

ASSURANT INC
Form S-1
October 24, 2003

As filed with the Securities and Exchange Commission on October 24, 2003.

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

Assurant, Inc.*

(Exact name of Registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

6321
*(Primary Standard Industrial
Classification Code Number)*

39-1126612
*(I.R.S. Employer
Identification No.)*

One Chase Manhattan Plaza, 41st Floor

New York, NY 10005

Telephone: (212) 859-7000

*(Address, including zip code, and telephone number,
including area code, of Registrant's principal executive offices)*

Katherine Greenzang, Esq.

**Senior Vice President, General Counsel and Secretary
Assurant, Inc.**

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Approximate date of commencement of the proposed sale of the securities to the public: As soon as practicable after the Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee
Common Stock, par value \$.01 per share	\$1,000,000,000	\$80,900

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(2) Includes shares subject to the underwriters' over-allotment option.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

*Prior to the effectiveness of this Registration Statement and in connection with the reorganization for the purpose of reincorporation as described in this Registration Statement, Assurant, Inc., a Delaware corporation, will become the successor to the business and operations of Fortis, Inc., a Nevada corporation.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

PROSPECTUS (Subject to Completion)

Issued _____, 2004

Shares

Assurant, Inc.

Common Stock

Fortis Insurance N.V., the selling stockholder in this offering, is offering _____ shares of our common stock in an underwritten initial public offering. This is our initial public offering and no public market currently exists for our common stock. We will not receive any of the proceeds from the sale of shares by the selling stockholder. We anticipate that the initial public offering price of our common stock will be between \$ _____ and \$ _____ per share.

Fortis N.V. and Fortis SA/NV, through their affiliates, including their wholly owned subsidiary, Fortis Insurance N.V., currently indirectly own 100% of our outstanding common stock. After the offering, Fortis Insurance N.V. will own approximately _____ % of our common stock.

We intend to apply to list our common stock on the New York Stock Exchange under the symbol AIZ.

Investing in our common stock involves risks. See Risk Factors beginning on page 10.

PRICE \$ A SHARE

	Price to Public	Underwriting Discounts and Commissions	Proceeds to Selling Stockholder
Per Share	\$	\$	\$
Total	\$	\$	\$

The selling stockholder has granted the underwriters the right to purchase up to an additional _____ shares to cover over-allotments.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares to purchasers on _____, 2004.

MORGAN STANLEY

CREDIT SUISSE FIRST BOSTON
_____, 2004

MERRILL LYNCH & CO.

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Until _____, 2004, which is the 25th day after the date of this prospectus, all dealers that buy, sell or trade our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with information that is different from that contained in this prospectus. We are offering to sell and seeking offers to buy these securities only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of common stock.

The states in which our insurance subsidiaries are domiciled have enacted laws which require regulatory approval for the acquisition of control of insurance companies. Under these laws, there exists a presumption of control when an acquiring party acquires 10% or more (5% or more, in the case of Florida) of the voting securities of an insurance company or of a company which itself controls an insurance company. Therefore, any person acquiring 10% or more (5% or more, in the case of Florida) of our common stock would need the prior approval of the state insurance regulators of these states, or a determination from such regulators that control has not been acquired.

In this prospectus, references to the Company, Assurant, we, us or our refer to (1) Fortis, Inc., a Nevada corporation, and its subsidiaries and (2) Assurant, Inc., a Delaware corporation, and its subsidiaries after the consummation of the reorganization for the purpose of reincorporation as described under Corporate Structure and Reorganization. Unless we specifically state otherwise or the context suggests otherwise, the information in this prospectus assumes that the reorganization as described under Corporate Structure and Reorganization has occurred. Unless the context otherwise requires, references to (1) Assurant, Inc. refer solely to Assurant, Inc., a Delaware corporation, and not to any of its subsidiaries, (2) Fortis, Inc. refer solely to Fortis, Inc., a Nevada corporation, and not to any of its subsidiaries, and (3) Fortis refer collectively to Fortis N.V., a public company with limited liability incorporated as naamloze

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vennootschap under Dutch law, and Fortis SA/NV, a public company with limited liability incorporated as société anonyme/ naamloze vennootschap under Belgian law, the ultimate parent companies of Fortis Insurance N.V., the selling stockholder in this offering. Unless otherwise stated, all figures assume no exercise of the underwriters' over-allotment option. All share amounts contained in this prospectus will be adjusted to reflect changes that will take place in connection with the merger for the purpose of reincorporation. For your convenience, we have provided a glossary, beginning on page G-1, of selected insurance and reinsurance terms and have printed these terms in bold-faced type the first time they are used in this prospectus.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and may not contain all of the information that may be important to you. Although this summary highlights important information about us and what we believe to be the key aspects of this offering, you should read this summary together with the more detailed information and our financial statements and the notes to those financial statements appearing elsewhere in this prospectus. You should read this entire prospectus carefully, including the Risk Factors and Forward-Looking Statements sections before making an investment decision.

OUR COMPANY

Overview

We pursue a differentiated strategy of building leading positions in specialized market segments for insurance products and related services in North America and selected other markets. We provide creditor-placed **homeowners insurance**, manufactured housing homeowners insurance, **debt protection** administration, **credit insurance**, warranties and extended service contracts, individual health and small employer group health insurance, group dental insurance, **group disability insurance**, **group life insurance** and **pre-funded funeral insurance**. The markets we target are generally complex, have a relatively limited number of competitors and, we believe, offer attractive profit opportunities. In these markets, we leverage the experience of our management team and apply our expertise in **risk management**, underwriting and business-to-business management, as well as our technological capabilities in complex administration and systems. Through these activities, we seek to generate above-average returns by building on specialized market knowledge, well-established distribution relationships and economies of scale.

As a result of our strategy, we are a leader in many of our chosen markets and products. We have leadership positions or are partnered with clients who are leaders in creditor-placed homeowners insurance, manufactured housing homeowners insurance and debt protection administration. We are also a leading writer of group dental plans measured by the number of **master contracts** in force, and the largest writer of pre-funded funeral insurance measured by face amount of new policies sold. We believe that our leadership positions give us a sustainable competitive advantage in our chosen markets.

We currently have four decentralized operating business segments to ensure focus on critical activities close to our target markets and customers, while simultaneously providing centralized support in key functions. Our four operating business segments are: Assurant Solutions, Assurant Health, Assurant Employee Benefits and Assurant PreNeed. Each operating business segment has its own experienced management team with the autonomy to make decisions on key operating matters. These managers are eligible to receive incentive-based compensation based in part on operating business segment performance and in part on company-wide performance, thereby encouraging strong business performance and cooperation across all our businesses. At the operating business segment level, we stress disciplined underwriting, careful analysis and constant improvement and product redesign. At the corporate level, we provide support services, including investment, asset/liability matching and capital management, leadership development, information technology support and other administrative and finance functions, enabling the operating business segments to focus on their target markets and distribution relationships while enjoying the economies of scale realized by operating these businesses together. Also, our overall strategy and financial objectives are set and continuously monitored at the corporate level to ensure that our capital resources are being properly allocated.

Our Assurant Solutions segment provides specialty property solutions and consumer protection solutions. Specialty property solutions primarily include creditor-placed homeowners insurance (including tracking services) and manufactured housing homeowners insurance. Consumer protection solutions primarily include debt protection administration, credit insurance and warranties and extended service contracts. Our Assurant Health segment provides individual health insurance, including short-term and student health insurance, and small employer group health insurance. Most of the health insurance products we sell are **preferred provider organization (PPO)** plans. In Assurant Employee Benefits, we provide employer- and employee-paid group dental insurance, as well as group disability insurance and group life insurance. In Assurant PreNeed, we

provide pre-funded funeral insurance, which provides **whole life insurance** death benefits or **annuity** benefits used to fund costs incurred in connection with pre-arranged funerals.

We have created strong relationships with our distributors and clients in each of the niche markets we serve. In Assurant Solutions, we have strong long-term relationships in the United States with six of the ten largest mortgage lenders and servicers, four of the seven largest manufactured housing builders, four of the six largest general purpose credit card issuers and six of the ten largest consumer electronics and appliances retailers. In Assurant Health, we have exclusive distribution relationships with leading insurance companies, through which we gain access to a broad distribution network and a significant number of potential customers, as well as relationships with independent **brokers**. In Assurant Employee Benefits, we distribute our products primarily through our sales representatives who work through independent employee benefits advisors, including brokers and other intermediaries. In Assurant PreNeed, we have an exclusive distribution relationship with Service Corporation International (SCI), the largest funeral provider in North America, as well as relationships with approximately 2,000 funeral homes.

For the six months ended June 30, 2003, we generated total revenues of \$3,455 million and net income of \$164 million. For the year ended December 31, 2002, we generated total revenues of \$6,532 million and net income before cumulative effect of change in accounting principle of \$260 million. As of June 30, 2003, we had total assets of \$22,738 million, including separate accounts. For the six months ended June 30, 2003, we had total revenues of \$1,288 million in Assurant Solutions, \$1,009 million in Assurant Health, \$726 million in Assurant Employee Benefits and \$367 million in Assurant PreNeed. For the year ended December 31, 2002, we had total revenues of \$2,401 million in Assurant Solutions, \$1,912 million in Assurant Health, \$1,455 million in Assurant Employee Benefits and \$727 million in Assurant PreNeed.

Competitive Strengths

We believe our competitive strengths include:

Leadership Positions in Specialized Markets. We are a market leader in many of our chosen markets, and we believe that our leadership positions provide us with the opportunity to generate high returns in these niche markets.

Strong Relationships with Key Clients and Distributors. As a result of our expertise in business-to-business management, we have created strong relationships with our distributors and clients in each of the niche markets we serve. We believe these relationships enable us to market our products and services to our customers in an effective and efficient manner that would be difficult for our competitors to replicate.

History of Product Innovation and Ability to Adapt to Changing Market Conditions. We are able to adapt quickly to changing market conditions by tailoring our product and service offerings to the specific needs of our clients. By understanding the dynamics of our core markets, we design innovative products and services to seek to sustain profitable growth and market leading positions.

Disciplined Approach to Underwriting and Risk Management. We focus on generating profitability through careful analysis of risks, drawing on our experience in core specialized markets and continually seeking to improve and redesign our product offerings based on our underwriting experience. In addition, we closely monitor regulatory and market developments and adapt our approach as we deem necessary to achieve our underwriting and risk management goals.

Prudent Capital Management. We focus on generating above-average returns on a risk-adjusted basis from our operating activities. We believe we have benefited from having the discipline and flexibility to deploy capital opportunistically and prudently to maximize returns to our stockholders. We invest capital in our business segments when we identify attractive profit opportunities in our target markets and also take a disciplined approach towards withdrawing capital when businesses are no longer anticipated to meet our expectations.

Diverse Business Mix and Superior Financial Strength. We have four operating business segments, which are generally not affected in the same way by economic and operating trends. Our domestic operating subsidiaries have financial strength ratings of A (Excellent) or A- (Excellent) from A.M. Best Company (A.M. Best), and two of our domestic operating subsidiaries have financial strength ratings of A2 (Good) and A3 (Good), respectively, from Moody s Investor Services (Moody s). We believe our solid capital base and overall financial strength allow us to distinguish ourselves from our competitors and continue to enable us to attract clients that are seeking long-term financial stability.

Experienced Management Team with Proven Track Record and Entrepreneurial Culture. We have a talented and experienced management team both at the corporate level and at each of our business segments. Our management team has successfully managed our business and executed our specialized niche strategy through numerous business cycles and political and regulatory challenges.

Growth Strategy

Our objective is to achieve superior financial performance by enhancing our leading positions in our specialized niche insurance and related businesses. We intend to achieve this objective by continuing to execute the following strategies in pursuit of profitable growth:

Enhance Market Position in Our Business Lines. We have been selective in developing our product and service offerings and will continue to focus on providing products and services to those markets that we believe offer attractive growth opportunities. We will also seek to continue penetrating our target markets and expand our market positions by developing and introducing new products and services that are tailored to the specific needs of our clients.

Develop New Distribution Channels and Strategic Alliances. Our strong, multi-channel distribution network comprised of leading market participants has been critical to our market penetration and growth. We will continue to be selective in developing new distribution channels as we seek to expand our market share, enter new geographic markets and develop new niche businesses.

Deploy Capital and Resources to Maintain Flexibility and Establish or Enhance Market Leading Positions. We seek to deploy our capital and resources in a manner that provides us with the flexibility to grow internally through product development, new distribution relationships and investments in technology, as well as to pursue acquisitions. As we expand through internal growth and acquisitions, we intend to leverage our expertise in risk management, underwriting and business-to-business management, as well as our technological capabilities in running complex administration systems and support services.

Maintain Disciplined Pricing Approach. We intend to maintain our disciplined pricing approach by seeking to focus on profitable products and markets and by pursuing a flexible approach to product design. We will continue to pursue pricing strategies and adjust our mix of businesses by geography and by product so that we can maintain attractive pricing and margins.

Continue to Manage Capital Prudently. We intend to manage our capital prudently relative to our risk exposure to maximize profitability and long-term growth in stockholder value. Our capital management strategy is to maintain financial strength through conservative and disciplined risk management practices. We will also maintain our conservative investment portfolio management philosophy and properly manage our invested assets in order to match the duration of our insurance product liabilities.

Risks Relating to Our Company

As part of your evaluation of our Company, you should take into account the risks associated with our business. These risks include:

Reliance on Relationships with Significant Clients, Distribution Partners and Other Parties. If our significant clients, distribution partners and other parties with which we do business decline to renew or seek to terminate our relationships or contractual arrangements, our results of operations and financial condition could be materially adversely affected. We are also subject to the risk that these parties may face financial difficulties, reputational issues or problems with respect to their own products and services, which may lead to decreased sales of products and services.

Failure to Attract and Retain Sales Representatives or Develop and Maintain Distribution Sources. An interruption in, or changes to, our relationships with various third-party distributors or our inability to respond to regulatory changes could impair our ability to compete and market our insurance products and services and materially adversely affect our results of operations and financial condition.

Effect of General Economic, Financial Market and Political Conditions. Our results of operations and financial condition may be materially adversely affected by general economic, financial market and political conditions, including insurance industry cycles, levels of employment, levels of consumer lending, levels of inflation and movements of the financial markets, as well as fluctuations in interest rates, monetary policy, demographics, and legislative and competitive factors.

Failure to Accurately Predict Benefits and Other Costs and Claims. We may be unable to accurately predict benefits, **claims** and other costs or to manage such costs through our loss limitation methods, which could have a material adverse effect on our results of operations and financial condition if claims substantially exceed our expectations.

Changes in Regulation. Legislation or other regulatory reform that increases the regulatory requirements imposed on us or that changes the way we are able to do business may significantly harm our business or results of operations in the future.

For more information about these and other risks, see Risk Factors beginning on page 10. You should carefully consider these risk factors together with all the other information included in this prospectus.

OUR CORPORATE STRUCTURE AND REORGANIZATION

Assurant, Inc. is a Delaware corporation and is currently a wholly owned subsidiary of Fortis, Inc. Assurant, Inc. has had no operations and nominal financial activity and will be used solely for the purpose of the reincorporation of Fortis, Inc., which is organized as a Nevada corporation and of which 100% of the outstanding common stock is currently indirectly owned by Fortis N.V. and Fortis SA/NV. Prior to the closing of this offering, we will effectuate a merger of Fortis, Inc. with and into Assurant, Inc. for the purpose of reincorporating Fortis, Inc. in Delaware. As a result of the reorganization, Assurant, Inc. will be domiciled in Delaware and will be the successor to the business, operations and obligations of Fortis, Inc. After the reorganization, our Company will use the name Assurant, Inc. The ongoing operations of Assurant, Inc. will be comprised of the existing operations of Fortis, Inc. and its subsidiaries. Our existing Class A Common Stock will become Common Stock of Assurant, Inc. in connection with the merger.

Assurant, Inc. was incorporated in October 2003. Fortis, Inc. was incorporated in April 1969. Our principal executive offices are located at One Chase Manhattan Plaza, 41st Floor, New York, New York 10005. Our telephone number is 212-859-7000.

OUR RELATIONSHIP WITH FORTIS

Fortis currently indirectly owns 100% of our outstanding common stock. Upon completion of this offering, Fortis will own % of our outstanding common stock, or % if the underwriters exercise their over-allotment option in full. Fortis will have the right to nominate designees to our board of directors and, subject to limited exceptions, our board of directors will nominate those designees as follows: (i) so long as Fortis owns at least 50% of our outstanding common stock, five designees and (ii) so long as Fortis owns less than 50% but at least 10% of our outstanding common stock, two designees. In addition, as long as Fortis holds 50% or more of our outstanding common stock, certain significant corporate actions may only be taken with the approval of a supermajority of our directors, which will require approval of two or more Fortis directors. In addition, we may have conflicts of interest with Fortis that may be resolved in a manner that is unfavorable to us. See Risk Factors Risks Related to Our Relationship with and Separation from Fortis, Description of Share Capital Anti-takeover Effects of Certain Provisions of the Certificate of Incorporation, By-Laws and Delaware General Corporation Law Certificate of Incorporation and By-Laws and Shareholders Agreement and Certain Relationships and Related Transactions Shareholders Agreement and Cooperation Agreement.

Fortis has advised us that it intends to divest its ownership interest in our Company completely over a period of time. However, Fortis is not subject to any contractual obligation to sell any additional shares of our common stock and may not sell or otherwise dispose of any shares for a period of 180 days after the date of this prospectus without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the underwriters. See Certain Relationships and Related Transactions, Description of Share Capital Shareholders Agreement and Registration Rights, Shares Eligible For Future Sale and Underwriting.

THE OFFERING

Common stock offered by the selling stockholder	shares
Common stock to be outstanding after this offering	shares
Over-allotment option	shares to be offered by the selling stockholder if the underwriters exercise the over-allotment option in full.
Use of proceeds	We will not receive any of the proceeds from the sale of shares by the selling stockholder. The selling stockholder will receive all net proceeds from the sale of the shares of our common stock in this offering.
Dividend policy	Our board of directors does not currently intend to authorize the payment of a dividend on our Common Stock. Any determination to pay 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.
Proposed New York Stock Exchange symbol	AIZ

The number of shares of common stock shown to be outstanding after the offering is based upon 8,300,002 shares of common stock outstanding as of June 30, 2003.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth our summary historical consolidated financial information for the periods ended and as of the dates indicated. Assurant, Inc. is a Delaware corporation and is currently a wholly owned subsidiary of Fortis, Inc. Assurant, Inc. has had no operations and nominal financial activity and will be used solely for the purpose of the reincorporation of Fortis, Inc., which is organized as a Nevada corporation and of which 100% of the outstanding common stock is currently indirectly owned by Fortis N.V. and Fortis SA/NV. Prior to the closing of this offering, we will effectuate a merger of Fortis, Inc. with and into Assurant, Inc. for the purpose of reincorporating Fortis, Inc. in Delaware. As a result of the reorganization, Assurant, Inc. will be domiciled in Delaware and will be the successor to the business, operations and obligations of Fortis, Inc. In connection with the reorganization, our Company will use the name Assurant, Inc. The ongoing operations of Assurant, Inc. will effectively be comprised of the existing operations of Fortis, Inc. and its subsidiaries.

