ASSURANT INC
Form 10-Q
May 06, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 31, 2009

OR

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

Assurant, Inc.

(Exact name of registrant as specified in its charter)

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

One Chase Manhattan Plaza, 41st Floor

New York, New York 10005

(212) 859-7000

(Address, including zip code, and telephone number, including

area code, of Registrant s Principal Executive Offices)

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

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

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

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

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

The number of shares of the registrant s Common Stock outstanding at May 1, 2009 was 117,753,411.

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ASSURANT, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2009

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Assurant, Inc.

Consolidated Balance Sheets (unaudited)

At March 31, 2009 and December 31, 2008

	March 31, 2009	December 31, 2008
	(in thousands except per share and share amounts)	
Assets		
Investments:		
Fixed maturity securities available for sale, at fair value (amortized cost $9,320,038 in 2009 and $9,204,228 in 2008)	$ 8,616,598	$ 8,591,266
Equity securities available for sale, at fair value (cost $540,903 in 2009 and $577,356 in 2008)	374,376	474,873
Commercial mortgage loans on real estate, at amortized cost	1,495,420	1,506,694
Policy loans	57,793	58,096
Short-term investments	664,272	703,402
Collateral held under securities lending	181,177	234,027
Other investments	488,410	498,434
Total investments	11,878,046	12,066,792
Cash and cash equivalents	664,339	1,040,684
Premiums and accounts receivable, net	439,534	513,181
Reinsurance recoverables	4,076,574	4,010,170
Accrued investment income	153,819	144,679
Tax receivable		44,156
Deferred acquisition costs	2,579,420	2,650,672
Property and equipment, at cost less accumulated depreciation	277,288	278,621
Deferred income taxes, net	530,700	449,372
Goodwill	1,005,027	1,001,899
Value of business acquired	104,627	108,204
Other assets	508,908	427,347
Assets held in separate accounts	1,602,362	1,778,809
Total assets	$ 23,820,644	$ 24,514,586

See the accompanying notes to the consolidated financial statements

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Assurant, Inc.

Consolidated Balance Sheets (unaudited)

At March 31, 2009 and December 31, 2008

	March 31, 2009	December 31, 2008
	(in thousands except per share and share amounts)	
Liabilities		
Future policy benefits and expenses	$ 7,150,150	$ 7,095,645
Unearned premiums	5,227,849	5,407,859
Claims and benefits payable	3,278,332	3,302,731
Commissions payable	192,295	233,200
Reinsurance balances payable	67,862	88,393
Funds held under reinsurance	38,492	38,433
Deferred gain on disposal of businesses	180,558	187,360
Obligation under securities lending	202,616	256,506
Accounts payable and other liabilities	1,165,168	1,433,028
Tax payable	64,496	
Debt	971,982	971,957
Mandatorily redeemable preferred stock	8,160	11,160
Liabilities related to separate accounts	1,602,362	1,778,809
Total liabilities	20,150,322	20,805,081
Commitments and contingencies (Note 12)		
Stockholders equity		
Common stock, par value $0.01 per share, 800,000,000 shares authorized, 117,533,500 and 117,368,534 shares outstanding at March 31, 2009 and December 31, 2008, respectively	1,445	1,443
Additional paid-in capital	2,936,265	2,928,160
Retained earnings	2,714,463	2,650,371
Accumulated other comprehensive loss	(782,328)	(670,946)
Treasury stock, at cost; 26,997,943 shares at March 31, 2009 and December 31, 2008	(1,199,523)	(1,199,523)
Total stockholders equity	3,670,322	3,709,505
Total liabilities and stockholders equity	$ 23,820,644	$ 24,514,586

See the accompanying notes to the consolidated financial statements

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Assurant, Inc.

Consolidated Statement of Operations (unaudited)

Three Months Ended March 31, 2009 and 2008

	Three Months Ended March 31, 2009	2008
	(in thousands except per share and share amounts)	
Revenues		
Net earned premiums and other considerations	$ 1,874,579	$ 1,941,417
Net investment income	178,479	197,774
Net realized losses on investments	(55,689)	(43,143)
Amortization of deferred gain on disposal of businesses	6,802	7,379
Fees and other income	83,706	73,898
Total revenues	2,087,877	2,177,325
Benefits, losses and expenses		
Policyholder benefits	960,342	937,459
Amortization of deferred acquisition costs and value of business acquired	387,794	405,208
Underwriting, general and administrative expenses	566,685	533,442
Interest expense	15,189	15,288
Total benefits, losses and expenses	1,930,010	1,891,397
Income before provision for income taxes	157,867	285,928
Provision for income taxes	77,286	99,098
Net income	$ 80,581	$ 186,830
Earnings Per Share		
Basic	$ 0.68	$ 1.58
Diluted*	$ 0.68	$ 1.56
Dividends per share	$ 0.14	$ 0.12
Share Data:		
Weighted average shares outstanding used in basic per share calculations*	117,891,543	118,103,519
Plus: Dilutive securities*	76,204	1,283,802
Weighted average shares used in diluted per share calculations*	117,967,747	119,387,321

*Prior period amounts have been adjusted in accordance with FSP EITF 03-6-1. See Notes 3 and 9.

See the accompanying notes to the consolidated financial statements

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Assurant, Inc.

