations and warranties may not describe the Company s actual state of affairs at the date hereof and should not be relied upon.

The following exhibits either (a) are filed with this report or (b) have previously been filed with the SEC and are incorporated herein by reference to those prior filings. Exhibits are available upon request at the investor relations section of our website at www.assurant.com. Our website is not a part of this report and is not incorporated by reference in this report.

12.1	Computation of Ratio of Consolidated Earnings to Fixed Charges.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.
32.1	Certification of Chief Executive Officer of Assurant, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer of Assurant, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from the Company s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statement of Operations, (iii) the Consolidated Statement of Changes in Stockholders Equity, (iv) the Consolidated Statement of Cash Flows, and (v) Notes to Consolidated Financial Statements.

Users of this data are advised pursuant to Rule 406T of Regulation S-T that this interactive data file is deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ASSURANT, INC.

Date: November 2, 2011	By:	/s/ Robert B. Pollock
	Name:	**Robert B. Pollock**
	Title:	***President and Chief Executive Officer***
Date: November 2, 2011	By:	/s/ Michael J. Peninger
	Name:	**Michael J. Peninger**
	Title:	***Executive Vice President and Chief Financial Officer***