The summary consolidated statement of operations data for each of the three years ended December 31, 2002 are derived from the audited consolidated financial statements of Fortis, Inc. and its consolidated subsidiaries included elsewhere in this prospectus, which have been prepared in accordance with **generally accepted accounting principles** in the United States (**GAAP**). The summary consolidated statement of operations data for the six months ended June 30, 2003 and June 30, 2002 and the summary consolidated balance sheet data as of June 30, 2003 are derived from the unaudited interim financial statements of Fortis, Inc. and its consolidated subsidiaries included elsewhere in this prospectus. The unaudited interim financial statements have been prepared on the same basis as the audited consolidated financial statements of Fortis, Inc. and in our opinion, include all adjustments consisting only of normal recurring adjustments, that we consider necessary for a fair statement of our results of operations and financial condition for these periods and as of such dates. These historical results are not necessarily indicative of expected results for any future period. The results for the six months ended June 30, 2003 are not necessarily indicative of results to be expected for the full year. You should read the following summary consolidated financial information together with the other information contained in this prospectus, including Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included elsewhere in this prospectus.

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	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2003	2002	2002	2001	2000
(in thousands, except share amounts and per share data)					
Summary Consolidated Statement of Operations Data:					
Revenues					
Net earned premiums and other considerations	\$ 2,987,029	\$ 2,787,519	\$ 5,681,596	\$ 5,242,185	\$ 5,144,375
Net investment income	305,885	310,539	631,828	711,782	690,732
Net realized gains (losses) on investments	7,474	(49,204)	(118,372)	(119,016)	(44,977)
Amortization of deferred gain on disposal of businesses	34,873	40,030	79,801	68,296	10,284
Gain on disposal of businesses		10,672	10,672	61,688	11,994
Fees and other income	119,881	125,435	246,675	221,939	399,571
Total revenues	3,455,142	3,224,991	6,532,200	6,186,874	6,211,979
Benefits, losses and expenses					
Policyholder benefits	1,774,243	1,678,871	3,429,145	3,238,925	3,208,054
Amortization of deferred acquisition costs and value of businesses acquired	580,240	443,221	876,185	875,703	766,904
Underwriting, general and administrative expenses	794,120	842,390	1,738,077	1,620,931	1,801,196
Amortization of goodwill				113,300	106,773
Interest expense				14,001	24,726
Distributions on preferred securities of subsidiary trusts	58,566	58,716	118,396	118,370	110,142
Total benefits, losses and expenses	3,207,169	3,023,198	6,161,803	5,981,230	6,017,795
Income before income taxes	247,973	201,793	370,397	205,644	194,184
Income taxes	84,086	60,126	110,657	107,591	104,500
Net income before cumulative effect of change in accounting principle	\$ 163,887	\$ 141,667	\$ 259,740	\$ 98,053	\$ 89,684
Cumulative effect of change in accounting principle		(1,260,939)	(1,260,939)		
Net income (loss)	\$ 163,887	\$(1,119,272)	\$(1,001,199)	\$ 98,053	\$ 89,684
Per Share Data:					
Net income (loss) per share	\$ 19.75	\$ (134.85)	\$ (120.63)	\$ 11.81	\$ 10.93
Weighted average of basic and diluted shares of common stock outstanding	8,300,002	8,300,002	8,300,002	8,300,002	8,208,335
Dividends per share:					
Class A Common Stock(1)	\$ 17.98	\$ 36.52	\$ 74.69	\$ 8.65	\$ 37.66
Class B Common Stock(2)	37.15	36.52	74.69	75.44	37.66

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Class C Common Stock(3)	38.13	37.50	76.68	77.45	38.65
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As of
June 30, 2003

(in thousands, except
share amounts and
per share data)

Summary Consolidated Balance Sheet Data:

Cash and cash equivalents and investments	\$ 11,138,227
Total assets	22,738,162
Policy liabilities(4)	12,632,311
Debt	
Mandatorily redeemable preferred securities of subsidiary trusts(5)	1,446,074
Mandatorily redeemable preferred stock	24,160
Total stockholders' equity	\$ 2,778,890

Per Share Data:

Total stockholders' equity per share(6)	\$ 334.81
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- (1) For each of the periods and dates presented, 7,750,000 shares of our Class A Common Stock were issued and outstanding; these shares are held by Fortis Insurance N.V., Fortis (US) Funding Partners I LP and Fortis (US) Funding Partners II LP. Our existing Class A Common Stock will become Common Stock of Assurant, Inc. in connection with the merger of Fortis, Inc. with and into Assurant, Inc.
- (2) For each of the periods and dates presented, 150,001 shares of our Class B Common Stock were issued and outstanding, which were issued as a stock dividend; these shares are held by Fortis (US) Funding Partners I LP. See Description of Share Capital Class B and Class C Common Stock for information relating to the issuance and ownership of these shares.
- (3) For each of the periods and dates presented, 400,001 shares of our Class C Common Stock were issued and outstanding, which were issued as a stock dividend; these shares are held by Fortis (US) Funding Partners II LP. See Description of Share Capital Class B and Class C Common Stock for information relating to the issuance and ownership of these shares.
- (4) Policy liabilities include future policy benefits and expenses, unearned premiums and claims and benefits payable.
- (5) The proceeds from the sale of each of these securities were used by the applicable subsidiary trusts to purchase our subordinated debentures, which are eliminated upon consolidation. See Description of Other Securities.
- (6) Based on total stockholders' equity divided by 8,300,002 shares issued and outstanding.

RISK FACTORS

An investment in our common stock involves a number of risks. You should carefully consider the following information about these risks, together with the other information contained in this prospectus, before investing in our common stock. The risks described below may not be the only risks we face. Additional risks of which we are not yet aware or that we currently think are immaterial may also impair our business, results of operations or financial condition. Any of the events or circumstances described as risks below could result in a significant or material adverse effect on our business, results of operations or financial condition and a corresponding decline in the market price of our common stock.

Risks Related to Our Company

Our profitability may decline if we are unable to maintain our relationships with significant clients, distribution partners and other parties important to the success of our business.

Our relationships and contractual arrangements with significant clients, distribution partners and other parties with which we do business are important to the success of our business segments. Many of these arrangements are exclusive. For example, in Assurant Solutions, we have exclusive relationships with several mortgage lenders and servicers, retailers, credit card issuers and other financial institutions through which we distribute our products. In Assurant Health, we have exclusive distribution relationships for our individual health insurance products with Insurance Placement Services, Inc. (IPSI), a wholly owned subsidiary of State Farm Mutual Automobile Insurance Company (State Farm), United Services Automobile Association (USAA) and Mutual of Omaha, as well as a relationship with Health Advocates Alliance, the **association** through which we provide many of our individual health insurance products. We also maintain contractual relationships with several separate networks of health and dental care providers, each referred to as a PPO, through which we obtain discounts. In Assurant PreNeed, we have an exclusive distribution relationship with SCI. Many of these arrangements have one to five-year terms. If these parties decline to renew or seek to terminate these arrangements, our results of operations and financial condition could be materially adversely affected. In addition, we are subject to the risk that these parties may face financial difficulties, reputational issues or problems with respect to their own products and services, which may lead to decreased sales of our products and services. Moreover, if one or more of our clients or distribution partners consolidate or partner with other companies, we may lose business or suffer decreased revenues. A loss of the discount arrangements with PPOs could also lead to higher medical or dental costs and/or a loss of members to other medical or dental plans.

Sales of our products and services may be reduced if we are unable to attract and retain sales representatives or develop and maintain distribution sources.

We distribute our insurance products and services through a variety of distribution channels, including our employed sales representatives, independent employee benefits specialists, brokers, managing general agents, independent life agents, financial institutions, independent funeral directors, association groups and other third-party marketing organizations. Our relationships with these various distributors are significant both for our revenues and profits. In Assurant Solutions and Assurant PreNeed, we depend in large part on sales representatives to develop and maintain client relationships. In Assurant Health, we depend in large part on the services of independent agents and brokers and on associations, including Health Advocates Alliance, in the marketing of our products. In Assurant Employee Benefits, we depend on our sales representatives to form relationships with the independent agents and brokers who act as advisors to our customers and market and distribute our products with our sales representatives. Independent agents and brokers are typically not exclusively dedicated to our Company and usually also market products of our competitors. Strong competition exists among insurers to employ effective sales representatives and form relationships with agents and brokers of demonstrated ability. We compete with other insurers for sales representatives, agents and brokers primarily on the basis of our financial position, support services, compensation and product features. In addition, where we rely on independent agents and brokers to distribute products for us, we face continued competition from our competitors' products. Moreover, our ability to market our products and services depends on our ability to tailor our channels of distribution to comply with changes in the regulatory

environment. Recently, the marketing of health insurance through association groups has come under increased scrutiny. An interruption in, or changes to, our relationships with various third-party distributors or our inability to respond to regulatory changes could impair our ability to compete and market our insurance products and services and materially adversely affect our results of operations and financial condition.

General economic, financial market and political conditions may adversely affect our results of operations and financial condition.

Our results of operations and financial condition may be materially adversely affected from time to time by general economic, financial market and political conditions. These conditions include economic cycles such as insurance industry cycles, levels of employment, levels of consumer lending, levels of inflation and movements of the financial markets. Fluctuations in interest rates, monetary policy, demographics, and legislative and competitive factors also influence our performance. During periods of economic downturn:

individuals and businesses may choose not to purchase our insurance products and other related products and services, may terminate existing policies or contracts or permit them to lapse, may choose to reduce the amount of coverage purchased or, in Assurant Employee Benefits and in small group employer health insurance in Assurant Health, may have fewer employees requiring insurance coverage due to rising unemployment levels;

new **disability insurance** claims and claims on other specialized insurance products tend to rise;

there is a higher **loss ratio** on credit card and installment loan insurance due to rising unemployment levels; and

insureds tend to increase their utilization of health and dental benefits if they anticipate becoming unemployed or losing benefits.

In addition, general inflationary pressures may affect the costs of medical and dental care, as well as repair and replacement costs on our real and personal property lines, increasing the costs of paying claims. Inflationary pressures may also affect the costs associated with our pre-funded funeral insurance policies, particularly those that are guaranteed to grow with the **Consumer Price Index**.

Our actual claims losses may exceed our reserves for claims, which may require us to establish additional reserves that may materially reduce our earnings, profitability and capital.

We maintain **reserves** to cover our estimated ultimate exposure for claims and claim adjustment expenses with respect to reported and unreported claims incurred but not reported as of the end of each accounting period. Reserves, whether calculated under GAAP or **statutory accounting principles (SAP)**, do not represent an exact calculation of exposure, but instead represent our best estimates, generally involving actuarial projections at a given time, of what we expect the ultimate settlement and administration of a claim or group of claims will cost based on our assessment of facts and circumstances then known. The adequacy of reserves will be impacted by future trends in claims severity, frequency, judicial theories of liability and other factors. These variables are affected by both external and internal events, such as changes in the economic cycle, changes in the social perception of the value of work, emerging medical perceptions regarding physiological or psychological causes of disability, emerging health issues and new methods of treatment or accommodation, inflation, judicial trends, legislative changes and claims handling procedures. Many of these items are not directly quantifiable, particularly on a prospective basis. Reserve estimates are refined as experience develops. Adjustments to reserves, both positive and negative, are reflected in the statement of operations of the period in which such estimates are updated. Because establishment of reserves is an inherently uncertain process involving estimates of future losses, there can be no certainty that ultimate losses will not exceed existing claims reserves. Future loss development could require reserves to be increased, which could have a material adverse effect on our earnings in the periods in which such increases are made.

We may be unable to accurately predict benefits, claims and other costs or to manage such costs through our loss limitation methods, which could have a material adverse effect on our results of operations and financial condition.

Our profitability depends in large part on accurately predicting benefits, claims and other costs, including medical and dental costs, and predictions regarding the frequency and magnitude of claims on our disability and property coverages. It also depends on our ability to manage future benefit and other costs through product design, underwriting criteria, **utilization review** or **claims management** and, in health and dental insurance, negotiation of favorable provider contracts. The aging of the population and other demographic characteristics and advances in medical technology continue to contribute to rising health care costs. Changes in health and dental care practices, inflation, new technologies, the cost of prescription drugs, clusters of high cost cases, changes in the regulatory environment, economic factors, the occurrence of catastrophes and numerous other factors affecting the cost of health and dental care and the frequency and severity of claims in all our business segments may adversely affect our ability to predict and manage costs and claims, as well as our business, results of operations and financial condition. The judicial and regulatory environments, changes in the composition of the kinds of work available in the economy, market conditions and numerous other factors may also materially adversely affect our ability to manage claim costs. As a result of one or more of these factors or other factors, claims could substantially exceed our expectations, which could have a material adverse effect on our results of operations and financial condition.

As industry practices and legal, judicial, social and other environmental conditions change, unexpected and unintended issues relating to claims and coverage may emerge. These issues could materially adversely affect our results of operations and financial condition by either extending coverage beyond our underwriting intent or by increasing the number or size of claims or both. We may be limited in our ability to respond to such changes, by insurance regulations, existing contract terms, contract filing requirements, market conditions or other factors.

Our investment portfolio is subject to several risks that may diminish the value of our invested assets and affect our sales and profitability.

Our investment portfolio may suffer reduced returns or losses that could reduce our profitability.

Investment returns are an important part of our overall profitability and significant fluctuations in the fixed income market could impair our profitability, financial condition and/or cash flows. Our investments are subject to market-wide risks and fluctuations, as well as to risks inherent in particular securities. In particular, volatility of claims may force us to liquidate securities prior to maturity, which may cause us to incur capital losses. If we do not structure our investment portfolio so that it is appropriately matched with our insurance liabilities, we may be forced to liquidate investments prior to maturity at a significant loss to cover such liabilities. For the six month period ended June 30, 2003, our net investment income was \$306 million and our net realized gains on investments were \$7 million, which collectively accounted for approximately 9% of our total revenues during such period. For the year ended December 31, 2002, our net investment income was \$632 million and our net realized losses on investments were \$118 million, which collectively accounted for approximately 8% of our total revenues during such period.

The performance of our investment portfolio is subject to fluctuations due to changes in interest rates and market conditions.

Changes in interest rates can negatively affect the performance of some of our investments. Interest rate volatility can reduce unrealized gains or create unrealized losses in our portfolios. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. Fluctuations in interest rates affect our returns on, and the market value of, fixed maturity and short-term investments, which comprised \$9,212 million, or 86%, of the fair value of our total investments as of June 30, 2003 and \$8,719 million, or 87%, as of December 31, 2002.

The fair market value of the fixed maturity securities in our portfolio and the investment income from these securities fluctuate depending on general economic and market conditions. The fair market value

generally increases or decreases in an inverse relationship with fluctuations in interest rates, while net investment income realized by us from future investments in fixed maturity securities will generally increase or decrease with interest rates. In addition, actual net investment income and/or cash flows from investments that carry prepayment risk, such as mortgage-backed and other asset-backed securities, may differ from those anticipated at the time of investment as a result of interest rate fluctuations. In periods of declining interest rates, mortgage prepayments generally increase and mortgage-backed securities, commercial mortgage obligations and bonds in our investment portfolio are more likely to be prepaid or redeemed as borrowers seek to borrow at lower interest rates, and we may be required to reinvest those funds in lower interest-bearing investments. As of June 30, 2003, mortgage-backed and other asset-backed securities represented approximately \$2,100 million, or 20%, of the fair value of our total investments.

Because substantially all of our fixed maturity securities are classified as available for sale, changes in the market value of these securities are reflected in our balance sheet. Similar treatment is not available for liabilities. Therefore, interest rate fluctuations affect the value of our investments and could materially adversely affect our results of operations and financial condition.

We employ asset/ liability matching strategies to reduce the adverse effects of interest rate volatility and to ensure that cash flows are available to pay claims as they become due. Our asset/ liability matching strategies include:

asset/liability duration management;

structuring our bond and commercial mortgage loan portfolios to limit the effects of prepayments; and

consistent monitoring of, and appropriate changes to, the pricing of our products.

However, these strategies may fail to eliminate or reduce the adverse effects of interest rate volatility, and no assurances can be given that significant fluctuations in the level of interest rates will not have a material adverse effect on our results of operations and financial condition.

In addition, Assurant PreNeed generally writes whole life insurance policies with increasing death benefits and obtains much of its profits through interest rate spreads. Interest rate spreads refer to the difference between the death benefit growth rates on pre-funded funeral insurance policies and the investment returns generated on the assets we hold related to those policies. As of June 30, 2003, approximately 70% of Assurant PreNeed's in force insurance policy reserves related to policies that provide for death benefit growth, some of which provide for minimum death benefit growth pegged to changes in the Consumer Price Index. In extended periods of declining interest rates or high inflation, there may be compression in the spread between Assurant PreNeed's death benefit growth rates and its investment earnings. As a result, declining interest rates or high inflation rates may have a material adverse effect on our results of operations and our overall financial condition.

Assurant Employee Benefits calculates reserves for long-term disability and life **waiver of premium** claims using net present value calculations based on current interest rates at the time claims are funded and expectations regarding future interest rates. If interest rates decline, reserves for open and/or new claims would need to be calculated using lower discount rates thereby increasing the net present value of those claims and the required reserves. Depending on the magnitude of the decline, this could have a material adverse effect on our results of operations and financial condition. In addition, investment income may be lower than that assumed in setting premium rates.

Our investment portfolio is subject to credit risk.

We are subject to credit risk in our investment portfolio, primarily from our investments in corporate bonds and preferred stocks. Defaults by third parties in the payment or performance of their obligations could reduce our investment income and realized investment gains or result in investment losses. Further, the value of any particular fixed maturity security is subject to impairment based on the creditworthiness of a given issuer. As of June 30, 2003, we held \$8,766 million of fixed maturity securities, or 82% of the fair value of our total invested assets at such date. Our fixed maturity portfolio also includes below investment grade securities, which comprised 6% of the fair value of our total fixed maturity securities at June 30, 2003 and December 31,

2002. These investments generally provide higher expected returns but present greater risk and can be less liquid than investment grade securities. A significant increase in defaults and impairments on our fixed maturity securities portfolio could materially adversely affect our results of operations and financial condition. Other than temporary impairment losses on our available for sale securities totaled \$13 million for the six months ended June 30, 2003 and \$85 million for the year ended December 31, 2002.