Consolidated Statement of Changes in Stockholders Equity (unaudited)

From December 31, 2008 through March 31, 2009

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total
Balance, December 31, 2008	$ 1,443	$ 2,928,160	$ 2,650,371	$ (670,946)	$ (1,199,523)	$ 3,709,505
Stock plan exercises	2	3,221				3,223
Stock plan compensation expense		5,539				5,539
Change in tax benefit from share-based payment arrangements		(655)				(655)
Dividends			(16,489)			(16,489)
Comprehensive loss:						
Net income			80,581			80,581
Other comprehensive loss:						
Net change in unrealized losses on securities, net of taxes of $53,557				(106,926)		(106,926)
Net change in foreign currency translation, net of taxes of $1,562				(5,057)		(5,057)
Amortization of pension and postretirement unrecognized net periodic benefit, net of taxes of $(324)				601		601
Total other comprehensive loss						(111,382)
Total comprehensive loss:						(30,801)
Balance, March 31, 2009	$ 1,445	$ 2,936,265	$ 2,714,463	$ (782,328)	$ (1,199,523)	$ 3,670,322

See the accompanying notes to the consolidated financial statements

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Assurant, Inc.

Consolidated Statement of Cash Flows (unaudited)

Three Months Ended March 31, 2009 and 2008

	Three Months Ended March 31, 2009	2008
	(in thousands)	
Net cash (used in) provided by operating activities	$ (264,569)	$ 450,192
Investing activities		
Sales of:		
Fixed maturity securities available for sale	176,029	575,869
Equity securities available for sale	16,908	81,492
Property and equipment and other	137	1,251
Maturities, prepayments, and scheduled redemption of:		
Fixed maturity securities available for sale	175,548	189,552
Purchases of:		
Fixed maturity securities available for sale	(489,486)	(578,632)
Equity securities available for sale	(5,677)	(177,592)
Property and equipment and other	(13,286)	(15,455)
Change in commercial mortgage loans on real estate	10,798	(37,875)
Change in short term investments	37,572	(242,936)
Change in other invested assets	2,145	(5,946)
Change in policy loans	267	58
Change in collateral held under securities lending	53,890	20,303
Net cash used in investing activities	(35,155)	(189,911)
Financing activities		
Repayment of mandatorily redeemable preferred stock	(3,000)	(10,000)
Change in tax benefit from share-based payment arrangements	(655)	599
Dividends paid	(16,489)	(14,173)
Change in obligation under securities lending	(53,890)	(20,303)
Net cash used in financing activities	(74,034)	(43,877)
Effect of exchange rate changes on cash and cash equivalents	(2,587)	(774)
Change in cash and cash equivalents	(376,345)	215,630
Cash and cash equivalents at beginning of period	1,040,684	804,964
Cash and cash equivalents at end of period	$ 664,339	$ 1,020,594

See the accompanying notes to the consolidated financial statements

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited)

Three Months Ended March 31, 2009 and 2008

(In thousands, except per share and share amounts)

1. Nature of Operations

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

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

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

2. Basis of Presentation

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

The interim financial data as of March 31, 2009 and for the three months ended March 31, 2009 and March 31, 2008 is unaudited; in the opinion of management, the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary to a fair statement of the results for the interim periods. The unaudited interim consolidated financial statements include the accounts of the Company and all of its wholly owned subsidiaries. All inter-company transactions and balances are eliminated in consolidation. Certain prior period amounts have been reclassified to conform to the 2009 presentation.

Effective January 1, 2009, new preneed life insurance policies in which death benefit increases are determined at the discretion of the Company are accounted for as universal life contracts under Statement of Financial Accounting Standards (FAS) No. 97, *Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments* (FAS 97). For contracts sold prior to January 1, 2009, these types of preneed life insurance sales are accounted for and will continue to be accounted for under FAS No. 60, *Accounting and Reporting by Insurance Enterprises.* The difference between reporting in accordance with FAS 60 and FAS 97 is not material. In addition, this change did not materially impact the Company s results of operations, but resulted in the Company recording policy fee income instead of net earned premiums and incurred losses.

Operating results for the three months ended March 31, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

3. Recent Accounting Pronouncements

Recent Accounting Pronouncements - Adopted

On January 1, 2009, the Company adopted Statement of Financial Accounting Standards (FAS) No. 141R, *Business Combinations* (FAS 141R). FAS 141R replaces FAS No. 141, *Business Combinations* (FAS 141). FAS 141R retains the fundamental requirements of FAS 141 that the acquisition method of accounting be used for all business combinations, that an acquirer be identified for each business combination and for goodwill to be recognized and measured as a residual. FAS 141R expands the definition of transactions and events that qualify as business combinations to all transactions and other events in which one entity obtains control over one

Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited) (Continued)

Three Months Ended March 31, 2009 and 2008

(In thousands, except per share and share amounts)

or more other businesses. FAS 141R broadens the fair value measurement and recognition of assets acquired, liabilities assumed, and interests transferred as a result of business combinations. FAS 141R also increases the disclosure requirements for business combinations in the consolidated financial statements. The adoption of FAS 141R did not have an impact on the Company s financial position or results of operations. However, should the Company enter into any business combination in 2009 or beyond, our financial position or results of operations could incur a significantly different impact than had it recorded the acquisition under FAS 141. Earnings volatility could result, depending on the terms of the acquisition.

On January 1, 2009, the Company adopted FAS No. 160, *Noncontrolling Interest in Consolidated Financial Statements an amendment of ARB No. 51* (FAS 160). FAS 160 requires that a noncontrolling interest in a subsidiary be separately reported within equity and the amount of consolidated net income attributable to the noncontrolling interest be presented in the statement of operations. FAS 160 also calls for consistency in reporting changes in the parent s ownership interest in a subsidiary and necessitates fair value measurement of any noncontrolling equity investment retained in a deconsolidation. The adoption of FAS 160 did not have an impact on the Company s financial position or results of operations.