As of June 30, 2003, less than 1% of the fair value of our total investments was invested in common stock; however, we have had higher percentages in the past and may make more such investments in the future. Investments in common stock generally provide higher expected total returns, but present greater risk to preservation of principal than our fixed income investments.

In addition, while currently we do not utilize derivative instruments to hedge or manage our interest rate or equity risk, we may do so in the future. Derivative instruments generally present greater risk than fixed income investments or equity investments because of their greater sensitivity to market fluctuations. Effective as of July 1, 2003, we utilize derivative instruments in managing Assurant PreNeed's exposure to inflation risk. While these instruments seek to protect a portion of Assurant PreNeed's existing business that is tied to the Consumer Price Index, a sharp increase in inflation could have a material adverse effect on our results of operations and financial condition.

Our commercial mortgage loans and real estate investments subject us to liquidity risk.

As of June 30, 2003, commercial mortgage loans on real estate investments represented approximately 8% of the fair value of our total investments. These types of investments are relatively illiquid, thus increasing our liquidity risk. In addition, if we require extremely large amounts of cash on short notice, we may have difficulty selling these investments at attractive prices, in a timely manner, or both.

The risk parameters of our investment portfolio may not target an appropriate level of risk, thereby reducing our profitability and diminishing our ability to compete and grow.

We seek to earn returns on our investments to enhance our ability to offer competitive rates and prices to our customers. Accordingly, our investment decisions and objectives are a function of the underlying risks and product profiles of each of our business segments. However, we may not succeed in targeting an appropriate overall risk level for our investment portfolio. As a result, the return on our investments may be insufficient to meet our profit targets over the long-term, thereby reducing our profitability. If in response we choose to increase our product prices to maintain profitability, we may diminish our ability to compete and grow.

Catastrophe losses, including man-made catastrophe losses, could materially reduce our profitability and have a material adverse effect on our results of operations and financial condition.

Our insurance operations expose us to claims arising out of catastrophes, particularly in our homeowners, life and other personal business lines. We have experienced, and expect in the future to experience, catastrophe losses that may materially reduce our profitability or have a material adverse effect on our results of operations and financial condition. Catastrophes can be caused by various natural events, including hurricanes, windstorms, earthquakes, hailstorms, severe winter weather, fires and epidemics, or can be man-made catastrophes, including terrorist attacks or accidents such as airplane crashes. The frequency and severity of catastrophes are inherently unpredictable. Catastrophe losses can vary widely and could significantly exceed our recent historic results. It is possible that both the frequency and severity of man-made catastrophes will increase and that we will not be able to implement exclusions from coverage in our policies or obtain **reinsurance** for such catastrophes.

The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Most of our catastrophe claims in the past have related to homeowners and other personal lines coverages, which for the six months ended June 30, 2003 represented approximately 23% of our **net earned premiums and other considerations** in our Assurant Solutions segment. In addition, as of June 30, 2003, approximately 27% of the insurance in force in our homeowners and other personal lines related to properties located in California, Florida and Texas. As a result of our creditor-placed homeowners insurance product, our concentration in these areas may increase in the future. This is because in

our creditor-placed homeowners insurance line, we agree to provide homeowners insurance coverage automatically. If other insurers withdraw coverage in these or other states, this may lead to **adverse selection** and increased utilization of our creditor-placed homeowners insurance in these areas.

Claims resulting from natural or man-made catastrophes could cause substantial volatility in our financial results for any fiscal quarter or year and could materially reduce our profitability or harm our financial condition. Our ability to write new business also could be affected. Increases in the value and geographic concentration of insured property and the effects of inflation could increase the severity of claims from catastrophes in the future.

In addition, our group life and health insurance operations could be materially impacted by man-made catastrophes such as terrorist attacks or by an epidemic that causes a widespread increase in **mortality, morbidity** or disability rates or that causes an increase in the need for medical care. For example, the influenza epidemic of 1918 caused several million deaths. Losses due to man-made catastrophes would not generally be covered by reinsurance and could have a material adverse effect on our results of operations and financial condition. In addition, in Assurant PreNeed the average age of policyholders is in excess of 70 years. This group is more susceptible to epidemics than the overall population, and an epidemic resulting in a higher incidence of mortality could have a material adverse effect on our results of operations and financial condition.

Our ability to manage these risks depends in part on our successful utilization of catastrophic property and life reinsurance to limit the size of property and life losses from a single event or multiple events, and life and disability reinsurance to limit the size of life or disability insurance exposure on an individual insured life. It also depends in part on state regulation that may prohibit us from excluding such risks or from withdrawing from or increasing premium rates in catastrophe-prone areas. As discussed further below, catastrophe reinsurance for our **group insurance** lines is not currently widely available. This means that the occurrence of a significant catastrophe could materially reduce our profitability and have a material adverse effect on our results of operations and financial condition.

Reinsurance may not be available or adequate to protect us against losses, and we are subject to the credit risk of reinsurers.

As part of our overall risk and capacity management strategy, we purchase reinsurance for certain risks underwritten by our various business segments. Market conditions beyond our control determine the availability and cost of the reinsurance protection we purchase. For example, subsequent to the terrorist assaults of September 11, 2001, reinsurance for man-made catastrophes became generally unavailable due to capacity constraints and, to the limited extent available, much more expensive. The high cost of reinsurance or lack of affordable coverage could adversely affect our results. If we fail to obtain sufficient reinsurance, it could adversely affect our ability to write future business.

As part of our business, we have reinsured certain life, property and casualty and health risks to reinsurers. Although the reinsurer is liable to us to the extent of the **ceded** reinsurance, we remain liable as the direct insurer on all risks reinsured. As a result, ceded reinsurance arrangements do not eliminate our obligation to pay claims. We are subject to credit risk with respect to our ability to recover amounts due from reinsurers. Our reinsurers may not pay the reinsurance recoverables that they owe to us or they may not pay such recoverables on a timely basis. A reinsurer's insolvency, underwriting results or investment returns may affect its ability to fulfill reinsurance obligations.

Our reinsurance facilities are generally subject to annual renewal. We may not be able to maintain our current reinsurance facilities and, even where highly desirable or necessary, we may not be able to obtain other reinsurance facilities in adequate amounts and at favorable rates. If we are unable to renew our expiring facilities or to obtain new reinsurance facilities, either our net exposures would increase or, if we are unwilling to bear an increase in net exposures, we may have to reduce the level of our underwriting commitments. Either of these potential developments could materially adversely affect our results of operations and financial condition.

We have sold businesses through reinsurance that could again become our direct financial and administrative responsibility if the purchasing companies were to become insolvent.

We have sold businesses through reinsurance ceded to third parties, such as our 2001 sale of the insurance operations of our Fortis Financial Group (FFG) division to The Hartford Financial Services Group Inc. (The Hartford). The assets backing the liabilities on these businesses are held in a trust, and the **separate accounts** relating to the FFG business are still reflected on our balance sheet. However, we would be responsible for administering this business in the event of a default by the reinsurer. We do not have the administrative systems and capabilities to process this business today. Accordingly, we would need to obtain those capabilities in the event of an insolvency of one or more of the reinsurers of these businesses. We might be forced to obtain such capabilities on unfavorable terms, with a resulting material adverse effect on our results of operations and financial condition. In addition, under the reinsurance agreement, The Hartford is obligated to contribute funds to increase the value of the separate accounts relating to the business sold if such value declines. If The Hartford fails to fulfill these obligations, we will be obligated to make these payments.

We are exposed to the credit risk of our agents in Assurant PreNeed and our clients in Assurant Solutions.

We advance agents' commissions as part of our pre-funded funeral insurance product offerings. These advances are a percentage of the total face amount of coverage as opposed to a percentage of the first-year premium paid, a formula that is more common in other life insurance markets. There is a one-year payback provision against the agency if death or lapse occurs within the first policy year. There is a very large producer within Assurant PreNeed and if it were unable to fulfill its payback obligations, it could have an adverse effect on our results of operations and financial condition. In addition, we are subject to the credit risk of the parties with which we contract in Assurant Solutions. If these parties fail to remit payments owed to us or pass on payments they collect on our behalf, it could have an adverse effect on our results of operations. For example, the affiliate of a client with whom we do business has declared bankruptcy. In the event that this client's reinsurer does not honor its claims obligation, we would be liable for making payment, which we estimate to be approximately \$16 million, net of offsetting collateral.

The financial strength of our insurance company subsidiaries is rated by A.M. Best and Moody's, and a decline in these ratings could affect our standing in the insurance industry and cause our sales and earnings to decrease.

Ratings have become an increasingly important factor in establishing the competitive position of insurance companies. All of our domestic operating subsidiaries are rated by A.M. Best and two of our domestic operating subsidiaries, Fortis Benefits Insurance Company (which entity's name will be changed subsequent to the offering contemplated by this prospectus) and John Alden Life Insurance Company (John Alden), are rated by Moody's. The ratings reflect A.M. Best's and Moody's opinions of our subsidiaries' financial strength, operating performance, strategic position and ability to meet their obligations to policyholders. The ratings are not evaluations directed to investors and are not recommendations to buy, sell or hold our securities. These ratings are subject to periodic review by A.M. Best and Moody's, and we cannot assure you that we will be able to retain these ratings.

As of September 25, 2003, most of our domestic operating subsidiaries had A.M. Best financial strength ratings of A (Excellent), which is the second highest of ten ratings categories and the highest within the category based on modifiers (i.e., A and A- are Excellent). As of that same date, our other domestic operating subsidiaries had A.M. Best financial strength ratings of A- (Excellent), which is the second highest of ten ratings categories and the lowest within the category based on modifiers.

The Moody's financial strength rating as of September 25, 2003 was A2 (Good) for Fortis Benefits Insurance Company, which is the third highest of nine ratings categories and mid-range within the category based on modifiers (i.e., A1, A2 and A3 are Good), and A3 (Good) for John Alden, which is the third highest of nine ratings categories and the lowest within the category based on modifiers.

Rating agencies review their ratings periodically and our current ratings may not be maintained in the future. If our ratings are reduced from their current levels by A.M. Best or Moody's, or placed under

surveillance or review with possible negative implications, our competitive position in the respective insurance industry segments could suffer and it could be more difficult for us to market our products. Due to the competitive environment in the insurance industry, which may adversely affect our revenues, the inherent uncertainty in determining reserves for future claims, which may cause us to increase our reserves for claims, the outcome of pending litigation and regulatory investigations, which may adversely affect our financial position and reputation, and possible changes in the methodology or criteria applied by the rating agencies, rating agencies may take action to lower our ratings in the future. As customers and their advisors place importance on our financial strength ratings, we may lose customers and compete less successfully if we are downgraded. In addition, ratings impact our ability to attract investment capital on favorable terms. If our financial strength ratings are reduced from their current levels by A.M. Best or Moody's, our cost of borrowing would likely increase, our sales and earnings could decrease and our results of operations and financial condition could be materially adversely affected.

The failure to effectively maintain and modernize our information systems could adversely affect our business.

Our business is dependent upon our ability to keep up to date with technological advances. This is particularly important in Assurant Solutions, where our systems, including our ability to keep our systems fully integrated with those of our distribution partners, are critical to the operation of our business. Our failure to update our systems to reflect technological advancements may adversely affect our relationships and ability to do business with our client partners.

In addition, our business depends significantly on effective information systems, and we have many different information systems for our various businesses. We must commit significant resources to maintain and enhance our existing information systems and develop new information systems in order to keep pace with continuing changes in information processing technology, evolving industry and regulatory standards and changing customer preferences. As a result of our acquisition activities, we have acquired additional information systems. Our failure to maintain effective and efficient information systems, or our failure to efficiently and effectively consolidate our information systems to eliminate redundant or obsolete applications, could have a material adverse effect on our results of operations and financial condition. If we do not maintain adequate systems we could experience adverse consequences, including:

inadequate information on which to base pricing, underwriting and reserving decisions;

the loss of existing customers;

difficulty in attracting new customers;

customer, provider and agent disputes;

regulatory problems, such as failure to meet prompt payment obligations;

litigation exposure; or

increases in administrative expenses.

Our management information, internal control and financial reporting systems may need further enhancements and development to satisfy the financial and other reporting requirements of being a public company.

Failure to properly maintain the integrity of our proprietary information and information systems as well as to protect our clients confidential information and privacy could result in the loss of customers, reduction to our profitability and/ or subject us to fines and penalties.

Our business depends in part on our ability to maintain, or access through outsourcing arrangements with third parties, information systems and to ensure the continued integrity of our proprietary information. A number of our businesses are subject to privacy regulations and to confidentiality obligations. For example, the collection and use of patient data in our Assurant Health segment is the subject of national and state legislation, including the Health Insurance Portability and Accountability Act of 1996 (HIPAA), and certain

of the activities conducted by our Assurant Solutions segment are subject to the privacy regulations of the Gramm-Leach-Bliley Act. We also have contractual obligations to protect certain confidential information we obtain from our existing vendors and clients. These obligations generally include protecting such confidential information in the same manner and to the same extent as we protect our own confidential and proprietary information. In addition, we must develop, implement and maintain a comprehensive written information security program with appropriate administrative, technical and physical safeguards to protect such confidential information. If we do not properly comply with privacy regulations and protect confidential information we could experience adverse consequences, including regulatory problems, loss of reputation and client litigation.

See Risks Related to Our Industry Cost of compliance with privacy laws could adversely affect our business and results of operations.

We may not find suitable acquisition candidates or new insurance ventures and even if we do, we may not successfully integrate any such acquired companies or successfully invest in such ventures.

From time to time, we evaluate possible acquisition transactions and the start-up of complementary businesses, and at any given time, we may be engaged in discussions with respect to possible acquisitions and new ventures. We cannot assure you that we will be able to identify suitable acquisition transactions or insurance ventures, that such transactions will be financed and completed on acceptable terms or that our future acquisitions or ventures will be successful. The process of integrating any companies we do acquire or investing in new ventures could have a material adverse effect on our results of operations and financial condition.

In addition, implementation of an acquisition strategy entails a number of risks, including, among other things, inaccurate assessment of undisclosed liabilities, difficulties in realizing projected efficiencies, synergies and cost savings, failure to achieve anticipated revenues, earnings or cash flow, and increase in our indebtedness and a limitation in our ability to access additional capital when needed. Our failure to adequately address these acquisition risks could materially adversely affect our results of operations and financial condition.

The inability of our subsidiaries to pay dividends to us in sufficient amounts could harm our ability to meet our obligations and pay future stockholder dividends.

As a holding company whose principal assets are the capital stock of our subsidiaries, we rely primarily on dividends and other statutorily permissible payments from our subsidiaries to meet our obligations for payment of interest and principal on outstanding debt obligations, dividends to stockholders (including any dividends on our common stock) and corporate expenses. The ability of our subsidiaries to pay dividends and to make such other payments in the future will depend on their **statutory surplus**, future **statutory earnings** and regulatory restrictions. Except to the extent that we are a creditor with recognized claims against our subsidiaries, claims of the subsidiaries' creditors, including policyholders, have priority with respect to the assets and earnings of the subsidiaries over the claims of our creditors. If any of our subsidiaries should become insolvent, liquidate or otherwise reorganize, our creditors and stockholders will have no right to proceed against the assets of that subsidiary or to cause the liquidation, bankruptcy or winding-up of the subsidiary under applicable liquidation, bankruptcy or winding-up laws. The applicable insurance laws of the jurisdiction where each of our insurance subsidiaries is domiciled would govern any proceedings relating to that subsidiary. The insurance authority of that jurisdiction would act as a liquidator or rehabilitator for the subsidiary. Both creditors and policyholders of the subsidiary would be entitled to payment in full from the subsidiary's assets before we, as a stockholder, would be entitled to receive any distribution from the subsidiary.

The payment of dividends to us by any of our operating subsidiaries in excess of a certain amount (i.e., extraordinary dividends) must be approved by the subsidiary's domiciliary state department of insurance. Ordinary dividends, for which no regulatory approval is generally required, are limited to amounts determined by formula, which varies by state. The formula for the majority of the states in which our subsidiaries are domiciled is the lesser of (i) 10% of the statutory surplus as of the end of the prior year or (ii) the prior year's **statutory net income**. In some states, the formula is the greater amount of clauses (i) and (ii). Some states, however, have an additional stipulation that dividends may only be paid out of earned surplus. In addition, we

have entered into an agreement with the Florida Insurance Department pursuant to which, until August of 2004, two of our subsidiaries have agreed to limit the amount of ordinary dividends they would pay to us to an amount no greater than 50% of the amount otherwise permitted under Florida law. Likewise, one of our subsidiaries, First Fortis Life Insurance Company (which entity's name will be changed subsequent to the offering contemplated by this prospectus), has entered into an agreement with the New York Insurance Department pursuant to which it has agreed not to pay any ordinary dividends to us until fiscal year 2004. See Regulation United States State Regulation Insurance Regulation Concerning Dividends. If insurance regulators determine that payment of an ordinary dividend or any other payments by our insurance subsidiaries to us (such as payments under a tax sharing agreement or payments for employee or other services) would be adverse to policyholders or creditors, the regulators may block such payments that would otherwise be permitted without prior approval. No assurance can be given that there will not be further regulatory actions restricting the ability of our insurance subsidiaries to pay dividends. Based on the dividend restrictions under applicable laws and regulations, the maximum amount of dividends that our subsidiaries could pay to us in 2003 without regulatory approval is approximately \$290 million, of which approximately \$19 million had been paid as of June 30, 2003. We expect that as a result of statutory accounting for our sold businesses, the maximum amount of dividends our subsidiaries will be able to pay to us will be significantly lower in 2004. If the ability of insurance subsidiaries to pay dividends or make other payments to us is materially restricted by regulatory requirements, it could adversely affect our ability to pay any dividends on our common stock and/or service our debt and pay our other corporate expenses.

Risks Related to Our Industry

We face significant competitive pressures in our businesses, which may reduce premium rates and prevent us from pricing our products at rates that will allow us to be profitable.

In each of our lines of business, we compete with other insurance companies or service providers, depending on the line and product, although we have no single competitor who competes against us in all of the business lines in which we operate. Competition in our businesses is based on many factors, including quality of service, product features, price, scope of distribution, scale, financial strength ratings and name recognition. We compete, and will continue to compete, for customers and distributors with many insurance companies and other financial services companies. We compete not only for business and individual customers, employer and other group customers, but also for agents and distribution partners. Some of our competitors may offer a broader array of products than our specific subsidiaries with which they compete in particular markets, may have a greater diversity of distribution resources, may have better brand recognition, may from time to time have more competitive pricing, may have lower cost structures or, with respect to insurers, may have higher financial strength or claims paying ratings. Some may also have greater financial resources with which to compete. As a result of judicial developments and changes enacted by the Office of the Comptroller of the Currency, financial institutions are now able to offer a substitute product similar to credit insurance as part of their basic loan agreement with customers without being subject to insurance regulations. Also, as a result of the Gramm-Leach-Bliley Act, which was enacted in November 1999, financial institutions are now able to affiliate with other insurance companies to offer services similar to our own. This has resulted in new competitors with significant financial resources entering some of our markets. Moreover, some of our competitors may have a lower target for returns on capital allocated to their business than we do, which may lead them to price their products and services lower than we do. In addition, from time to time, companies enter and exit the markets in which we operate, thereby increasing competition at times when there are new entrants. For example, several large insurance companies have recently entered the market for individual health insurance products. We may lose business to competitors offering competitive products at lower prices, or for other reasons, which could materially adversely affect our results of operations and financial condition.

In certain markets, we compete with organizations that have a substantial market share. In addition, with regard to Assurant Health, organizations with sizable market share or provider-owned plans may be able to obtain favorable financial arrangements from health care providers that are not available to us. Without our own similar arrangements, we may not be able to compete effectively in such markets.

New competition could also cause the supply of insurance to change, which could affect our ability to price our products at attractive rates and thereby adversely affect our underwriting results. Although there are some impediments facing potential competitors who wish to enter the markets we serve, the entry of new competitors into our markets can occur, affording our customers significant flexibility in moving to other insurance providers.

The insurance industry is cyclical, which may impact our results.

The insurance industry is cyclical. The segments of the insurance markets in which we operate tend not to be correlated to each other, with each segment having its own cyclical. Periods of intense price competition due to excessive underwriting capacity, periods when shortages of underwriting capacity permit more favorable rate levels, consequent fluctuations in underwriting results and the occurrence of other losses characterize the conditions in these markets. Historically, insurers have experienced significant fluctuations in operating results due to volatile and sometimes unpredictable developments, many of which are beyond the direct control of the insurer, including competition, frequency of occurrence or severity of catastrophic events, levels of capacity, general economic conditions and other factors. This may cause a decline in revenue at times in the cycle if we choose not to reduce our product prices in order to maintain our market position, because of the adverse effect on profitability of such a price reduction. We can be expected therefore to experience the effects of such cyclical and changes in customer expectations of appropriate premium levels, the frequency or severity of claims or other loss events or other factors affecting the insurance industry that generally could have a material adverse effect on our results of operations and financial condition.

The insurance and related businesses in which we operate may be subject to periodic negative publicity, which may negatively impact our financial results.

The nature of the market for the insurance and related products and services we provide is that we interface with and distribute our products and services ultimately to individual consumers. There may be a perception that these purchasers may be unsophisticated and in need of consumer protection. Accordingly, from time to time, consumer advocate groups or the media may focus attention on our products and services, thereby subjecting our industries to periodic negative publicity. We may also be negatively impacted if another company in one of our industries engages in practices resulting in increased public attention to our businesses. Negative publicity may result in increased regulation and legislative scrutiny of industry practices as well as increased litigation, which may further increase our costs of doing business and adversely affect our profitability by impeding our ability to market our products and services, requiring us to change our products or services or increasing the regulatory burdens under which we operate.

Our business is subject to risks related to litigation and regulatory actions.

In addition to the occasional employment-related litigation to which all businesses are subject, we are a defendant in actions arising out of, and are involved in various regulatory investigations and examinations relating to, our insurance and other related business operations. We may from time to time be subject to a variety of legal and regulatory actions relating to our current and past business operations, including, but not limited to:

disputes over coverage or claims adjudication;

disputes regarding sales practices, disclosures, premium refunds, licensing, regulatory compliance and compensation arrangements;

disputes with our agents, producers or network providers over compensation and termination of contracts and related claims;

disputes concerning past premiums charged by companies acquired by us for coverage that may have been based on factors such as race;

disputes relating to customers regarding the ratio of premiums to benefits in our various business segments;

disputes alleging packaging of credit insurance products with other products provided by financial institutions;

disputes relating to certain **excess of loss** programs in the London market;

disputes with taxing authorities regarding our tax liabilities; and

disputes relating to certain businesses acquired or disposed of by us.

In addition, plaintiffs continue to bring new types of legal claims against insurance and related companies. Current and future court decisions and legislative activity may increase our exposure to these types of claims. Multiparty or class action claims may present additional exposure to substantial economic, non-economic or punitive damage awards. The loss of even one of these claims, if it resulted in a significant damage award or a judicial ruling that was otherwise detrimental, could have a material adverse effect on our results of operations and financial condition. This risk of potential liability may make reasonable settlements of claims more difficult to obtain. We cannot determine with any certainty what new theories of recovery may evolve or what their impact may be on our businesses. We believe we have made adequate reserves in our financial statements against all litigation known to us, but we cannot be certain our estimates of probable outcomes of such litigation will prove to be accurate.

There are various governmental and administrative investigations and proceedings pending against us. For example, an indictment has been issued in Minnesota alleging that one of our subsidiaries and two corporate officers of Assurant Solutions each violated the Minnesota Fair Campaign Practices Act. The outcome of these investigations and proceedings cannot be predicted, and no assurances can be given that such investigations or proceedings or any litigation would not materially adversely affect our results of operations and financial condition. In addition, if we were to experience difficulties with our relationship with a regulatory body in a given jurisdiction, it could have a material adverse effect on our ability to do business in that jurisdiction. See Business Legal Proceedings.

We are subject to extensive governmental regulation, which increases our costs and could restrict the conduct of our business.

Our operating subsidiaries are subject to extensive regulation and supervision in the jurisdictions in which they do business. Such regulation is generally designed to protect the interests of policyholders, as opposed to stockholders and other investors. To that end, the laws of the various states establish insurance departments with broad powers with respect to such things as:

licensing companies to transact business;

authorizing lines of business;

mandating capital and surplus requirements;

regulating underwriting limitations;

imposing dividend limitations;

regulating changes in control;

licensing agents and distributors of insurance products;

placing limitations on the minimum and maximum size of life insurance contracts;

restricting companies' ability to enter and exit markets;

admitting **statutory assets**;

mandating certain insurance benefits;

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restricting companies ability to terminate or cancel coverage;

requiring companies to provide certain types of coverage;

regulating premium rates, including the ability to increase premium rates;

approving policy forms;

regulating trade and claims practices;

imposing privacy requirements;

establishing reserve requirements and solvency standards;

restricting certain transactions between affiliates;

regulating the content of disclosures to debtors in the credit insurance area;

regulating the type, amounts and valuation of investments;

mandating assessments or other surcharges for **guaranty funds**;

regulating market conduct and sales practices of insurers and agents; and

restricting contact with consumers, such as the recently created national do not call list, and imposing consumer protection measures.

Assurant Health is also required by some jurisdictions to provide coverage to persons who would not otherwise be considered eligible by insurers. Each of these jurisdictions dictates the types of insurance and the level of coverage that must be provided to such involuntary risks. Our share of these involuntary risks is mandatory and generally a function of our respective share of the voluntary market by line of insurance in each jurisdiction. Assurant Health is exposed to some risk of losses in connection with mandated participation in such schemes in those jurisdictions in which they are still effective. In addition, HIPAA imposed insurance reform provisions as well as requirements relating to the privacy of individuals. HIPAA requires certain guaranteed issuance and renewability of health insurance coverage for individuals and small groups (generally 50 or fewer employees) and limits exclusions based on pre-existing conditions. Most of the insurance reform provisions of HIPAA became effective for plan years beginning July 1, 1997. See also Risks Related to Our Industry Costs of compliance with privacy laws could adversely affect our business and results of operations.

If regulatory requirements impede our ability to raise premium rates, utilize new policy forms or terminate, deny or cancel coverage in any of our businesses, our results of operations and financial condition could be materially adversely affected. The capacity for an insurance company's growth in premiums is in part a function of its statutory surplus. Maintaining appropriate levels of statutory surplus, as measured by statutory accounting practices and procedures, is considered important by insurance regulatory authorities and the private agencies that rate insurers' claims-paying abilities and financial strength. Failure to maintain certain levels of statutory surplus could result in increased regulatory scrutiny and enforcement, action by regulatory authorities or a downgrade by rating agencies.

We may be unable to maintain all required licenses and approvals and our business may not fully comply with the wide variety of applicable laws and regulations or the relevant authority's interpretation of the laws and regulations. Also, some regulatory authorities have relatively broad discretion to grant, renew or revoke licenses and approvals. If we do not have the requisite licenses and approvals or do not comply with applicable regulatory requirements, the insurance regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our activities or monetarily penalize us. That type of action could materially adversely affect our results of operations and financial condition. See Regulation.

Changes in regulation may reduce our profitability and limit our growth.

Legislation or other regulatory reform that increases the regulatory requirements imposed on us or that changes the way we are able to do business may significantly harm our business or results of operations in the future. For example, some states have imposed new time limits for the payment of uncontested covered claims and require health care and dental service plans to pay interest on uncontested claims not paid promptly within the required time period. Some states have also granted their insurance regulatory agencies additional

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authority to impose monetary penalties and other sanctions on health and dental plans engaging in certain unfair payment practices. If we were to be unable for any reason to comply with these requirements, it could result in substantial costs to us and may materially adversely affect our results of operations and financial condition.

Legislative or regulatory changes that could significantly harm us and our subsidiaries include, but are not limited to:

legislation that holds insurance companies or managed care companies liable for adverse consequences of medical or dental decisions;

limitations on premium levels or the ability to raise premiums on existing policies;

increases in minimum capital, reserves and other financial viability requirements;

impositions of fines, taxes or other penalties for improper licensing, the failure to promptly pay claims, however defined, or other regulatory violations;

increased licensing requirements;

prohibitions or limitations on provider financial incentives and provider risk-sharing arrangements;

imposition of more stringent standards of review of our coverage determinations;

new benefit mandates;

increased regulation relating to the use of associations and trusts in the sale of individual health insurance;

limitations on our ability to build appropriate provider networks and, as a result, manage health care and utilization due to any willing provider legislation, which requires us to take any provider willing to accept our reimbursement;

limitations on the ability to manage health care and utilization due to direct access laws that allow insureds to seek services directly from specialty medical providers without referral by a primary care provider; and

restriction of solicitation of pre-funded funeral insurance consumers by funeral board laws.

State legislatures regularly enact laws that alter and, in many cases, increase state authority to regulate insurance companies and insurance holding companies. Further, state insurance regulators regularly reinterpret existing laws and regulations and the **National Association of Insurance Commissioners (NAIC)** regularly undertakes regulatory projects, all of which can affect our operations. In recent years, the state insurance regulatory framework has come under increased federal scrutiny and some state legislatures have considered or enacted laws that may alter or increase state authority to regulate insurance companies and insurance holding companies. Further, the NAIC and state insurance regulators are re-examining existing laws and regulations, specifically focusing on modifications to holding company regulations, interpretations of existing laws and the development of new laws.

Although the U.S. federal government does not directly regulate the insurance business, changes in federal legislation and administrative policies in several areas, including changes in the Gramm-Leach-Bliley Act, financial services regulation and federal taxation, could significantly harm the insurance industry and us. Federal legislation and administrative policies in areas such as employee benefit plan regulation, financial services regulation and federal taxation can reduce our profitability. In addition, state legislatures and the U.S. Congress continue to focus on health care issues. The U.S. Congress is considering Patients Bill of Rights legislation, which, if adopted, would permit health plans to be sued in state court for coverage determinations and could fundamentally alter the treatment of coverage decisions under Employee Retirement Income Security Act of 1974, as amended (ERISA). There recently have been legislative attempts to limit ERISA's preemptive effect on state laws. For example, the U.S. Congress has, from time to time, considered legislation relating to changes in ERISA to permit application of state law remedies, such as

consequential and punitive damages, in lawsuits for wrongful denial of benefits, which, if adopted, could increase our liability for damages in future litigation. Additionally, new interpretations of existing laws and the passage of new legislation may harm our ability to sell new policies and increase our claims exposure on policies we issued previously.

A number of legislative proposals have been made at the federal level over the past several years that could impose added burdens on Assurant Health. These proposals would, among other things, mandate benefits with respect to certain diseases or medical procedures, require plans to offer an independent external review of certain coverage decisions and establish a national health insurance program. Any of these proposals, if implemented, could adversely affect our results of operations or financial condition. Federal changes in Medicare and Medicaid that reduce provider reimbursements could have negative implications for the private sector due to cost shifting. When the government reduces reimbursement rates for Medicare and Medicaid, providers often try to recover shortfalls by raising the prices charged to privately insured customers. State small employer group and individual health insurance market reforms to increase access and affordability could also reduce profitability by precluding us from appropriately pricing for risk in our individual and small employer group health insurance policies.

In addition, the U.S. Congress and some federal agencies from time to time investigate the current condition of insurance regulation in the United States to determine whether to impose federal regulation or to allow an optional federal incorporation, similar to banks. Bills have been introduced in the U.S. Congress from time to time that would provide for a federal scheme of chartering insurance companies or an optional federal charter for insurance companies. Meanwhile, the federal government has granted charters in years past to insurance-like organizations that are not subject to state insurance regulations, such as risk retention groups. See Regulation United States Federal Regulation Legislative Developments. Thus, it is hard to predict the likelihood of a federal chartering scheme and its impact on the industry or on us.

We cannot predict with certainty the effect any proposed or future legislation, regulations or NAIC initiatives may have on the conduct of our business. In addition, the insurance laws or regulations adopted or amended from time to time may be more restrictive or may result in materially higher costs than current requirements. See Regulation.

Costs of compliance with privacy laws could adversely affect our business and results of operations.

The privacy of individuals has been the subject of recent state and federal legislation. State privacy laws, particularly those with opt-in clauses, can affect the pre-funded funeral insurance business. These laws make it harder to share information for marketing purposes, such as generating new sales leads. Similarly, the recently created do not call list would restrict our ability to contact customers and, in Assurant Solutions, has lowered our expectations for growth in our direct-marketed consumer credit insurance products in the United States.

HIPAA and the implementing regulations that have thus far been adopted impose new obligations for issuers of health and dental insurance coverage and health and dental benefit plan sponsors. HIPAA also establishes new requirements for maintaining the confidentiality and security of individually identifiable health information and new standards for electronic health care transactions. The Department of Health and Human Services promulgated final HIPAA regulations in 2002. The privacy regulations required compliance by April 2003, the electronic transactions regulations by October 2003 and the security regulations by April 2005. As have other entities in the health care industry, we have incurred substantial costs in meeting the requirements of these HIPAA regulations and expect to continue to incur costs to achieve and to maintain compliance. We have been working diligently to comply with these regulations in the time periods required. However, there can be no assurance that we will achieve such compliance with all of the required transactions or that other entities with which we interact will take appropriate action to meet the compliance deadlines. Moreover, as a consequence of these new standards for electronic transactions, we may see an increase in the number of health care transactions that are submitted to us in paper format, which could increase our costs to process medical claims.

HIPAA is far-reaching and complex and proper interpretation and practice under the law continue to evolve. Consequently, our efforts to measure, monitor and adjust our business practices to comply with HIPAA are ongoing. Failure to comply could result in regulatory fines and civil lawsuits. Knowing and intentional violations of these rules may also result in federal criminal penalties.

In addition, the Gramm-Leach-Bliley Act requires that we deliver a notice regarding our privacy policy both at the delivery of the insurance policy and annually thereafter. Certain exceptions are allowed for sharing of information under joint marketing agreements. However, certain state laws may require individuals to opt in to information sharing instead of being immediately included. This could significantly increase costs of doing business. Additionally, when final U.S. Treasury Department regulations are promulgated in connection with the USA PATRIOT Act, we will likely have to expend additional resources to tailor our existing anti-fraud efforts to the new rules.

Risks Related to Our Relationship with and Separation from Fortis

Fortis will continue to have representation on our board of directors and influence our affairs for as long as it remains a significant stockholder.

After the completion of this offering, Fortis, through Fortis Insurance N.V., its wholly owned subsidiary, will own in excess of % of the voting power of our outstanding common stock, or % if the underwriters exercise their over-allotment option in full. As a result, for as long as Fortis continues to own shares of common stock representing more than 50% of the voting power of our outstanding common stock and, in some cases more than one-third of our outstanding common stock, it will be able to determine the outcome of corporate actions requiring stockholder approval. Fortis may have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests.

Prior to the consummation of this offering, we expect to enter into a shareholders' agreement with Fortis pursuant to which Fortis will have the right to nominate designees to our board of directors and, subject to limited exceptions, our board of directors will nominate those designees as follows: (i) so long as Fortis owns at least 50% of our outstanding common stock, five designees and (ii) so long as Fortis owns less than 50% but at least 10% of our outstanding common stock, two designees. In addition, the shareholders' agreement is also expected to provide that as long as Fortis owns at least 50% of our common stock, certain significant corporate actions may only be taken with the approval of a supermajority of our directors, which will require approval of two or more Fortis directors. These actions include:

a recapitalization or reorganization;

voluntary bankruptcy or liquidation;

acquisitions and dispositions in excess of \$500 million;

issuing debt to the extent all outstanding debt would exceed \$1.5 billion; and

equity offerings representing more than 10% of our outstanding common stock or that would reduce Fortis' interest in our Company below 50%.

In addition, although Fortis has advised us that it intends to divest all of its shares of our common stock over a period of time, Fortis is under no obligation to do so. Subject to the terms of the lock-up agreement, Fortis has the sole discretion to determine the timing of any such divestiture. See *Certain Relationships and Related Transactions*, *Description of Share Capital Shareholders Agreement* and *Registration Rights, Shares Eligible for Future Sale* and *Underwriting* for additional information on lock-up agreements and related party transactions between our Company and Fortis.

Because Fortis will control us, conflicts of interest between Fortis and us could be resolved in a manner unfavorable to us.

Various conflicts of interest between Fortis and us could arise which may be resolved in a manner that is unfavorable to us, including, but not limited to, the following areas:

Cross-Directorships and Stock Ownership. Service as a director or officer of both our Company and Fortis or ownership interests of directors or officers of our Company in the stock of Fortis could create or appear to create potential conflicts of interest when directors and officers are faced with decisions that could have different implications for the two companies. Our directors who are also directors or officers of Fortis will have obligations to both companies and may have conflicts of interest with respect to matters potentially or actually involving or affecting us. For example, these decisions could relate to:

disagreement over the desirability of a potential acquisition or disposition opportunity;

corporate finance decisions;

employee retention or recruiting; or

our dividend policy.

Allocation of Business Opportunities. There may be business opportunities that are suitable for both Fortis and us. So long as Fortis controls us, it will be able to make decisions regarding the allocation of such opportunities that may be unfavorable to us.

The loss of the Fortis name in Assurant Health, Assurant Employee Benefits and Assurant PreNeed may affect our profitability.