On January 1, 2009, the Company applied FAS No. 157, *Fair Value Measurements* (FAS 157), for all non-financial assets and liabilities measured at fair value on a non-recurring basis in accordance with FASB Staff Position (FSP) FAS 157-2, *Effective Date of FAS 157* (FSP FAS 157-2), which postponed the effective date of FAS 157 for those assets and liabilities to fiscal years beginning after November 15, 2008, which for the Company is January 1, 2009. The application of FSP FAS 157-2 did not have an impact on the Company s financial position or results of operations. The Company s non-financial assets measured at fair value on a non-recurring basis include goodwill and intangible assets. In a business combination, the non-financial assets and liabilities of the acquired company would be measured at fair value in accordance with FAS 157. The requirements of FAS 157 include using an exit price based on an orderly transaction between market participants at the measurement date assuming the highest and best use of the asset by market participants. The Company would use a market, income or cost approach valuation technique to perform the valuations. Since the Company performs its annual impairment analyses of goodwill and indefinite-lived intangible assets in the fourth quarter of each year and since no impairment trigger event occurred during the first quarter of 2009, the application of FAS 157 for all non-financial assets and liabilities measured at fair value on a non-recurring basis did not have an impact on the Company s financial position or results of operations. However, there may be an impact during 2009 on the Company s financial position and results of operations when the Company performs an impairment analysis of goodwill and indefinite-lived intangible assets due to the difference in fair value methodology required under FAS 157.

On January 1, 2009, the Company adopted FSP Emerging Issues Task Force (EITF) Issue 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (FSP EITF 03-6-1). FSP EITF 03-6-1 requires companies to treat unvested share-based payment awards that have non-forfeitable rights to dividend or dividend equivalents as participating securities. Therefore, the Company s restricted stock and restricted stock units which have non-forfeitable rights to dividends are included in calculating basic and diluted earnings per share under the two-class method described in FAS No. 128, *Earnings Per Share* (FAS 128). All prior period earnings per share data presented have been adjusted retrospectively. The adoption of FSP EITF 03-6-1 did not have a material impact on the Company s basic and diluted earnings per share calculations for the periods ended March 31, 2009 and 2008. See Note 9 for further information.

Recent Accounting Pronouncements - Not Yet Adopted

In April 2009, the FASB issued FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP FAS 157-4). FSP FAS 157-4 supersedes FSP FAS 157-3, *Determining the Fair Value of a*

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited) (Continued)

Three Months Ended March 31, 2009 and 2008

(In thousands, except per share and share amounts)

Financial Asset When the Market for That Asset Is Not Active. FSP FAS 157-4 reiterates that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. FSP FAS 157-4 requires companies to evaluate certain factors to determine whether there has been a significant decrease in the volume and level of activity for the asset or liability when compared with normal market activity for the asset or liability (or similar assets or liabilities). If a company concludes there has been a significant decrease in the volume and level of activity for the asset or liability in relation to normal market activity for the asset or liability (or similar assets or liabilities), further analysis of the transactions or quoted prices is required and a significant adjustment to the transactions or quoted prices may be necessary to estimate fair value in accordance with FAS 157. A company would need to determine whether or not a transaction is orderly based on the information that is available without undue cost and effort. If a transaction is not orderly, little reliance would be placed on that transaction price when estimating fair value. If a transaction is not known to be orderly, that transaction price would be considered when estimating fair value. However, less reliance would be placed on prices from transactions that are not known to be orderly as compared to transactions that are known to be orderly. FSP FAS 157-4 also requires additional disclosures in the period of adoption and in interim and annual periods. FSP FAS 157-4 is effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company did not elect the early adoption option; therefore, the Company is required to adopt FAS 157-4 for the period ending June 30, 2009. The Company is currently evaluating the requirements of FSP FAS 157-4 and the potential impact on the Company s financial position and results of operations.

In April 2009, the FASB issued FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments (OTTI)* (FSP FAS 115-2 and FAS 124-2). FSP FAS 115-2 and FAS 124-2 changes both the trigger to record an OTTI and the impairment amount that would be recognized in the results of operations for debt securities only. FSP FAS 115-2 and FAS 124-2 replaces the existing requirement that the company s management assert that it has both the intent and ability to hold an impaired security until recovery in order for an impairment to be considered temporary; with a requirement that management assert that (*a*) it does not have the intent to sell the security; and (*b*) it is more likely than not it will not have to sell the security before recovery of its amortized cost basis. An OTTI would be triggered if the company does not expect to recover its amortized cost basis in the security. If selling the security is more likely than not before recovery of the amortized cost basis, the difference between the security s fair value and its amortized cost basis would be recorded in the results of operations. If selling the security is not more likely than not before recovery of the amortized cost basis, an OTTI would not have occurred unless there were credit losses, which would need to be recognized in the results of operations. Losses, other than credit, would be recognized within other comprehensive (loss) income (OCI), net of applicable taxes. The total OTTI would be presented in the results of operations with an offset for the amount of the OTTI that would be recognized in OCI. Credit losses should be measured based on the difference between the amortized cost basis of the security and the present value of expected future cash flows to be collected. As of the beginning of the period of adoption, there is also a requirement for a cumulative effect adjustment to reclassify the non-credit component of a previously recognized OTTI from retained earnings to accumulated OCI if the entity does not intend to sell the security and it is not more likely than not that the entity will be required to sell the security before recovery. FSP FAS 115-2 and FAS 124-2 require additional disclosures in the period of adoption and in both interim and annual periods for debt and equity securities that are and are not other than temporarily impaired. FSP FAS 115-2 and FAS 124-2 are effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company did not elect the early adoption option; therefore, the Company is required to adopt FSP FAS 115-2 and FAS 124-2 for the period ending June 30, 2009. The Company is currently evaluating the requirements of FSP FAS 115-2 and FAS 124-2 and the potential impact on the Company s financial position and results of operations.