In connection with our separation from Fortis, we will change our name and the names of our business units to Assurant, Inc. and other Assurant names and launch a re-branding initiative pursuant to which we will change our brand name and most of the trademarks and trade names under which we conduct our business. The transition to our new name in each of our business segments and subsidiaries will occur rapidly in the case of some products and business segments and over specified periods in the case of other products and business segments. Under the terms of a license from Fortis, we will have only a limited amount of time to continue to use the Fortis name. Assurant Health, Assurant Employee Benefits and Assurant PreNeed have expended substantial resources to establish the Fortis name and reputation in the health, employee benefits and pre-funded funeral insurance marketplace, particularly among brokers and consultants acting as advisors in the health and benefits market and with funeral directors in the pre-funded funeral market. The impact of the change in trademarks and trade names and other changes (including, without limitation, the name change) on our business and operations cannot be fully predicted, and the lack of an established brand image for the Assurant name in the health, benefits and pre-funded funeral insurance marketplace may cause a disruption in sales and **persistence** and thus affect profitability. Any such disruption could also cause rating agencies to lower our financial strength and other ratings in the future. In addition, the costs of effecting the name change and branding initiative will be substantial and are currently estimated to be approximately \$10 million. In certain states we may be required to notify policyholders of our name change and in certain instances new certificates may need to be issued. This might result in increased lapses of our insurance policies.

Because Fortis operates U.S. branch offices, we are subject to regulation and oversight by the Federal Reserve Board under the U.S. Bank Holding Company Act (BHCA).

Fortis Bank SA/ NV (Fortis Bank), which is a subsidiary of Fortis, obtained approval in 2002 from state banking authorities and the Federal Reserve Board to establish branch offices in Connecticut and New York. By virtue of the opening of these offices, the U.S. operations of Fortis, including our operations, became subject to the nonbanking prohibitions of Section 4 of the BHCA. In order to continue to operate its U.S. nonbanking operations, including the insurance activities conducted by our subsidiaries, Fortis notified the Federal Reserve Board of its election to be a financial holding company for purposes of the BHCA and the Federal Reserve Board's implementing regulations in Regulation Y. Pursuant to Fortis' status as a financial holding company, Fortis and its subsidiaries, including our subsidiaries, are permitted to engage in nonbanking

activities in the United States that are financial in nature or incidental to a financial activity as defined in Section 4(k) of the BHCA and in Regulation Y. In particular, Fortis' status as a financial holding company permits Fortis to engage in the United States in both banking activities through the U.S. branches of Fortis Bank and insurance activities through our subsidiaries. Activities that are financial in nature include, among other things, insuring, guaranteeing or indemnifying against loss, harm, damage, illness, disability or death, or providing and issuing annuities, and acting as principal, agent or broker for purposes of the foregoing.

Fortis will continue to qualify as a financial holding company so long as Fortis Bank remains well capitalized and well managed as those terms are defined in Regulation Y. Generally, Fortis Bank will be considered well capitalized if it maintains tier 1 and total risk-based capital ratios of at least 6% and 10%, respectively, and will be considered well managed if it has received at least a satisfactory composite rating of its U.S. branch operations at its most recent examination. As a general matter, as long as Fortis owns more than 5% of any class of our voting shares, the BHCA does not permit us to engage in nonfinancial activities such as manufacturing, distribution of goods and real estate development. If the Federal Reserve Board were to determine that any of our existing activities were not insurance activities or not otherwise financial in nature or not incidental to such activities, or if Fortis lost and was unable to regain its financial holding company status, we could be required to restructure our operations or divest some of these operations, which could result in increased costs and reduced profitability.

Risks Related to Our Common Stock and This Offering

Applicable laws and our certificate of incorporation and by-laws may discourage takeovers and business combinations that our stockholders might consider in their best interests.

State laws and our certificate of incorporation and by-laws may delay, defer, prevent or render more difficult a takeover attempt that our stockholders might consider in their best interests. For instance, they may prevent our stockholders from receiving the benefit from any premium to the market price of our common stock offered by a bidder in a takeover context. Even in the absence of a takeover attempt, the existence of these provisions may adversely affect the prevailing market price of our common stock if they are viewed as discouraging takeover attempts in the future.

State laws and our certificate of incorporation and by-laws may also make it difficult for stockholders to replace or remove our directors. These provisions may facilitate directors entrenchment which may delay, defer or prevent a change in our control, which may not be in the best interests of our stockholders.

The following provisions that will be included in our certificate of incorporation and by-laws have anti-takeover effects and may delay, defer or prevent a takeover attempt that our stockholders might consider in their best interests. In particular, our certificate of incorporation and by-laws will:

permit our board of directors to issue one or more series of preferred stock;

divide our board of directors into three classes;

limit the ability of stockholders to remove directors;

except for Fortis, prohibit stockholders from filling vacancies on our board of directors;

prohibit stockholders from calling special meetings of stockholders;

impose advance notice requirements for stockholder proposals and nominations of directors to be considered at stockholder meetings;

require the approval of at least two-thirds of our outstanding common stock to approve mergers and consolidations or the sale of all or substantially all of our assets; and

require the approval by the holders of at least two-thirds of our outstanding common stock for the amendment of our by-laws and provisions of our certificate of incorporation governing:

the classified board;

the approval of mergers; and

the liability of directors.

In addition, Section 203 of the General Corporation Law of the State of Delaware may limit the ability of an interested stockholder to engage in business combinations with us. An interested stockholder is defined to include persons owning 15% or more of our outstanding voting stock. See [Description of Share Capital](#) for additional information on the anti-takeover measures applicable to us.

Applicable insurance laws may make it difficult to effect a change of control of our Company.

Before a person can acquire control of a U.S. insurance company, prior written approval must be obtained from the insurance commissioner of the state where the domestic insurer is domiciled. Generally, state statutes provide that control over a domestic insurer is presumed to exist if any person, directly or indirectly, owns, controls, holds with the power to vote, or holds proxies representing, 10% or more of the voting securities of the domestic insurer. However, the State of Florida, in which certain of our insurance subsidiaries are domiciled, defines control as 5% or more. Because a person acquiring 5% or more of shares of our common stock would indirectly control the same percentage of the stock of our Florida subsidiaries, the insurance change of control laws of Florida would apply to such transaction and at 10%, the laws of many other states would likely apply to such a transaction. Prior to granting approval of an application to acquire control of a domestic insurer, a state insurance commissioner will typically consider such factors as the financial strength of the applicant, the integrity of the applicant's board of directors and executive officers, the applicant's plans for the future operations of the domestic insurer and any anti-competitive results that may arise from the consummation of the acquisition of control.

We do not currently intend to pay dividends on our Common Stock in the foreseeable future.

Our board of directors does not currently intend to pay dividends to holders of our Common Stock. It is uncertain when, if ever, we will declare dividends to our stockholders. Our ability to pay dividends is limited by our Class B and Class C Common Stock and our Series B and Series C Preferred Stock, which restrict our ability to pay dividends on our Common Stock if dividends on those shares are not paid. In addition, the terms of certain of our securities prohibit us from paying dividends on our Common Stock if we elect to defer payments on such securities. See [Dividend Policy](#), [Description of Share Capital](#) and [Description of Other Securities](#). You should not rely on an investment in our Company if you require dividend income. In the foreseeable future, the only possible return on an investment in us would come from the appreciation of our common stock.

Our stock and the stocks of other companies in the insurance industry are subject to stock price and trading volume volatility.

From time to time, the stock price and the number of shares traded of companies in the insurance industry experience periods of significant volatility. Company-specific issues and developments generally in the insurance industry and in the regulatory environment may cause this volatility. Our stock price may fluctuate in response to a number of events and factors, including:

quarterly variations in operating results;

natural disasters and terrorist attacks;

changes in financial estimates and recommendations by securities analysts;

operating and stock price performance of other companies that investors may deem comparable;

press releases or publicity relating to us or our competitors or relating to trends in our markets;

regulatory changes;

sales of stock by insiders; and

changes in our financial strength ratings.

You may be unable to resell your shares of our common stock at or above the initial public offering price.

In addition, broad market and industry fluctuations may adversely affect the trading price of our common stock, regardless of our actual operating performance.

There may not be an active trading market for shares of our common stock, which may cause our common stock to trade at a discount and make it difficult to sell the shares you purchase.

Prior to this offering, there has been no public trading market for shares of our common stock. It is possible that, after this offering, an active trading market will not develop or continue. The initial public offering price per share of our common stock will be determined by agreement among us, Fortis and the representative of the underwriters, and may not be indicative of the price at which the shares of our common stock will trade in the public market after this offering.

Sales of a substantial number of shares of our common stock following this offering may adversely affect the market price of our common stock and the issuance of additional shares will dilute all other stockholdings.

Sales of a substantial number of shares of our common stock in the public market or otherwise following this offering, or the perception that such sales could occur, could adversely affect the market price of our common stock. After completion of this offering, Fortis, through Fortis Insurance N.V., will own _____ shares of our common stock, assuming there is no exercise of the underwriters' over-allotment option, and has advised us that it intends to divest all of its shares of our common stock over a period of time, subject to the lock-up agreement referred to below. In addition, concurrently with the offering contemplated by this prospectus, we will grant Fortis Insurance N.V. and its affiliates certain demand and piggyback registration rights with respect to all of the shares of our common stock owned by them. Pursuant to this agreement, after completion of this offering and subject to the lock-up agreement, Fortis will have the right to require us to register its shares of our common stock under the Securities Act of 1933, as amended (Securities Act) for sale into the public markets.

After completion of this offering, there will be _____ shares of our common stock outstanding. Of our outstanding shares, the shares of common stock sold in this offering will be freely tradable in the public market, except for any shares sold to our affiliates, as that term is defined in Rule 144 under the Securities Act, and any other shares purchased through the directed share program, which will also be subject to 180-day lock-up agreements and certain National Association of Securities Dealers (NASD) restrictions. In addition, our certificate of incorporation permits the issuance of up to 80 million shares of common stock. After this offering, we will have an aggregate of _____ shares of our common stock authorized but unissued. Thus, we have the ability to issue substantial amounts of common stock in the future, which would dilute the percentage ownership held by the investors who purchase our shares in this offering. See "Shares Eligible for Future Sale" for further information regarding circumstances under which additional shares of our common stock may be sold.

We, each of our directors and executive officers, Fortis N.V., Fortis SA/ NV and Fortis Insurance N.V. have agreed, with limited exceptions, that we and they will not, without the prior written consent of Morgan Stanley & Co. Incorporated on behalf of the underwriters, during the period ending 180 days after the date of this prospectus, directly or indirectly, offer to sell, sell or otherwise dispose of any of shares of our common stock or file a registration statement with the Securities and Exchange Commission (SEC) relating to the offering of any shares of our common stock.

Subject to the exercise of any future issued and outstanding options, if any, shares registered under a registration statement on Form S-8 to be filed by us will be available for sale into the public markets after the expiration of the lock-up agreements.

FORWARD-LOOKING STATEMENTS

Some of the statements under Prospectus Summary, Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations, Business and elsewhere in this prospectus may contain forward-looking statements which reflect our current views with respect to, among other things, future events and financial performance. You can identify these forward-looking statements by the use of forward-looking words such as outlook, believes, expects, potential, continues, may, will, should, seeks, approximately, pre-estimates, anticipates or the negative version of those words or other comparable words. Any forward-looking statements contained in this prospectus 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, the underwriters or any other person that the future plans, estimates or expectations contemplated by us will be achieved. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. We believe that these factors include but are not limited to those described under Risk Factors. These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this prospectus. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

If one or more of these or other risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statements you read in this prospectus reflect our current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, financial condition, growth strategy and liquidity. You should specifically consider the factors identified in this prospectus that could cause actual results to differ before making an investment decision.

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of shares of our common stock by the selling stockholder. The selling stockholder will receive all net proceeds from the sale of the shares of our common stock in this offering.

DIVIDEND POLICY

Our board of directors does not currently intend to pay dividends to holders of our Common Stock. Any determination to pay 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.

We are a holding company and, therefore, our ability to pay dividends, service our debt and meet our other obligations depends primarily on the ability of our insurance subsidiaries to pay dividends and make other statutorily permissible payments to us. Our insurance subsidiaries are subject to significant regulatory and contractual restrictions limiting their ability to declare and pay dividends. See Risk Factors Risks Relating to Our Company. The inability of our subsidiaries to pay dividends to us in sufficient amounts could harm our ability to meet our obligations and pay future stockholder dividends and Risk Factors Risks Related to Our Common Stock and This Offering. We do not currently intend to pay dividends on our Common Stock in the foreseeable future. For the calendar year 2003, the maximum amount of dividends that our subsidiaries could pay to us under applicable laws and regulations without prior regulatory approval is approximately \$290 million, of which approximately \$19 million had been paid as of June 30, 2003. We expect that as a result of statutory accounting for our businesses sold, the maximum amount of dividends our subsidiaries will be able to pay to us will be significantly lower in 2004. In addition, we have entered into an agreement with the Florida Insurance Department pursuant to which two of our subsidiaries, American Bankers Insurance Company and American Bankers Life Assurance Company, have agreed to limit the amount of ordinary dividends they would pay to us to an amount no greater than 50% of the amount otherwise permitted under Florida law. This agreement expires in August 2004. One of our subsidiaries, First Fortis Life Insurance Company, has also entered into an agreement with the New York Insurance Department pursuant to which First Fortis Life Insurance Company has agreed not to pay any ordinary dividends to us until fiscal year 2004. For more information regarding restrictions on the payment of dividends by us and our insurance subsidiaries, including pursuant to the terms of our Series B and Series C Preferred Stock, our Class B and Class C Common Stock and certain of our other securities, see Regulation United States State Regulation Insurance Regulation Concerning Dividends and Statutory Accounting Practices (SAP), Description of Share Capital and Description of Other Securities.

On May 27, 2003, we paid the holders of our Class A Common Stock a cash dividend in the aggregate amount of \$139 million. Our Class A Common Stock will become Common Stock of Assurant, Inc. in connection with the closing of this offering. We also paid dividends on our Class A Common Stock totaling \$67 million in 2001.

On September 2, 2003 and March 3, 2003, we paid the holders of our Class B Common Stock cash dividends totaling \$5.6 million on each such date. We also paid dividends on our Class B Common Stock totaling \$11 million in each of 2002 and 2001. On September 2, 2003 and March 3, 2003, we paid the holders of our Class C Common Stock cash dividends totaling \$15.4 million and \$15.3 million, respectively. We also paid dividends on our Class C Common Stock totaling \$31 million in each of 2002 and 2001.

CORPORATE STRUCTURE AND REORGANIZATION

Assurant, Inc. is a Delaware corporation and is currently a wholly owned subsidiary of Fortis, Inc. Assurant, Inc. has had no operations and nominal financial activity and will be used solely for the purpose of the reincorporation of Fortis, Inc., which is organized as a Nevada corporation and of which 100% of the outstanding common stock is currently indirectly owned by Fortis N.V. and Fortis SA/NV. Prior to the closing of this offering, we will effectuate a merger of Fortis, Inc. with and into Assurant, Inc. for the purpose of reincorporating Fortis, Inc. in Delaware. As a result of the reorganization, Assurant, Inc. will be domiciled in Delaware and will be the successor to the business, operations and obligations of Fortis, Inc. In connection with the reorganization, our Company will use the name Assurant, Inc. The ongoing operations of Assurant, Inc. will effectively be comprised of the existing operations of Fortis, Inc. and its subsidiaries. Our Class A Common Stock will become Common Stock of Assurant, Inc. in connection with the merger.

In connection with our separation from Fortis, we will change our name and the names of our business segments and operating subsidiaries to include the name Assurant, and we will cease using the Fortis name after a transition period. Under the terms of a license from Fortis, we will have only a limited amount of time to continue to use the Fortis name. We will launch a re-branding initiative pursuant to which we will change our brand name and most of our trademarks and trade names under which we conduct our business.

CAPITALIZATION

The following table sets forth our consolidated capitalization as of June 30, 2003. We will not receive any proceeds from the sale of shares in this offering by the selling stockholder.

You should read this table in conjunction with Selected Consolidated Financial Information and Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes that are included elsewhere in this prospectus. See also Certain Relationships and Related Transactions, Description of Share Capital and Description of Other Securities.

	As of June 30, 2003
	(unaudited) (in thousands, except share numbers)
Debt Outstanding:	
Long-term senior debt	\$
Mandatorily redeemable preferred securities of subsidiary trusts(1)(2):	
2000 trust capital securities	550,000
1999 trust capital securities	699,850
1997 capital securities	196,224
	<hr/>
Total mandatorily redeemable preferred securities of subsidiary trusts	1,446,074
	<hr/>
Mandatorily redeemable preferred stock, par value \$1.00 per share(1)	
(20,000,000 shares authorized; 19,160 shares of Series B Preferred Stock and 5,000 shares of Series C Preferred Stock issued and outstanding)	24,160
	<hr/>
Stockholders' Equity:	
Common stock, par value \$.10 per share (80,000,000 shares of common stock authorized):	
Class A (7,750,000 shares issued and outstanding)(3)	775
Class B (150,001 shares issued and outstanding)	15
Class C (400,001 shares issued and outstanding)	40
Additional paid-in capital	2,064,025
Retained earnings	248,456
Accumulated other comprehensive income	465,579
	<hr/>
Total stockholders' equity	2,778,890
	<hr/>
Total Capitalization	\$4,249,124
	<hr/>

- (1) These securities will be reclassified as debt upon adoption by the Company in the third quarter of 2003 of Financial Accounting Standards No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*.
- (2) The proceeds from the sale of preferred securities by each of the subsidiary trusts were used by the applicable trusts to purchase our subordinated debentures, which are eliminated upon consolidation. See Description of Other Securities.
- (3) Our Class A Common Stock will become Common Stock, par value \$.01 per share, of Assurant, Inc. in connection with the merger.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following table sets forth our selected historical consolidated financial information for the periods ended and as of the dates indicated. Assurant, Inc. is a Delaware corporation and is currently a wholly owned subsidiary of Fortis, Inc. Assurant, Inc. has had no operations and nominal financial activity and will be used solely for the purpose of the reincorporation of Fortis, Inc., which is organized as a Nevada corporation and of which 100% of the outstanding common stock is currently indirectly owned by Fortis N.V. and Fortis SA/NV. Prior to the closing of this offering, we will effectuate a merger of Fortis, Inc. with and into Assurant, Inc. for the purpose of reincorporating Fortis, Inc. in Delaware. As a result of the reorganization, Assurant, Inc. will be domiciled in Delaware and will be the successor to the business, operations and obligations of Fortis, Inc. In connection with the reorganization, our Company will use the name Assurant, Inc. The ongoing operations of Assurant, Inc. will effectively be comprised of the existing operations of Fortis, Inc. and its subsidiaries.