In April 2009, the FASB issued FSP FAS 107-1 and Accounting Principles Board Opinion (APB) 28-1, *Interim Disclosures about Fair Value of Financial Instruments* (FSP FAS 107-1 and APB 28-1). FSP FAS

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited) (Continued)

Three Months Ended March 31, 2009 and 2008

(In thousands, except per share and share amounts)

107-1 and APB 28-1 will require interim disclosures of fair value measurements for all financial instruments within the scope of FAS 107. FSP FAS 107-1 and APB 28-1 will require disclosure of the methods and assumptions used to estimate fair value. FSP FAS 107-1 and APB 28-1 is effective for interim and annual periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Company did not elect the early adoption option; therefore, the Company is required to adopt FSP FAS 107-1 and APB 28-1 for the period ending June 30, 2009. The adoption of FSP FAS 107-1 and APB 28-1 will not have an impact on the Company s financial position or results of operations.

In December 2008, the FASB issued FSP FAS 132R-1, *Employers Disclosures About Postretirement Plan Benefit Assets* (FSP FAS 132R-1). FSP FAS 132R-1 will require entities that are subject to the disclosure requirements of FAS 132R, *Employers Disclosures about Pensions and Other Postretirement Benefits an amendment of FASB Statements No. 87, 88, and 106*, to make additional disclosures about plan assets for defined benefit pension and other postretirement benefit plans. The additional disclosure requirements of FSP FAS 132R-1 include how investment allocation decisions are made, the major categories of plan assets and the inputs and valuation techniques used to measure the fair value of plan assets. FSP FAS 132R-1 will be effective for fiscal years ending after December 15, 2009. Therefore, the Company is required to adopt FSP FAS 132R-1 on December 31, 2009. The adoption of FSP FAS 132R-1 will not have an impact on the Company s financial position or results of operations.

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited) (Continued)

Three Months Ended March 31, 2009 and 2008

(In thousands, except per share and share amounts)

4. Investments

The following tables show the cost or amortized cost, gross unrealized gains and losses and fair value of our fixed maturity and equity securities as of the dates indicated:

	March 31, 2009			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturity securities:				
United States Government and government agencies and authorities	$ 120,273	$ 8,822	$ (23)	$ 129,072
States, municipalities and political subdivisions	871,498	28,901	(8,594)	891,805
Foreign governments	528,041	17,412	(12,043)	533,410
Public utilities	1,198,744	17,693	(61,112)	1,155,325
Mortgage-backed	989,841	39,616	(45,918)	983,539
All other corporate	5,611,641	55,731	(743,925)	4,923,447
Total fixed maturity securities	$ 9,320,038	$ 168,175	$ (871,615)	$ 8,616,598
Equity securities:				
Industrial, miscellaneous and all other	$ 5,384	$ 283	$ (2,008)	$ 3,659
Non-sinking fund preferred stocks	535,519	3,244	(168,046)	370,717
Total equity securities	$ 540,903	$ 3,527	$ (170,054)	$ 374,376

	December 31, 2008			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Fixed maturity securities:				
United States Government and government agencies and authorities	$ 136,725	$ 13,784	$ (22)	$ 150,487
States, municipalities and political subdivisions	874,134	14,122	(14,676)	873,580
Foreign governments	503,620	19,391	(9,693)	513,318
Public utilities	1,162,447	23,868	(59,604)	1,126,711
Mortgage-backed	981,275	29,887	(46,877)	964,285
All other corporate	5,546,027	79,407	(662,549)	4,962,885
Total fixed maturity securities	$ 9,204,228	$ 180,459	$ (793,421)	$ 8,591,266

Equity securities:				
Industrial, miscellaneous and all other	$ 5,384	$ 283	$ (1,618)	$ 4,049
Non-sinking fund preferred stocks	571,972	11,114	(112,262)	470,824
Total equity securities	$ 577,356	$ 11,397	$ (113,880)	$ 474,873

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited) (Continued)

Three Months Ended March 31, 2009 and 2008

(In thousands, except per share and share amounts)

Throughout 2008 and continuing into 2009, the fixed maturity and equity security markets experienced significant volatility and declines in market values. These declines were primarily due to declines in the housing market, credit availability, as well as a general economic slowdown. As a result, certain securities directly exposed to these factors have had significant market value declines.

In connection with these market declines, we recorded net realized losses, including other-than-temporary impairments, in the statement of operations as follows:

	Three Months Ended March 31, 2009	2008
Net realized (losses) gains related to sales:		
Fixed maturity securities	$ (8,574)	$ 4,212
Equity securities	(21,639)	(3,553)
Other investments	(37)	(393)
Total net realized (losses) gains related to sales	(30,250)	266
Net realized losses related to other-than-temporary impairments:		
Fixed maturity securities	(23,136)	(38,565)
Equity securities	(2,303)	(4,844)
Total net realized losses related to other-than-temporary impairments	(25,439)	(43,409)
Total net realized losses	$ (55,689)	$ (43,143)

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

When we determine that there is an other-than-temporary impairment, we write down the value of the security to the current market value, which reduces the cost basis. In periods subsequent to the recognition of an other-than-temporary impairment, we generally accrete into net investment income the discount (or amortize the reduced premium) resulting from the reduction in cost basis, based upon the amount and timing of the expected future cash flows over the remaining life of the security.

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited) (Continued)

Three Months Ended March 31, 2009 and 2008

(In thousands, except per share and share amounts)

The investment category and duration of the Company s gross unrealized losses on fixed maturity securities and equity securities at March 31, 2009 and December 31, 2008 were as follows:

	March 31, 2009					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturity securities:						
United States Government and government agencies and authorities	$ 1,086	$ (23)	$	$	$ 1,086	$ (23)
States, municipalities and political subdivisions	110,602	(4,661)	75,984	(3,933)	186,586	(8,594)
Foreign governments	164,947	(5,902)	21,006	(6,141)	185,953	(12,043)
Public utilities	353,368	(21,661)	297,322	(39,451)	650,690	(61,112)
Mortgage-backed	127,923	(14,557)	126,634	(31,361)	254,557	(45,918)
All other corporate	2,092,729	(287,963)	1,423,755	(455,962)	3,516,484	(743,925)
Total fixed maturity securities	$ 2,850,655	$ (334,767)	$ 1,944,701	$ (536,848)	$ 4,795,356	$ (871,615)
Equity securities:						
Industrial, miscellaneous and all other	$ 2,930	$ (2,008)	$	$	$ 2,930	$ (2,008)
Non-sinking fund preferred stocks	134,514	(58,203)	209,431	(109,843)	343,945	(168,046)
Total equity securities	$ 137,444	$ (60,211)	$ 209,431	$ (109,843)	$ 346,875	$ (170,054)

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Three Months Ended March 31, 2009 and 2008

(In thousands, except per share and share amounts)

	December 31, 2008					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturity securities:						
United States Government and government agencies and authorities	$ 983	$ (22)	$	$	$ 983	$ (22)
States, municipalities and political subdivisions	361,383	(12,397)	27,545	(2,279)	388,928	(14,676)
Foreign governments	117,133	(5,853)	28,478	(3,840)	145,611	(9,693)
Public utilities	474,251	(34,099)	185,491	(25,505)	659,742	(59,604)
Mortgage-backed	155,781	(27,512)	84,046	(19,365)	239,827	(46,877)
All other corporate	2,430,886	(346,331)	1,140,375	(316,218)	3,571,261	(662,549)
Total fixed maturity securities	$ 3,540,417	$ (426,214)	$ 1,465,935	$ (367,207)	$ 5,006,352	$ (793,421)
Equity securities:						
Industrial, miscellaneous and all other	$ 3,366	$ (1,618)	$	$	$ 3,366	$ (1,618)
Non-sinking fund preferred stocks	171,637	(49,291)	212,669	(62,971)	384,306	(112,262)
Total equity securities	$ 175,003	$ (50,909)	$ 212,669	$ (62,971)	$ 387,672	$ (113,880)

The total gross unrealized losses represent less than 21% and 17% of the aggregate fair value of the related securities at March 31, 2009 and December 31, 2008, respectively. Approximately 38% and 53% of these gross unrealized losses have been in a continuous loss position for less than twelve months at March 31, 2009 and December 31, 2008, respectively. The total gross unrealized losses are comprised of 1,331 and 1,409 individual securities at March 31, 2009 and December 31, 2008, respectively. At March 31, 2009, 51%, 11% and 9% of the gross unrealized losses for fixed maturity and equity securities were concentrated in the financial, consumer cyclical and industrial industries, respectively.

For fixed maturity securities, 39.4% and 31.5% of the gross unrealized losses at March 31, 2009 and December 31, 2008 were from $444,404 and $373,385 of securities with a fair value below 70% of amortized cost, or 5.2% and 4.4% of our total fixed maturity security portfolio. The percentage of fair value to amortized cost for fixed maturity securities with gross unrealized losses at March 31, 2009 and December 31, 2008 are shown in the following tables.

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(In thousands, except per share and share amounts)

	March 31, 2009			
	Par Value	Unrealized (Loss) Gain	Fair Value	% to Total Fixed Maturity Securities
> 80% of amortized cost	$ 4,011,764	$ (307,252)	$ 3,677,051	42.7%
70% to 80% of amortized cost	895,213	(221,109)	673,901	7.8%
<70% of amortized cost	799,490	(343,254)	444,404	5.2%
Gross unrealized losses on fixed maturity securities	5,706,467	(871,615)	4,795,356	55.7%
Gross unrealized gains on fixed maturity securities	3,854,177	168,175	3,821,242	44.3%
Net unrealized loss on fixed maturity securities	$ 9,560,644	$ (703,440)	$ 8,616,598	100.0%

	December 31, 2008			
	Par Value	Unrealized (Loss) Gain	Fair Value	% to Total Fixed Maturity Securities
> 80% of amortized cost	$ 4,282,068	$ (322,856)	$ 3,941,539	45.9%
70% to 80% of amortized cost	911,984	(220,308)	691,428	8.0%
<70% of amortized cost	627,811	(250,257)	373,385	4.4%
Gross unrealized losses on fixed maturity securities	5,821,863	(793,421)	5,006,352	58.3%
Gross unrealized gains on fixed maturity securities	3,614,294	180,459	3,584,914	41.7%
Net unrealized loss on fixed maturity securities	$ 9,436,157	$ (612,962)	$ 8,591,266	100.0%

Securities Lending

The Company engages in transactions in which fixed maturity securities, especially bonds issued by the United States government, government agencies and authorities, and U.S. corporations, are loaned to selected broker/dealers. Collateral, greater than or equal to 102% of the fair value of the securities lent plus accrued interest, is received in the form of cash and cash equivalents held by a custodian bank for the benefit of the Company. The use of cash collateral received is unrestricted. The Company reinvests the cash collateral received, generally in investments of high credit quality and are designated as available-for-sale under FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities* (FAS 115). The Company monitors the fair value of securities loaned and the collateral received, with additional collateral obtained as necessary. The Company is subject to the risk of loss to the extent there is a loss in the re-investment of cash collateral.