The selected consolidated statement of operations data for each of the five years ended December 31, 2002 and the selected consolidated balance sheet data as of December 31, 2002, 2001, 2000, 1999 and 1998 are derived from the audited consolidated financial statements of Fortis, Inc. and its subsidiaries, which have been prepared in accordance with GAAP. The audited consolidated financial statements of Fortis, Inc. and its subsidiaries for the three years in the period ended December 31, 2002 and as of December 31, 2002 and 2001 have been included elsewhere in this prospectus. The selected consolidated statement of operations data for the six months ended June 30, 2003 and the selected consolidated balance sheet data as of June 30, 2003 are derived from the unaudited interim financial statements of Fortis, Inc. and its subsidiaries included elsewhere in this prospectus. The unaudited interim financial statements have been prepared on the same basis as the audited consolidated financial statements of Fortis, Inc. and in our opinion, include all adjustments consisting only of normal recurring adjustments, that we consider necessary for a fair statement of our results of operations and financial condition for these periods and as of such dates. These historical results are not necessarily indicative of expected results for any future period. The results for the six months ended June 30, 2003 are not necessarily indicative of results to be expected for the full year. You should read the following selected consolidated financial information together with the other information contained in this prospectus, including Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included elsewhere in this prospectus.

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	For the Six Months Ended June 30,		For the Year Ended December 31,				
	2003	2002	2002	2001	2000	1999	1998
(in thousands, except share amounts and per share data)							
Selected Consolidated Statement of Operations Data:							
Revenues							
Net earned premiums and other considerations	\$ 2,987,029	\$ 2,787,519	\$ 5,681,596	\$ 5,242,185	\$ 5,144,375	\$ 4,508,795	\$ 3,056,550
Net investment income	305,885	310,539	631,828	711,782	690,732	590,487	491,947
Net realized gains (losses) on investments	7,474	(49,204)	(118,372)	(119,016)	(44,977)	13,616	88,185
Amortization of deferred gain on disposal of businesses	34,873	40,030	79,801	68,296	10,284		
Gain on disposal of businesses		10,672	10,672	61,688	11,994		
Fees and other income	119,881	125,435	246,675	221,939	399,571	357,878	307,780
Total revenues	3,455,142	3,224,991	6,532,200	6,186,874	6,211,979	5,470,776	3,944,462
Benefits, losses and expenses							
Policyholder benefits	1,774,243	1,678,871	3,429,145	3,238,925	3,208,054	3,061,488	2,223,113
Amortization of deferred acquisition costs and value of businesses acquired	580,240	443,221	876,185	875,703	766,904	494,000	213,817
Underwriting, general and administrative expenses	794,120	842,390	1,738,077	1,620,931	1,801,196	1,649,811	1,270,854
Amortization of goodwill				113,300	106,773	57,717	12,836
Interest expense				14,001	24,726	39,893	33,831
Distributions on preferred securities of subsidiary trusts	58,566	58,716	118,396	118,370	110,142	53,824	16,713
Total benefits, losses and expenses	3,207,169	3,023,198	6,161,803	5,981,230	6,017,795	5,356,733	3,771,164
Income before income taxes	247,973	201,793	370,397	205,644	194,184	114,043	173,298
Income taxes	84,086	60,126	110,657	107,591	104,500	57,657	63,939
Net income before cumulative effect of change in accounting principle	\$ 163,887	\$ 141,667	\$ 259,740	\$ 98,053	\$ 89,684	\$ 56,386	\$ 109,359
		(1,260,939)	(1,260,939)				

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Cumulative effect of change in accounting principle
 Effect of discontinued operations (13,979)

Net income (loss)	\$ 163,887	\$ (1,119,272)	\$ (1,001,199)	\$ 98,053	\$ 89,684	\$ 56,386	\$ 95,380
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Per Share Data:

Net income (loss) per share \$ 19.75 \$ (134.85) \$ (120.63) \$ 11.81 \$ 10.93 \$ 9.17 \$ 19.08

Weighted average of basic and diluted shares of common stock outstanding 8,300,002 8,300,002 8,300,002 8,300,002 8,208,335 6,145,883 5,000,000

Dividends per share:
 Class A Common Stock(1) \$ 17.98 \$ \$ 8.65 \$ \$ \$
 Class B Common Stock(2) 37.15 36.52 74.69 75.44 37.66
 Class C Common Stock(3) 38.13 37.50 76.68 77.45 38.65

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	As of	As of December 31,				
	June 30, 2003	2002	2001	2000	1999	1998
(in thousands, except share amounts and per share data)						
Selected Consolidated						
Balance Sheet Data:						
Cash and cash equivalents and investments	\$ 11,138,227	\$ 10,578,415	\$ 10,159,809	\$ 10,750,554	\$ 10,110,136	\$ 8,027,307
Total assets	22,738,162	22,218,009	24,449,877	24,115,139	22,216,730	14,577,790
Policy liabilities(4)	12,632,311	12,388,623	12,064,643	11,534,891	10,336,265	7,316,949
Debt				238,983	1,007,243	650,000
Mandatorily redeemable preferred securities of subsidiary trusts(5)	1,446,074	1,446,074	1,446,074	1,449,738	899,850	200,000
Mandatorily redeemable preferred stock	24,160	24,660	25,160	25,160	22,160	32,160
Total stockholders equity	2,778,890	2,555,059	3,452,405	3,367,713	3,164,297	1,765,568
Per Share Data:						
Total stockholders equity per share(6)	\$ 334.81	\$ 307.84	\$ 415.95	\$ 410.28	\$ 514.86	\$ 353.11

- (1) For each of the periods (other than the year ended December 31, 1998) and dates (other than December 31, 1998) presented, 7,750,000 shares of our Class A Common Stock were issued and outstanding; these shares are held by Fortis Insurance N.V., Fortis (US) Funding Partners I LP and Fortis (US) Funding Partners II LP. For the year ended December 31, 1998 and as of December 31, 1998, 5,000,000 shares of our Class A Common Stock were issued and outstanding. See Description of Share Capital Class B and Class C Common Stock. Our existing Class A Common Stock will become Common Stock of Assurant, Inc. in connection with the merger of Fortis, Inc. with and into Assurant, Inc.
- (2) For each of the periods (other than the years ended December 31, 1999 and December 31, 1998) and dates (other than December 31, 1999 and December 31, 1998) presented, 150,001 shares of our Class B Common Stock were issued and outstanding; these shares are held by Fortis (US) Funding Partners I LP. No shares of our Class B Common Stock were issued and outstanding for the years ended December 31, 1999 and December 31, 1998 or as of December 31, 1999 and December 31, 1998. See Description of Share Capital Class B and Class C Common Stock.
- (3) For each of the periods (other than the years ended December 31, 1999 and December 31, 1998) and dates (other than December 31, 1999 and December 31, 1998) presented, 400,001 shares of our Class C Common Stock were issued and outstanding; these shares are held by Fortis (US) Funding Partners II LP. No shares of our Class C Common Stock were issued and outstanding for the years ended December 31, 1999 and December 31, 1998 or as of December 31, 1999 and December 31, 1998.
- (4) Policy liabilities include future policy benefits and expenses, unearned premiums and claims and benefits payable.
- (5) The proceeds from the sale of each of these securities were used by the applicable subsidiary trusts to purchase our subordinated debentures, which are eliminated upon consolidation. See Description of Other Securities.
- (6) Based on total stockholders equity divided by basic shares issued and outstanding.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and accompanying notes which appear elsewhere in this prospectus. It contains forward-looking statements that involve risks and uncertainties. Please see *Forward-Looking Statements* for more information. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this prospectus, particularly under the headings *Risk Factors* and *Forward-Looking Statements*.

General

We pursue a differentiated strategy of building leading positions in specialized market segments for insurance products and related services in North America and selected other markets. We provide creditor-placed homeowners insurance, manufactured housing homeowners insurance, debt protection administration, credit insurance, warranties and extended service contracts, individual health and small employer group health insurance, group dental insurance, group disability insurance, group life insurance and pre-funded funeral insurance. The markets we target are generally complex, have a relatively limited number of competitors and, we believe, offer attractive profit opportunities.

We report our results through five segments: Assurant Solutions, Assurant Health, Assurant Employee Benefits, Assurant PreNeed and Corporate and Other. The Corporate and Other segment includes activities of the holding company, financing expenses, realized gains (losses) on investments and interest income not allocated to other segments. The Corporate and Other segment also includes (i) the results of operations of FFG, a business we sold on April 2, 2001, and (ii) long-term care (LTC), a business we sold on March 1, 2000, for the periods prior to their disposition, and amortization of deferred gains associated with the portions of the sales of FFG and LTC sold through reinsurance agreements as described below.

Critical Factors Affecting Results

Our profitability depends 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 invested assets and our ability to manage our expenses. As such, factors affecting these items may have a material adverse effect on our results of operations or financial condition.

Revenues

We derive our revenues primarily from the sale of our insurance policies and, to a lesser extent, fee income by providing administrative services to certain clients. Sales of insurance policies are recognized in revenue as earned premiums while sales of administrative services are recognized as fee income. In late 2000, the majority of our credit insurance clients began a transition from the purchase of our credit insurance products from which we earned premium revenue to debt protection administration programs, from which we earn fee income.

Our premium and fee income is supplemented by income earned from our investment portfolio. We recognize revenue from interest payments, dividends and sales of investments. Our investment portfolio is currently primarily invested in fixed maturity securities. Both investment income and realized capital gains on these investments can be significantly impacted by changes in interest rates.

Interest rate volatility can reduce unrealized gains or create unrealized losses in our portfolios. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. Fluctuations in interest rates affect our returns on, and the market value of, fixed maturity and short-term investments.

The fair market value of the fixed maturity securities in our portfolio and the investment income from these securities fluctuate depending on general economic and market conditions. The fair market value

generally increases or decreases in an inverse relationship with fluctuations in interest rates, while net investment income realized by us from future investments in fixed maturity securities will generally increase or decrease with interest rates. In addition, actual net investment income and/or cash flows from investments that carry prepayment risk, such as mortgage-backed and other asset-backed securities, may differ from those anticipated at the time of investment as a result of interest rate fluctuations. In periods of declining interest rates, mortgage prepayments generally increase and mortgage-backed securities, commercial mortgage obligations and bonds in our investment portfolio are more likely to be prepaid or redeemed as borrowers seek to borrow at lower interest rates, and we may be required to reinvest those funds in lower interest-bearing investments.

In addition, Assurant PreNeed generally writes whole life insurance policies with increasing death benefits and obtains much of its profits through interest rate spreads. Interest rate spreads refer to the difference between the death benefit growth rates on pre-funded funeral insurance policies and the investment returns generated on the assets we hold related to those policies. As of June 30, 2003, approximately 70% of Assurant PreNeed's in force insurance policy reserves related to policies that provide for death benefit growth, some of which provide for minimum death benefit growth pegged to changes in the Consumer Price Index. In extended periods of declining interest rates or high inflation, there may be compression in the spread between Assurant PreNeed's death benefit growth rates and its investment earnings. As a result, declining interest rates or high inflation rates may have a material adverse effect on our results of operations and our overall financial condition.

Expenses

Our expenses primarily consist of policyholder benefits, underwriting, general and administrative expenses, and distributions on preferred securities of subsidiary trusts.

Selling, underwriting and general expenses consist primarily of commissions, premium taxes, licenses, fees, amortization of deferred acquisition costs (DAC) and value of businesses acquired (VOBA) and general operating expenses. For a description of DAC and VOBA, see Notes 2, 17 and 18 of the Notes to Consolidated Financial Statements included elsewhere in this prospectus.

Our profitability depends in large part on accurately predicting benefits, claims and other costs, including medical and dental costs. It also depends on our ability to manage future benefit and other costs through product design, underwriting criteria, utilization review or claims management and, in health and dental insurance, negotiation of favorable provider contracts. Changes in the composition of the kinds of work available in the economy, market conditions and numerous other factors may also materially adversely affect our ability to manage claim costs. As a result of one or more of these factors or other factors, claims could substantially exceed our expectations, which could have a material adverse effect on our business, results of operations and financial condition.

Regulation

Legislation or other regulatory reform that increases the regulatory requirements imposed on us or that changes the way we are able to do business may significantly harm our business or results of operations in the future. For example, some states have imposed new time limits for the payment of uncontested covered claims and require health care and dental service plans to pay interest on uncontested claims not paid promptly within the required time period. Some states have also granted their insurance regulatory agencies additional authority to impose monetary penalties and other sanctions on health and dental plans engaging in certain unfair payment practices. If we were to be unable for any reason to comply with these requirements, it could result in substantial costs to us and may materially adversely affect our results of operations and financial condition.

For other factors affecting our results of operations or financial condition, see Risk Factors.

Acquisitions and Dispositions of Businesses

Our results of operations were affected by the following transactions:

On October 10, 2002, we sold the Peer Review and Analysis division (PRA) of CORE, Inc. (CORE) to MCMC, LLC, an independent provider of medical analysis services. No gain or loss was recognized on the sale of PRA.

On June 28, 2002, we sold our 50% ownership in Neighborhood Health Partnership (NHP) to NHP Holding LLC. We recorded a pre-tax gain on sale of \$11 million, which was included in the Corporate and Other segment.

On December 31, 2001, we acquired Protective Life Corporation's Dental Benefits Division (DBD), including the acquisition through reinsurance of Protective's **indemnity** dental, life and disability business and its prepaid dental subsidiaries. Total revenues of \$305 million and income after tax of \$15 million were generated by the DBD operations for the year ended December 31, 2002. DBD is included in the Assurant Employee Benefits segment.

On July 12, 2001, we acquired CORE, a national provider of employee absence management services. Total revenues of \$31 million and income after tax of \$0.7 million were generated by the CORE operations from July 12, 2001 through December 31, 2001, as compared to total revenues of \$66 million and income after tax of \$3 million in 2002. CORE is included in the Assurant Employee Benefits segment.

On April 2, 2001, we sold our FFG business to The Hartford primarily through a reinsurance arrangement. Total revenues of \$146 million and income after tax of \$8 million were generated by the FFG operations for the three months ended March 31, 2001, compared to total revenues of \$679 million and income after tax of \$75 million during 2000. FFG included certain individual life insurance policies, annuities and mutual fund operations. The sale of the mutual fund operations resulted in \$62 million of pre-tax gains. The sale via reinsurance of the individual life insurance policies and annuities resulted in \$558 million of pre-tax gains, which were deferred upon closing and are being amortized over the remaining life of the contracts. All activities related to FFG are included in the Corporate and Other segment. See Critical Accounting Policies.

Prior to April 2, 2001, FFG had issued **variable insurance** products that are required to be registered as securities under the Securities Act. These registered insurance contracts, which are no longer being sold, have been 100% reinsured with The Hartford through **modified coinsurance** agreements. The Hartford administers this closed block of business pursuant to a third party administration agreement. Since this block of business was sold through modified coinsurance agreements, separate account assets and separate account liabilities associated with these products continue to be reflected in our financial statements. See the line items entitled Assets held in separate accounts and Liabilities related to separate accounts in our consolidated balance sheets. The liabilities created by these variable insurance policies are tied to the performance of underlying investments held in separate accounts of the insurance company that originally issued such policies. While we own the separate account assets, the laws governing separate accounts provide that the income, gains and losses from assets in the separate account are credited to or charged against the separate account without regard to other income, gains or losses of the insurer. Further, the laws provide that the separate account will not be charged with liabilities arising out of any other business the insurer may conduct. The result of this structure is that the assets held in the separate account correspond to and are equal to the liabilities created by the variable insurance contracts. At June 30, 2003, we had separate account assets and liabilities of \$3,531 million compared to \$4,809 million on April 2, 2001, the date of the FFG sale.

On October 1, 2000, we acquired American Memorial Life Insurance Company (AMLIC), a provider of pre-funded funeral insurance products, from SCI. Total revenues of \$76 million and income after tax of \$6 million were generated by AMLIC from October 1, 2000 through December 31, 2000, as compared to total revenues of \$343 million and income after tax of \$26 million in 2001. AMLIC is included in the Assurant PreNeed segment.

On May 11, 2000, we sold Associated California State Insurance Agencies, Inc. and Ardiel Insurance Services, Inc. (together, ACSIA), our wholly owned subsidiaries, to Conseco Corporation. ACSIA is a distributor of long-term care insurance. We recorded \$12 million of pre-tax gains on the sale. Total revenues of \$7 million and a loss after tax of \$1 million were generated by ACSIA from January 1, 2000 through May 11, 2000. All activities related to ACSIA are included in the Corporate and Other segment.

On March 1, 2000, we sold our LTC insurance business to John Hancock. The business was sold via a 100% **coinsurance** agreement whereby we ceded to John Hancock substantially all assets and liabilities related to our LTC business. The transaction resulted in an after-tax deferred gain of approximately \$34 million, which is being amortized over the remaining lives of the related contracts. Total revenues of \$26 million and income after tax of \$0 were generated by our LTC business from January 1, 2000 through March 1, 2000. All activities related to LTC are included in the Corporate and Other segment. See Critical Factors Affecting Results Acquisitions and Dispositions of Businesses.

Comparing our results from period to period requires taking into account these acquisitions and dispositions. For a more detailed description of these acquisitions and dispositions, see Notes 3 and 4 of the Notes to Consolidated Financial Statements included elsewhere in this prospectus.

Critical Accounting Policies

There are certain accounting policies that we consider to be critical due to the amount of judgment and uncertainty inherent in the application of those policies. In calculating financial statement estimates, the use of different assumptions could produce materially different estimates. In addition, if factors such as those described above or in Risk Factors cause actual events to differ from the assumptions used in applying the accounting policies and calculating financial estimates, there could be a material adverse effect on our results of operations, financial condition and liquidity.

We believe the following critical accounting policies require significant estimates which, if such estimates are not materially correct, could affect the preparation of our consolidated financial statements.

Premiums

Short Duration Contracts

Our short duration contracts are those on which we recognize revenue on a pro rata basis over the contract term. Our short duration contracts primarily include group term life, group disability, medical and dental, property, credit insurance, warranties and extended service contracts.

Long Duration Contracts

Currently, our long duration contracts being sold are pre-funded life insurance and annuities. Revenue is recognized on the life insurance contracts when due over the premium paying period. For annuity contracts, revenues consist of charges assessed against policy balances.

For universal life insurance and annuity contracts, no longer offered, revenues also consist of charges assessed against policy balances.

For the FFG and LTC businesses previously sold, all revenue is ceded to The Hartford and John Hancock, respectively.

Reinsurance Assumed

Reinsurance premiums assumed are estimated based on information received from ceding companies and any subsequent differences arising on such estimates are recorded in the period in which they are determined.

Fee Income

We derive income from fees received from providing administration services. Fee income is earned when services are performed.

Reserves

Reserves are established according to generally accepted actuarial principles and are based on a number of factors. These factors include experience derived from historical claim payments and actuarial assumptions to arrive at loss development factors. Such assumptions and other factors include trends, the incidence of incurred claims, the extent to which all claims have been reported and internal claims processing charges. The process used in computing reserves cannot be exact, particularly for liability coverages, since actual claim costs are dependent upon such complex factors as inflation, changes in doctrines of legal liability and damage awards. The methods of making such estimates and establishing the related liabilities are periodically reviewed and updated.

Reserves, whether calculated under GAAP or statutory accounting principles, do not represent an exact calculation of exposure, but instead represent our best estimates, generally involving actuarial projections at a given time, of what we expect the ultimate settlement and administration of a claim or group of claims will cost based on our assessment of facts and circumstances then known. The adequacy of reserves will be impacted by future trends in claims severity, frequency, judicial theories of liability and other factors. These variables are affected by both external and internal events, such as changes in the economic cycle, changes in the social perception of the value of work, emerging medical perceptions regarding physiological or psychological causes of disability, emerging health issues and new methods of treatment or accommodation, inflation, judicial trends, legislative changes and claims handling procedures. Many of these items are not directly quantifiable, particularly on a prospective basis. Reserve estimates are refined as experience develops. Adjustments to reserves, both positive and negative, are reflected in the statement of operations of the period in which such estimates are updated. Because establishment of reserves is an inherently uncertain process involving estimates of future losses, there can be no certainty that ultimate losses will not exceed existing claims reserves. Future loss development could require reserves to be increased, which could have a material adverse effect on our earnings in the periods in which such increases are made.

Short Duration Contracts

For short duration contracts, claims and benefits payable reserves are recorded when insured events occur. The liability is based on the expected ultimate cost of settling the claims. The claims and benefits payable reserves include (1) case base reserves for known but unpaid claims as of the balance sheet date; (2) **incurred but not reported (IBNR) reserves** for claims where the insured event has occurred but has not been reported to us as of the balance sheet date; and (3) loss adjustment expense reserves for the expected handling costs of settling the claims.

For group disability, the case base reserves and the IBNR are recorded at an amount equal to the net present value of the expected claims future payments. Group long-term disability reserves are discounted to the valuation date at the valuation interest rate. The valuation interest rate is determined by taking into consideration actual and expected earned rates on our asset portfolio, with adjustments for investment expenses and provisions for adverse deviation.

Unearned premium reserves are maintained for the portion of the premiums on short duration contracts that is related to the unexpired period of the policy.

We have exposure to asbestos, environmental and other general liability claims arising from our participation in various reinsurance pools from 1971 through 1983. This exposure arose from a short duration contract that we discontinued writing many years ago. We carried case reserves for these liabilities as recommended by the various pool managers and bulk reserves for IBNR of \$40 million (before reinsurance) and \$39 million (after reinsurance) in the aggregate at December 31, 2002. It is not possible to make a reasonable actuarial estimate of the ultimate liabilities due to the general lack of sufficiently detailed data, reporting delays, and absence of a generally accepted actuarial methodology for those exposures. There are

significant unresolved industry legal issues, including such items as whether coverage exists and what constitutes an occurrence. In addition, the determination of ultimate damages and the final allocation of losses to financially responsible parties are highly uncertain. Accordingly, any estimation of these liabilities is subject to greater than normal variation and uncertainty.

Long Duration Contracts

Future policy benefits and expense reserves on LTC, life insurance policies and annuity contracts that are no longer offered, individual medical and the traditional life insurance contracts within FFG are recorded at the present value of future benefits to be paid to policyholders and related expenses less the present value of the future net premiums. These amounts are estimated and include assumptions as to the expected investment yield, inflation, mortality, morbidity and withdrawal rates as well as other assumptions that are based on our experience. These assumptions reflect anticipated trends and include provisions for possible unfavorable deviations.

Future policy benefits and expense reserves for pre-funded funeral annuities, universal life insurance policies and annuity contracts that are no longer offered, and the variable life insurance and annuity contracts in FFG consist of policy account balances before applicable **surrender charges** and certain deferred policy initiation fees that are being recognized in income over the terms of the policies. Policy benefits charged to expense during the period include amounts paid in excess of policy account balances and interest credited to policy account balances.

The benefit liability for pre-funded funeral life insurance contracts includes the amount of gross premium that is received in excess of the net premium and accounted for as unearned premium revenue.

See Reserves below.

Deferred Acquisition Costs (DAC)

The costs of acquiring new business that vary with and are primarily related to the production of new business have been deferred to the extent that such costs are deemed recoverable from future premiums or gross profits. Acquisition costs primarily consist of commissions, policy issuance expenses, premium tax and certain direct marketing expenses.

A premium deficiency is recognized immediately by a charge to the statement of operations as a reduction of DAC to the extent that future policy premiums, including anticipation of interest income, are not adequate to recover all DAC and related claims, benefits and expenses.

Short Duration Contracts

DAC relating to property contracts, warranty and extended service contracts and single premium credit insurance contracts are amortized over the term of the contracts in relation to premiums earned.

Acquisition costs relating to monthly pay credit insurance business consist mainly of direct marketing costs and are deferred and amortized over the estimated average terms of the underlying contracts.

Acquisition costs on small group medical, group term life and group disability consist primarily of commissions to agents and brokers, which are level, and compensation to representatives, which is spread out and is not front-end loaded. These costs do not vary with the production of new business. As a result, these costs are not deferred but rather are recorded in the statement of operations in the period in which they are incurred.

Long Duration Contracts

Acquisition costs for pre-funded funeral life insurance policies and life insurance policies no longer offered are deferred and amortized in proportion to anticipated premiums over the premium-paying period.

For pre-funded funeral annuity contracts and universal life insurance policies and annuity contracts that are no longer offered, DAC is amortized in proportion to the present value of estimated gross margins or profits from investment, mortality, expense margins and surrender charges over the estimated life of the policy or contract. The assumptions used for the estimates are consistent with those used in computing the policy or contract liabilities.

Acquisition costs relating to individual medical contracts are deferred and amortized over the estimated average terms of the underlying contracts.

Acquisition costs on the FFG and LTC disposed businesses were written off when the businesses were sold.

Investments

We regularly monitor our investment portfolio to ensure that investments that may be other than temporarily impaired are identified in a timely fashion and properly valued and that any impairments are charged against earnings in the proper period. Our methodology to identify potential impairments requires professional judgment.

Pursuant to our impairment process, each month the portfolio holdings are screened for securities whose market price is equal to 85% or less of their original purchase price. Management then makes their assessment as to which of these securities are other than temporarily impaired. Assessment factors include, but are not limited to, the financial condition and rating of the issuer, any collateral held and the length of time the market value of the security has been below cost. Each month the watchlist is discussed at a meeting attended by members of our investment, accounting and finance departments. Each quarter any security whose price decrease is deemed to have been other than temporarily impaired is written down to its then current market level, with the amount of the writedown reflected in our statement of operations for that quarter. Previously impaired issues are also monitored monthly, with additional writedowns taken quarterly if necessary.

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 writedowns in future periods for impairments that are deemed to be other than temporary. See also Investments in Note 2 of the Notes to Consolidated Financial Statements included elsewhere in this prospectus.

Reinsurance

Reinsurance recoverables include amounts related to paid benefits and estimated amounts related to unpaid policy and contract claims, future policyholder benefits and policyholder contract deposits. The cost of reinsurance is accounted for over the terms of the underlying reinsured policies using assumptions consistent with those used to account for the policies. Amounts recoverable from reinsurers are estimated in a manner consistent with claim and claim adjustment expense reserves or future policy benefits reserves and are reported in our consolidated balance sheets. The cost of reinsurance related to long duration contracts is accounted for over the life of the underlying reinsured policies. The ceding of insurance does not discharge our primary liability to our insureds. An estimated allowance for doubtful accounts is recorded on the basis of periodic evaluations of balances due from reinsurers, reinsurer solvency, management's experience and current economic conditions.

Other Accounting Policies

For a description of other accounting policies applicable to the periods covered by this prospectus, see Note 2 of the Notes to Consolidated Financial Statements included elsewhere in this prospectus.

New Accounting Standard

On January 1, 2002, we adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (FAS 142). As of our adoption of FAS 142, we ceased amortizing goodwill. In addition, we were required to subject our goodwill to an initial impairment test. As a result of FAS 142, we are required to conduct impairment testing on an annual basis and between annual tests if an event occurs or circumstances change indicating a possible goodwill impairment. In the absence of an impairment event, our net income will be higher as a result of not having to amortize goodwill.

As a result of this initial impairment test, we recognized a non-cash goodwill impairment charge of \$1,261 million. The impairment charge was recorded as a cumulative effect of a change in accounting principle as of January 1, 2002. The impairment charge had no impact on cash flows or the statutory-basis capital and surplus of our insurance subsidiaries. We also performed a January 1, 2003 impairment test during the six months ended June 30, 2003 and concluded that goodwill was not further impaired.

See *New Accounting Pronouncements* in Note 2 of the Notes to Consolidated Financial Statements included elsewhere in this prospectus for a description of additional new accounting standards that are applicable to us.

Results of Operations**Consolidated Overview**

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

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2003	2002	2002	2001	2000
(in millions)					
Revenues:					
Net earned premiums and other considerations	\$ 2,987	\$ 2,788	\$ 5,681	\$ 5,242	\$ 5,144
Net investment income	306	310	632	712	691
Net realized gains (losses) on investments	7	(49)	(118)	(119)	(45)
Amortization of deferred gain on disposal of businesses	35	40	80	68	10
Gain on disposal of businesses		11	11	62	12
Fees and other income	120	125	246	222	400
Total revenues	3,455	3,225	6,532	6,187	6,212
Benefits, losses and expenses:					
Policyholder benefits	(1,774)	(1,679)	(3,429)	(3,239)	(3,208)
Selling, underwriting and general expenses(1)	(1,374)	(1,285)	(2,615)	(2,497)	(2,568)
Amortization of goodwill				(113)	(107)
Interest expense				(14)	(25)
Distributions on preferred securities of subsidiary trusts	(59)	(59)	(118)	(118)	(110)
Total benefits, losses and expenses	(3,207)	(3,023)	(6,162)	(5,981)	(6,018)
Income before income taxes	248	202	370	206	194
Income taxes	(84)	(60)	(110)	(108)	(104)
Net income before cumulative effect of change in accounting principle	164	142	260	98	90
Cumulative effect of change in accounting principle		(1,261)	(1,261)		
Net income (loss)	\$ 164	\$(1,119)	\$(1,001)	\$ 98	\$ 90

(1) Includes amortization of DAC and VOBA and underwriting, general and administrative expenses.

Note: The table above includes amortization of goodwill in 2001 and 2000 and the cumulative effect of change in accounting principle in 2002 and for the six months ended June 30, 2002. These items are only included in this Consolidated Overview. As a result, the tables presented under the segment discussions do not total to the same amounts shown on this consolidated overview table. See Note 19 of the Notes to Consolidated Financial Statements included elsewhere in this prospectus.

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Six Months Ended June 30, 2003 Compared to Six Months Ended June 30, 2002

Total Revenues

Total revenues increased by \$230 million, or 7%, from \$3,225 million for the six month period ended June 30, 2002, to \$3,455 million for the six months ended June 30, 2003.

Net earned premiums and other considerations increased by \$199 million, or 7%, from \$2,788 million for the six month period ended June 30, 2002, to \$2,987 million for the six month period ended June 30, 2003, largely as a result of increases in net earned premiums from Assurant Solutions and Assurant Health. Net

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earned premiums and other considerations increased by \$129 million, or 13%, in Assurant Solutions and net earned premiums and other considerations also increased by \$65 million, or 7%, in Assurant Health.

Net investment income decreased by \$4 million, or 1%, from \$310 million for the six months ended June 30, 2002, to \$306 million for the six months ended June 30, 2003. The decrease was primarily due to a decrease in achieved investment yields, driven by the lower interest rate environment. The yield on average invested assets was 5.94% (annualized) for the six months ended June 30, 2003, as compared to 6.31% (annualized) for the six months ended June 30, 2002.

Net realized gains on investments increased by \$56 million from net realized losses on investments of \$49 million for the six months ended June 30, 2002, to net realized gains of \$7 million for the six months ended June 30, 2003. Net realized losses on investments are comprised of both other-than-temporary impairments and realized capital gains/losses on sales of securities. For the six months ended June 30, 2003, we had other-than-temporary impairments of \$16 million, as compared to \$38 million for the six months ended June 30, 2002. There were no individual impairments in excess of \$10 million for the six months ended June 30, 2003. Impairments of available for sale securities in excess of \$10 million during the six months ended June 30, 2002 consisted of a \$12 million writedown of fixed maturity investments in AT&T Canada Inc. (AT&T Canada) and an \$11 million writedown of fixed maturity investments in MCI WorldCom Inc. (MCI WorldCom). Excluding the effect of other than temporary impairments, we recorded an increase in net realized gains of \$31 million in the Corporate and Other segment.

Amortization of deferred gain on disposal of businesses decreased by \$5 million, or 13%, from \$40 million for the six months ended June 30, 2002, to \$35 million for the six months ended June 30, 2003. The decrease was consistent with the run-off of the business ceded to The Hartford and John Hancock.

Gain on disposal of businesses decreased by \$11 million, or 100%, from \$11 million for the six months ended June 30, 2002 to \$0 for the six months ended June 30, 2003. On June 28, 2002, we sold our investment in NHP, which resulted in pre-tax gains of \$11 million for the six months ended June 30, 2002.

Fees and other income decreased by \$5 million, or 4%, from \$125 million for the six months ended June 30, 2002 to \$120 million for the six months ended June 30, 2003.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses increased by \$184 million, or 6%, from \$3,023 million for the six months ended June 30, 2002 to \$3,207 million for the six months ended June 30, 2003.

Policyholder benefits increased by \$95 million, or 6%, from \$1,679 million for the six months ended June 30, 2002, to \$1,774 million for the six months ended June 30, 2003. The increase was primarily due to a \$64 million increase in the Assurant Solutions segment and a \$28 million increase in Assurant Health.

Selling, underwriting and general expenses primarily consist of commissions, premium taxes, licenses, fees, amortization of DAC and VOBA and general operating expenses. These expenses increased by \$89 million, or 7%, from \$1,285 million for the six months ended June 30, 2002, to \$1,374 million for the six months ended June 30, 2003. The Assurant Solutions and Assurant Health segments together contributed \$84 million of this increase primarily due to additional commission costs as a result of growth in their businesses, partially offset by a \$3 million decrease at Assurant Employee Benefits CORE line of business.

Distributions on preferred securities of subsidiary trusts during the six months ended June 30, 2003 remained unchanged from the six months ended June 30, 2002 at \$59 million.

Net Income

Net income increased \$1,283 million from a loss of \$1,119 million for the six months ended June 30, 2002, to a profit of \$164 million for the six months ended June 30, 2003.

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Income taxes increased by \$24 million, or 40%, from \$60 million for the six months ended June 30, 2002, to \$84 million for the six months ended June 30, 2003. The effective tax rate for the six months ended June 30,

2002 was 29.7% compared to 33.9% for the six months ended June 30, 2003. The change in the effective rate is principally due to the release of approximately \$6 million in the six months ended June 30, 2002 of previously provided tax accruals which were no longer considered necessary based on the resolution of certain domestic tax matters.

A cumulative effect (expense) of changes in accounting principles of \$1,261 million was recognized for the six months ended June 30, 2002, as compared to \$0 recognized for the six months ended June 30, 2003. Effective January 1, 2002, we adopted FAS 142, pursuant to which we ceased amortization of goodwill. See *New Accounting Standard* and Note 2 of the Notes to Consolidated Financial Statements included elsewhere in this prospectus for a discussion of this new accounting standard.

Year Ended December 31, 2002 Compared to December 31, 2001

Total Revenues

Total revenues increased by \$345 million, or 6%, from \$6,187 million in 2001 to \$6,532 million in 2002.

Net earned premiums and other considerations increased by \$439 million, or 8%, from \$5,242 million in 2001 to \$5,681 million in 2002. Excluding the effect of the various acquisitions and dispositions described above, net earned premiums and other considerations increased mainly due to strong growth in Assurant Solutions primarily as a result of growth in new business and in Assurant PreNeed primarily due to an increase in the average size of policies sold by the AMLIC division.

Net investment income decreased by \$80 million, or 11%, from \$712 million in 2001 to \$632 million in 2002. The decrease was primarily due to a decrease in achieved investment yields, driven by the lower interest rate environment and a decrease in average invested assets of \$290 million. The yield on average invested assets was 6.27% for the year ended December 31, 2002 as compared to 6.86% for the year ended December 31, 2001. This reflected lower yields on fixed maturity securities and commercial mortgages.

Net realized losses on investments decreased by \$1 million, or 1%, from \$119 million in 2001 to \$118 million in 2002. In 2002, we had other-than-temporary impairments of \$85 million, as compared to \$78 million in 2001. Impairments of available for sale securities in excess of \$10 million in 2002 consisted of an \$18 million writedown of fixed maturity investments in NRG Energy Inc. (NRG Energy), a \$12 million writedown of fixed maturity investments in AT&T Canada and an \$11 million writedown of fixed maturity investments in MCI WorldCom. Impairments of available for sale securities in excess of \$10 million in 2001 consisted of a \$22 million writedown of fixed maturity investments in Enron Corp. (Enron).

Amortization of deferred gain on disposal of businesses increased by \$12 million, or 18%, from \$68 million in 2001 to \$80 million in 2002. The increase was primarily due to a full year of amortization of the deferred gain on the sale of FFG as compared to nine months in 2001. This deferred gain on sale is discussed in more detail under *Corporate and Other* below.

Gain on disposal of businesses decreased by \$51 million, or 82%, from \$62 million in 2001 to \$11 million in 2002. The \$62 million reflects the gain on the sale of FFG's mutual fund operations. The \$11 million reflected the pre-tax gain on the sale of NHP.

Fees and other income increased by \$24 million, or 11%, from \$222 million in 2001 to \$246 million in 2002. The increase was primarily due to a full year of fee income from CORE and an increase in fee income from the Assurant Solutions segment, mainly from their credit insurance business transitioning to debt protection administration. In late 2000, the majority of Assurant Solutions' credit insurance clients began a transition from use of our credit insurance products to debt protection administration programs, from which we earn fee income rather than net earned premiums and where margins are lower than in the traditional credit insurance programs. However, because debt protection administration is not an insurance product, certain costs such as regulatory costs and cost of capital are expected to be eliminated as the transition from credit insurance to debt protection administration services continues. The fees from debt protection administration did not fully compensate for the decrease in credit insurance premiums. See *Business Operating Business Segments Assurant Solutions Consumer Protection Solutions*. The increases

were partially offset by a \$42 million, or 63%, decrease from the Corporate and Other segment due to the sale of FFG (partially through reinsurance), which had \$65 million of fee income (generated from mutual fund operations included in such sale) in the first quarter of 2001.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses increased by \$181 million, or 3%, from \$5,981 million in 2001 to \$6,162 million in 2002.