As of March 31, 2009 and December 31, 2008, our collateral held under securities lending, of which its use is unrestricted, was $181,177 and $234,027, respectively, while our liability to the borrower for collateral received was $202,616 and $256,506, respectively. The difference between the collateral held and obligations under securities lending is recorded as an unrealized loss and is included as part of accumulated other comprehensive loss. The Company has actively reduced the size of the program to mitigate counter-party exposure. The Company includes the available-for-sale investments purchased with the cash collateral in its evaluation of other-than-temporary impairments.

Cash proceeds that the Company receives as collateral for the securities it lends and subsequent repayment of the cash are regarded by the Company as cash flows from financing activities, since the cash received is considered a borrowing.

Since the Company reinvests the cash collateral generally in investments which are designated as available-for-sale under FAS 115, the reinvestment is presented as cash flows from investing activities.

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5. Fair Value Disclosures

FAS 157 defines fair value, establishes a framework for measuring fair value, creates a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In accordance with FAS 157, the Company has categorized its recurring basis financial assets and liabilities based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

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

The levels of the fair value hierarchy and its application to the Company s financial assets and liabilities are described below:

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Financial assets and liabilities utilizing Level 1 inputs include certain U.S. mutual funds, money market funds, common stock and certain foreign securities.

Level 2 inputs utilize other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly, for substantially the full term of the asset. Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active and inputs other than quoted prices that are observable in the marketplace for the asset. The observable inputs are used in valuation models to calculate the fair value for the asset. Financial assets utilizing Level 2 inputs include corporate, municipal, foreign government and public utilities bonds, private placement bonds, U.S. Government and agency securities, mortgage and asset backed securities, preferred stocks and certain U.S. and foreign mutual funds.

Level 3 inputs are unobservable but are significant to the fair value measurement for the asset, and include situations where there is little, if any, market activity for the asset. These inputs reflect management s own assumptions about the assumptions a market participant would use in pricing the asset. Financial assets utilizing Level 3 inputs include certain preferred stocks, corporate bonds and mortgage-backed securities that were quoted by brokers and could not be corroborated by Level 2 inputs and derivatives.

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

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The following tables present the Company s fair value hierarchy for those recurring basis assets and liabilities as of March 31, 2009 and December 31, 2008.

	March 31, 2009						
Financial Assets	**Total**	**Level 1**		**Level 2**		**Level 3**	
Fixed maturity securities	$ 8,616,598	$ 2,378		$ 8,454,432		$ 159,788	
Equity securities	374,376	2,774	a	355,437		16,165	
Short-term investments	664,272	533,998		130,274			
Collateral held under securities lending	142,177	47,257		94,920			
Other investments	230,178	56,883	b	167,249	c	6,046	c
Cash equivalents	446,983	446,983					
Other assets	8,934					8,934	
Assets held in separate accounts	1,526,146	1,362,206	a	163,940			
Total financial assets	$ 12,009,664	$ 2,452,479		$ 9,366,252		$ 190,933	
Financial Liabilities							
Other liabilities	$ 56,883	$ 56,883	b	$		$	

	December 31, 2008						
Financial Assets	**Total**	**Level 1**		**Level 2**		**Level 3**	
Fixed maturity securities	$ 8,591,266	$ 2,398		$ 8,427,643		$ 161,225	
Equity securities	474,873	3,165	a	455,352		16,356	
Short-term investments	703,402	611,460		91,942			
Collateral held under securities lending	159,028	54,192		104,836			
Other investments	239,605	56,296	b	176,285	c	7,024	c
Cash equivalents	674,390	674,390					
Other assets	7,080					7,080	
Assets held in separate accounts	1,701,996	1,523,024	a	178,972			
Total financial assets	$ 12,551,640	$ 2,924,925		$ 9,435,030		$ 191,685	
Financial Liabilities							
Other liabilities	$ 56,296	$ 56,296	b	$		$	

[a] Mainly includes mutual fund investments

[b] Comprised of Assurant Investment Plan, American Security Insurance Company Investment Plan and Assurant Deferred Compensation Plan investments and related liability which are invested in mutual funds

[c] Consists of invested assets associated with a modified coinsurance arrangement

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The following tables summarize the change in balance sheet carrying value associated with Level 3 financial assets carried at fair value during the three months ended March 31, 2009 and March 31, 2008:

	Three Months Ended March 31, 2009				
	Total Level 3 Assets	Fixed Maturity Securities	Equity Securities	Other Investments	Other Assets
Balance, beginning of year	$ 191,685	$ 161,225	$ 16,356	$ 7,024	$ 7,080
Total net gains (losses) (realized/unrealized) included in earnings	929	(704)		1	1,632
Net unrealized gains (losses) included in stockholder s equity	2,023	2,671	(365)	(283)	
Purchases, issuances, (sales) and (settlements)	8,206	8,680		(696)	222
Net transfers (out of) in	(11,910)	(12,084)	174		
Balance, end of period	$ 190,933	$ 159,788	$ 16,165	$ 6,046	$ 8,934

	Three Months Ended March 31, 2008				
	Total Level 3 Assets	Fixed Maturity Securities	Equity Securities	Other Investments	Other Assets
Balance, beginning of year	$ 282,581	$ 256,937	$ 12,116	$ 10,368	$ 3,160
Total (losses) gains (realized/unrealized) included in earnings	(1,643)	(950)		3	(696)
Net unrealized losses included in stockholder s equity	(6,017)	(4,959)	(646)	(412)	
Purchases, issuances, (sales) and (settlements)	3,731	2,853		(346)	1,224
Net transfers (out of) in	(62,445)	(62,601)	156		
Balance, end of period	$ 216,207	$ 191,280	$ 11,626	$ 9,613	$ 3,688

FAS 157 describes three different valuation techniques to be used in determining fair value for financial assets and liabilities: the market, income or cost approaches. The three valuation techniques described in FAS 157 are consistent with generally accepted valuation methodologies. The market approach valuation techniques use prices and other relevant information from market transactions involving identical or comparable assets or liabilities. When possible, quoted prices (unadjusted) in active markets are used as of the period-end date. Otherwise, valuation techniques consistent with the market approach including matrix pricing and comparables are used. Matrix pricing is a mathematical technique employed to value certain securities without relying exclusively on quoted prices for those securities but comparing those securities to benchmark or comparable securities. Comparables use market multiples, which might lie in ranges with a different multiple for each comparable.

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

Cost approach valuation techniques are based upon the amount that would be required to replace the service capacity of an asset at the period-end date, or the current replacement cost. That is, from the perspective of

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a market participant (seller), the price that would be received for the asset is determined based on the cost to a market participant (buyer) to acquire or construct a substitute asset of comparable utility, adjusted for obsolescence.

While not all three approaches are applicable to all financial assets or liabilities, where appropriate, one or more valuation techniques may be used. For all the financial assets and liabilities included in the above hierarchy, excluding derivatives and private placement bonds, the market valuation technique is generally used. For private placement bonds and derivatives, the income valuation technique is generally used. For the period ended March 31, 2009, the application of the valuation technique applied to similar assets and liabilities has been consistent.

Level 1 and Level 2 securities are valued using various observable market inputs obtained from a pricing service. The pricing service prepares estimates of fair value measurements for our Level 2 securities using proprietary valuation models based on techniques such as matrix pricing which include observable market inputs. FAS 157 defines observable market inputs as the assumptions market participants would use in pricing the asset or liability developed on market data obtained from sources independent of the Company. The extent of the use of each observable market input for a security depends on the type of security and the market conditions at the balance sheet date. Depending on the security, the priority of the use of observable market inputs may change as some observable market inputs may not be relevant or additional inputs may be necessary. The following observable market inputs, listed in the approximate order of priority, are utilized in the pricing evaluation of Level 2 securities: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. The pricing service also evaluates each security based on relevant market information including: relevant credit information, perceived market movements and sector news. Valuation models can change period to period, depending on the appropriate observable inputs that are available at the balance sheet date to price a security. When market observable inputs are unavailable, the remaining unpriced securities are submitted to independent brokers who provide non-binding broker quotes or are priced by other qualified sources and are categorized as Level 3 securities.

Management uses the following criteria in order to determine whether the market for a financial asset is inactive:

- The volume and level of trading activity in the asset have declined significantly from historical levels,
- The available prices vary significantly over time or among market participants,
- The prices are stale (i.e., not current), and
- The magnitude of bid-ask spread.

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

The Company generally obtains one price for each financial asset. The Company performs a monthly analysis to assess if the evaluated prices represent a reasonable estimate of their fair value. This process involves quantitative and qualitative analysis and is overseen by investment and accounting professionals. Examples of procedures performed include, but are not limited to, initial and on-going review of pricing service methodologies, review of the prices received from the pricing service, review of pricing statistics and trends, and comparison of prices for certain securities with two different appropriate price sources for reasonableness. As a result of this analysis, if the Company determines there is a more appropriate fair value based upon available market data, which happens infrequently, the price of a security is adjusted accordingly. The pricing service provides

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information to indicate which securities were priced using market observable inputs so that the Company can properly categorize our financial assets in the fair value hierarchy.

6. Income Taxes

As of December 31, 2008, the Company had a cumulative valuation allowance against deferred tax assets of $98,793. During the three months ended March 31, 2009, the Company recognized income tax expense of $19,069 and other comprehensive loss of $7,000 to increase the valuation allowance. The increase in the valuation allowance was primarily related to an increase in deferred tax assets from additional realized capital losses and other-than-temporary impairments in our investment portfolio. It is management s assessment that it is more likely than not that $124,862 of deferred tax assets will not be realized.

The Company s ability to realize deferred tax assets depends on its ability to generate sufficient taxable income of the same character within the carryback or carryforward periods. In assessing future GAAP taxable income, the Company has considered all sources of taxable income available to realize its deferred tax asset, including the future reversal of existing temporary differences, future taxable income exclusive of reversing temporary differences and carryforwards, taxable income in carryback years and tax-planning strategies. If changes occur in the assumptions underlying the Company s tax planning strategies or in the scheduling of the reversal of the Company s deferred tax liabilities, the valuation allowance may need to be adjusted in the future.

7. Debt

In February 2004, the Company issued two series of senior notes with an aggregate principal amount of $975,000 (the Senior Notes). The Company received net proceeds of $971,537 from this transaction, which represents the principal amount less the discount. The discount of $3,463 is being amortized over the life of the Senior Notes and is included as part of interest expense on the statement of operations.