Policyholder benefits increased by \$190 million, or 6%, from \$3,239 million in 2001 to \$3,429 million in 2002. The increase was primarily due to the effects of the acquisitions and dispositions described above. The increases were also partially offset by a \$84 million, or 6%, decrease from the Assurant Health segment, primarily due to higher mix of individual health insurance business, which generally has a lower expected loss ratio relative to small employer group business, disciplined pricing and product design changes.

Selling, underwriting and general expenses increased by \$118 million, or 5%, from \$2,497 million in 2001 to \$2,615 million in 2002. The Assurant Employee Benefits segment contributed \$106 million of this increase, primarily due to the DBD and CORE acquisitions. This increase was offset by a \$65 million decrease in the Corporate and Other segment due to the sale of FFG. The Assurant Health segment increased by \$50 million, primarily due to an increase in the amortization of DAC and due to costs associated with higher employee compensation and investments in technology. Also, the Assurant PreNeed segment increased by \$22 million, primarily due to increase in amortization of DAC and VOBA as a result of an increase in sales of single pay policies and increases in general expenses.

Amortization of goodwill was \$0 in 2002 compared to \$113 million in 2001, as a result of our adoption of FAS 142 as described above.

Interest expense decreased from \$14 million in 2001 to \$0 in 2002. In April 2001, we used a portion of the FFG sale proceeds to repay \$225 million of outstanding debt owed to Fortis Finance N.V. (Fortis Finance), a wholly owned subsidiary of Fortis.

Distributions on preferred securities of subsidiary trusts in 2002 remained unchanged from 2001 at \$118 million.

Net Income

Net income decreased by \$1,099 million from a profit of \$98 million in 2001 to a loss of \$1,001 million in 2002.

Income taxes increased by \$2 million, or 2%, from \$108 million in 2001 to \$110 million in 2002. The effective tax rate for 2002 was 29.7% compared to 52.4% in 2001. The change in the effective tax rate primarily related to the elimination of amortization of goodwill in 2002.

When we adopted FAS 142 in 2002, we recognized a cumulative effect (expense) of change in accounting principle of \$1,261 million in 2002 as compared to \$0 recognized in 2001.

Year Ended December 31, 2001 Compared to December 31, 2000

Total Revenues

Total revenues decreased by \$25 million, or 0.4%, from \$6,212 million in 2000 to \$6,187 million in 2001.

Net earned premiums and other considerations increased by \$98 million, or 2%, from \$5,144 million in 2000 to \$5,242 million in 2001. Excluding the \$71 million increase as a result of the acquisitions and dispositions described above, net earned premiums and other considerations increased by \$27 million due to a \$126 million increase at Assurant Solutions and a \$23 million increase in 2001 in dental products issued by Assurant Employee Benefits. Offsetting these increases was a \$129 million decrease in 2001 in net earned premiums and other considerations in Assurant Health due to declining membership in its small employer group health insurance product line.

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Net investment income increased by \$21 million, or 3%, from \$691 million in 2000 to \$712 million in 2001. The increase was primarily due to an increase in investment yields in 2001. The yield on average invested assets and cash was 6.86% for the year ended December 31, 2001, compared to 6.55% for the year ended December 31, 2000. This reflected higher yields on fixed maturity securities and commercial mortgage loans due in part to a higher interest rate environment.

Net realized losses on investments increased by \$74 million, or 164%, from \$45 million in 2000 to \$119 million in 2001. In 2001, we had other-than-temporary impairments on fixed maturity securities of \$78 million, as compared to \$5 million in 2000. Impairments of available for sale securities in excess of \$10 million in 2001 consisted of a \$22 million writedown of fixed maturity investments in Enron.

Amortization of deferred gains on disposal of businesses increased by \$58 million, from \$10 million in 2000 to \$68 million in 2001, mainly due to the recognition of nine months of amortization of the FFG deferred gain compared to \$0 in 2000.

Gain on disposal of business increased by \$50 million from \$12 million in 2000 to \$62 million in 2001. The increase was due to \$62 million of gains recognized on the sale of FFG's mutual fund management operations in 2001, as compared to \$12 million of gains recognized on the sale of ACSIA in 2000.

Fees and other income decreased by \$178 million, or 45%, from \$400 million in 2000 to \$222 million in 2001. Excluding the \$211 million decrease as a result of the acquisitions and dispositions described above, fees and other income increased by \$36 million largely as a result of increased fees generated by our mortgage servicing business and fees from administering debt protection programs in Assurant Solutions.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses decreased by \$37 million, or 1.6%, from \$6,018 million in 2000 to \$5,981 million in 2001.

Policyholder benefits increased by \$31 million, or 1%, from \$3,208 million in 2000 to \$3,239 million in 2001. Excluding the \$10 million decrease as a result of the acquisitions and dispositions described above, policyholder benefits increased by \$41 million due to a \$115 million increase at Assurant Solutions as a result of growth in its business. Assurant Employee Benefits contributed an additional increase of \$36 million due to corresponding growth in its dental and disability product businesses. Offsetting these increases was a \$192 million decrease in Assurant Health as a result of improved loss experience and decreases in its small employer group health insurance business.

Selling, underwriting and general expenses decreased by \$71 million, or 3%, from \$2,568 million in 2000 to \$2,497 million in 2001. Excluding the \$159 million decrease as a result of the acquisitions and dispositions described above, selling, underwriting and general expenses increased by \$88 million, mainly due to a \$140 million increase at Assurant Solutions attributable to additional commission expenses associated with growth in sales of its warranty and extended service contract products. The Corporate and Other segment offset the increase by \$43 million, primarily due to two months of selling, underwriting and general expenses in 2000 associated with our LTC operations which were sold to John Hancock on March 1, 2000.

Amortization of goodwill increased by \$6 million, or 6%, from \$107 million in 2000 to \$113 million in 2001.

Interest expense decreased by \$11 million, or 44%, from \$25 million in 2000 to \$14 million in 2001 mainly due to less debt outstanding during 2001 compared to 2000. In April 2001, we used a portion of the FFG sale proceeds to repay \$225 million of debt owed to Fortis Finance.

Distributions on preferred securities of subsidiary trusts increased by \$8 million, or 7%, from \$110 million in 2000 to \$118 million in 2001, mainly due to twelve months of interest related to trust originated preferred securities, which were issued in March 2000.

Net Income

Net income increased by \$8 million, or 9%, from \$90 million in 2000 to \$98 million in 2001.

Income taxes increased by \$4 million, or 4%, from \$104 million in 2000 to \$108 million in 2001. The increase was consistent with the 6% increase in income before income taxes.

Assurant Solutions

Overview

The table below presents information regarding Assurant Solutions' results of operations:

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2003	2002	2002	2001	2000
(in millions)					
Revenues:					
Net earned premiums and other considerations	\$ 1,124	\$ 995	\$ 2,077	\$ 1,906	\$ 1,780
Net investment income	96	101	205	218	212
Fees and other income	68	57	119	98	68
Total revenues	1,288	1,153	2,401	2,222	2,060
Benefits, losses and expenses:					
Policyholder benefits	(410)	(346)	(755)	(640)	(525)
Selling, underwriting and general expenses	(776)	(710)	(1,449)	(1,444)	(1,304)
Total benefits, losses and expenses	(1,186)	(1,056)	(2,204)	(2,084)	(1,829)
Segment income before income tax	102	97	197	138	231
Income taxes	(33)	(32)	(65)	(40)	(76)
Segment income after tax	\$ 69	\$ 65	\$ 132	\$ 98	\$ 155
Net earned premiums and other considerations by major product groupings:					
Specialty Property Solutions(1)	342	255	552	452	413
Consumer Protection Solutions(2)	782	740	1,525	1,454	1,367
Total	\$ 1,124	\$ 995	\$ 2,077	\$ 1,906	\$ 1,780

(1) Specialty Property Solutions includes a variety of specialized property insurance programs that are coupled with unique administrative capabilities.

(2)

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Consumer Protection Solutions includes an array of debt protection administration services, credit insurance programs and warranties and extended service contracts.

Six Months Ended June 30, 2003 Compared to Six Months Ended June 30, 2002

Total Revenues

Total revenues increased by \$135 million, or 12%, from \$1,153 million for the six months ended June 30, 2002, to \$1,288 million for the six months ended June 30, 2003.

Net earned premiums and other considerations increased by \$129 million, or 13%, from \$995 million for the six months ended June 30, 2002, to \$1,124 million for the six months ended June 30, 2003. This increase was primarily due to \$87 million of additional net earned premiums and other considerations attributable to our specialty property solutions products, including approximately \$60 million from our creditor-placed and voluntary homeowners insurance and manufactured housing homeowners insurance lines from new clients and

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increased sales through growth in existing clients. Consumer protection solutions also contributed \$42 million in net earned premiums and other considerations primarily from growth in our warranty and extended service contracts business.

Net investment income decreased by \$5 million, or 5%, from \$101 million for the six months ended June 30, 2002, to \$96 million for the six months ended June 30, 2003. The average portfolio yield dropped 32 basis points from 6.04% (annualized) for the six months ended June 30, 2002, to 5.72% (annualized) for the six months ended June 30, 2003 due to the lower interest rate environment. The average invested assets remained relatively flat.

Fees and other income increased by \$11 million, or 19%, from \$57 million for the six months ended June 30, 2002, to \$68 million for the six months ended June 30, 2003, mainly from the continuing transition of our credit insurance business to our debt protection administration business.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses increased by \$130 million, or 12%, from \$1,056 million for the six months ended June 30, 2002 to \$1,186 million for the six months ended June 30, 2003.

Policyholder benefits increased by \$64 million, or 19%, from \$346 million for the six months ended June 30, 2002, to \$410 million for the six months ended June 30, 2003. This increase was due in part to \$41 million in growth in our creditor-placed and voluntary homeowners insurance and our manufactured housing homeowners insurance lines. Our consumer protection solutions products also contributed \$19 million, primarily related to the increase in business in our extended service and warranty products business.

Selling, underwriting and general expenses increased by \$66 million, or 9%, from \$710 million for the six months ended June 30, 2002, to \$776 million for the six months ended June 30, 2003. Commissions, taxes, licenses and fees increased by \$52 million primarily due to \$38 million of growth in our extended service and warranty products and \$11 million in growth in our manufactured housing homeowners insurance and creditor-placed and voluntary homeowners insurance lines. General expenses increased by \$14 million, primarily from start up costs related to new clients in the creditor-placed homeowners insurance area.

Segment Income After Tax

Segment income after tax increased by \$4 million, or 6%, from \$65 million for the six months ended June 30, 2002, to \$69 million for the six months ended June 30, 2003. Excluding the decrease in investment income of \$3 million after-tax, the segment income after tax increased by \$7 million, or 11%.

Income taxes increased by \$1 million, or 3%, from \$32 million for the six months ended June 30, 2002, to \$33 million for the six months ended June 30, 2003. This increase was due primarily to the increase in segment income before income tax of \$5 million.

Year Ended December 31, 2002 Compared to December 31, 2001

Total Revenues

Total revenues increased by \$179 million, or 8%, from \$2,222 million in 2001 to \$2,401 million in 2002.

Net earned premiums and other considerations increased by \$171 million, or 9%, from \$1,906 million in 2001 to \$2,077 million in 2002. The increase was primarily due to approximately \$100 million of additional net earned premiums from our specialty property solutions products, including approximately \$86 million from the growth of our creditor-placed and voluntary homeowners insurance, **flood insurance** and manufactured housing related property coverages. Consumer protection solutions contributed an additional \$71 million to the increase in net earned premiums due to the growth of \$56 million attributable to our warranty and extended service contracts business and \$58 million from an **accidental death and dismemberment** product, which we started selling in 2001 and stopped selling in 2002. These increases were partly offset by the decrease in credit insurance products of approximately \$60 million as the transition from credit insurance products to debt protection administration programs continued and fees from debt protection administration programs did not

fully compensate for the decrease in credit insurance premiums. See [Business Operating Business Segments Assurant Solutions Consumer Protection Solutions](#) .

Net investment income decreased by \$13 million, or 6%, from \$218 million in 2001 to \$205 million in 2002. The average portfolio yield dropped 39 basis points from 6.51% in 2001 to 6.12% in 2002 due to the lower interest rate environment. This decrease was partially offset by the reinvestment of tax advantaged investments, such as preferred stock, low-income housing tax credit investments and tax-exempt municipal bonds, into higher yield taxable investments. Average invested assets remained relatively flat.

Fees and other income increased by \$21 million, or 21%, from \$98 million in 2001 to \$119 million in 2002, including \$13 million in additional fee income resulting from our credit insurance business transitioning to debt protection administration services.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses increased by \$120 million, or 6%, from \$2,084 million in 2001 to \$2,204 million in 2002.

Policyholder benefits increased by \$115 million, or 18%, from \$640 million in 2001 to \$755 million in 2002. Consumer protection solutions benefits contributed \$98 million of this increase due to approximately \$52 million from the warranty and extended service contracts business and \$58 million from an accidental death and disability product. The increase was partly offset by the decrease in benefits in credit insurance products of approximately \$14 million, which related to the decrease in premiums resulting from the transition to debt protection administration products. The growth of our specialty property solutions product lines also contributed a further \$17 million to the increase in policyholder benefits in 2002, including approximately \$10 million of losses related to Hurricane Lili and Arizona wildfires.

Selling, underwriting and general expenses increased by \$5 million, or less than 1%, from \$1,444 million in 2001 to \$1,449 million in 2002. Commissions, taxes, licenses and fees contributed \$22 million to the increase. The increase was primarily in our specialty property solutions business from the growth in the creditor-placed homeowners and manufactured housing homeowners insurance products. This increase was offset by a decrease in general expenses of \$16 million in the six months ended June 30, 2003, primarily due to a non-recurring cost incurred in 2001.

Segment Income After Tax

As a result of the foregoing, segment income after tax increased by \$34 million, or 35%, from \$98 million in 2001 to \$132 million in 2002.

Income taxes increased \$25 million, or 62%, from \$40 million in 2001 to \$65 million in 2002. The increase was primarily due to a 43% increase in segment income before income tax. The majority of the remaining increase was due to an increase in our effective tax rate primarily due to our decision to reduce our ownership of tax-advantaged investments.

Year Ended December 31, 2001 Compared to December 31, 2000

Total Revenues

Total revenues increased by \$162 million, or 8%, from \$2,060 million in 2000 to \$2,222 million in 2001.

Net earned premiums and other considerations increased by \$126 million, or 7%, from \$1,780 million in 2000 to \$1,906 million in 2001. The increase was primarily due to \$87 million of additional earned premiums in our consumer protection solutions products, including approximately \$120 million from our extended service and warranty contract products mainly resulting from the addition of a new client in late 2000. This increase was largely offset by a \$68 million decrease in our credit insurance products as result of the transition from use of our credit insurance products to debt protection administration programs.

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Net earned premiums in our specialty property solutions business increased by \$39 million from 2000 to 2001, primarily from new business growth in our creditor-placed homeowners insurance and manufactured housing homeowners insurance product lines.

Net investment income increased by \$6 million, or 3%, from \$212 million in 2000 to \$218 million in 2001. The average portfolio yield dropped 18 basis points from 6.69% in 2000 to 6.51% in 2001 due to the lower interest rate environment. Average invested assets increased by approximately 6% in 2001.

Fees and other income increased by \$30 million, or 44%, from \$68 million in 2000 to \$98 million in 2001. The increase was primarily due to an increase of \$6 million in administrative services fees in the mortgage services area and \$9 million due to growth in the warranty and extended service contracts business. An additional \$8 million increase was recorded as a result of customers transitioning to our debt protection administration services.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses increased by \$255 million, or 14%, from \$1,829 million in 2000 to \$2,084 million in 2001.

Policyholder benefits increased by \$115 million, or 22%, from \$525 million in 2000 to \$640 million in 2001. Consumer protection solutions benefits increased by \$87 million primarily related to the growth in our extended service and warranty contract products. Specialty property solutions benefits increased by \$27 million in 2001 primarily due to new clients and growth in business at existing clients in the creditor-placed homeowners insurance and manufactured housing homeowners insurance product lines.

Selling, underwriting and general expenses increased by \$140 million, or 11%, from \$1,304 million in 2000 to \$1,444 million in 2001. Commissions, taxes, licenses and fees increased by \$67 million, or 8%. The increase was attributable to \$59 million of commissions from growth in the warranty and extended service contracts business, offset by a decrease of approximately \$14 million in commissions payable on distribution of credit insurance products due to the decrease in net earned premiums in this product line. General expenses increased \$72 million, or 15%, from 2000 to 2001. In 2001, we made a strategic decision to exit certain lines of business that were determined not to be core products. Additionally, we decided to close two separate sites to eliminate duplicate costs and consolidate them in our home office with existing staff. We incurred non-recurring expenses of \$37 million in 2001, including \$14 million in employee separation costs related to these decisions. Furthermore, our expenses increased by \$22 million in 2001 due to additional costs related to growth in our creditor-placed homeowners insurance business.

Segment Income After Tax

Segment income after tax decreased by \$57 million, or 37%, from \$155 million in 2000 to \$98 million in 2001. Assurant Solutions overall results in 2001 were affected by our decision to exit certain lines of business and close separate sites and also by the increase in expenses related to the growth in the creditor-placed homeowners insurance product. The majority of the remaining decrease was attributable to the transition from credit insurance to debt protection administration services.

Income taxes decreased by \$36 million, or 47%, from \$76 million in 2000 to \$40 million in 2001. The decrease was due primarily to the decrease in segment income before income tax of \$93 million in 2001.

*Assurant Health**Overview*

The table below presents information regarding Assurant Health's results of operations:

	For the Six Months Ended June 30,		For the Year Ended December 31,		
	2003	2002	2002	2001	2000
(in millions except membership data)					
Revenues:					
Net earned premiums and other considerations	\$ 969	\$ 904	\$ 1,834	\$ 1,838	\$ 1,967
Net investment income	25	28	55	58	58
Fees and other income	15	10	23	14	11
Total revenues	1,009	942	1,912	1,910	2,036
Benefits, losses and expenses:					
Policyholder benefits	(630)	(602)	(1,222)	(1,306)	(1,498)
Selling, underwriting and general expenses	(283)	(265)	(546)	(496)	(471)
Total benefits, losses and expenses	(913)	(867)			