The interest expense incurred related to the Senior Notes was $15,047, including $7,523 of accrued interest, for the three months ended March 31, 2009 and 2008, respectively. The Company made an interest payment of $30,094 on February 15, 2009.

In March 2004, the Company established a $500,000 commercial paper program, which is available for working capital and other general corporate purposes. This program is backed up by a $500,000 senior revolving credit facility. There were no amounts relating to the commercial paper program outstanding at March 31, 2009. The Company did not use the revolving credit facility during the three months ended March 31, 2009 or the twelve months ended December 31, 2008 and no amounts are currently outstanding. The $500,000 senior revolving credit facility contains a $30,000 commitment from Lehman Brothers Bank, FSB (Lehman). Based on the financial condition of Lehman, the Company is not relying on Lehman s commitment.

The revolving credit facility contains restrictive covenants. The terms of the revolving credit facility also require that the Company maintain certain specified minimum ratios and thresholds. Among others, these covenants include maintaining a maximum debt to capitalization ratio and a minimum consolidated adjusted net worth. At March 31, 2009 the Company was in compliance with all covenants, minimum ratios and thresholds.

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Notes to Consolidated Financial Statements (unaudited) (Continued)

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8. Stock Based Compensation

Long-Term Equity Incentive Plan

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

The Compensation Committee of the Board of Directors (the Compensation Committee) has decided to award PSUs and RSUs in 2009. RSUs and PSUs are promises to provide actual stock at the end of a vesting period or performance period. The RSUs granted under the ALTEIP were based on salary grade and performance and will vest one-third each year over a three-year period. RSUs receive dividend equivalents in cash during the restricted period and they will not have voting rights during the restricted period. PSUs will accrue dividend equivalents during the performance period, which will be paid in cash at the end of the performance period.

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

PSU Performance Goals. For 2009, the Compensation Committee has established earnings per share growth, revenue growth and total stockholder return as the three performance measures for PSU awards. Earnings per share growth is defined as the year-over-year change in GAAP net income divided by average diluted shares outstanding. Revenue growth is defined as year-over-year change in GAAP total revenues as disclosed in the Company s annual statement of operations. Total stockholder s return is defined as appreciation in Company stock plus dividend yield to stockholders. The particular performance goals were set based on the performance of each measure relative to the A.M. Best U.S. Insurance Index.

Under the ALTEIP, the Company s CEO is authorized by the Board of Directors to grant common stock, restricted stock and RSUs to employees other than the executive officers of the Company (as defined in Section 16 of the Securities Exchange Act of 1934, as amended (the Exchange Act). Restricted stock and RSUs granted under this program may have different vesting periods.

Long-Term Incentive Plan

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

Restricted stock granted under the ALTIP vests pro ratably over a three year period. SARs granted prior to 2007 under the ALTIP cliff vest as of December 31 of the second calendar year following the calendar year in which the right was granted, and have a five year contractual life. SARs granted in 2007 and through May 2008 cliff vest on the third anniversary from the date the award was granted, and have a five year contractual life. SARs

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granted under the BVR Program have a three year cliff vesting period. Restricted stock granted under the CEO Equity Grants Program have variable vesting schedules.

Restricted Stock Units

RSUs granted to employees and to non-employee directors were 671,118 for the three months ended March 31, 2009. The compensation expense recorded related to RSUs was $393 with the related total income tax benefit of $138 for the three months ended March 31, 2009. The weighted average grant date fair value for RSUs granted during the three months ended March 31, 2009 was $20.26.

As of March 31, 2009, there was $11,919 of unrecognized compensation cost related to outstanding RSUs. That cost is expected to be recognized over a weighted-average period of 2.01 years.

Performance Share Units

PSUs granted to employees and to non-employee directors were 631,118 for the three months ended March 31, 2009. The compensation expense recorded related to PSUs was $402 with the related total income tax benefit of $141 for the three months ended March 31, 2009. The weighted average grant date fair value for PSUs granted during the three months ended March 31, 2009 was $20.39.

As of March 31, 2009, there was approximately $12,498 of unrecognized compensation cost related to outstanding PSUs. That cost is expected to be recognized over a weighted-average period of 2.29 years.

The fair value of each PSU was estimated on the date of grant using a Monte Carlo simulation model, which utilizes multiple variables that determine the probability of satisfying the market condition stipulated in the award. Expected volatilities for awards issued during the three months ended March 31, 2009 were based on the historical stock price of the Company s stock and peer insurance group. The expected term for grants issued during the three months ended March 31, 2009 was assumed to equal the average of the vesting period of the PSUs. The risk-free rate was based on the U.S. Treasury yield curve in effect at the time of grant.

Restricted Stock

Restricted stock granted to employees and to non-employee directors were 10,900 and 84,785 for the three months ended March 31, 2009 and 2008, respectively. The compensation expense recorded related to restricted stock was $1,529 and $1,455 for the three months ended March 31, 2009 and 2008, respectively. The related total income tax benefit recognized was $535 and $509 for the three months ended March 31, 2009 and 2008, respectively. The weighted average grant date fair value for restricted stock granted during the three months ended March 31, 2009 and 2008 was $29.77 and $61.11, respectively.

As of March 31, 2009, there was $5,029 of unrecognized compensation cost related to outstanding restricted stock. That cost is expected to be recognized over a weighted-average period of 1.15 years. The total fair value of restricted stock vested during the three months ended March 31, 2009 and 2008 was $1,008 and $1,738, respectively.

Stock Appreciation Rights

There were no SARs granted during the three months ended March 31, 2009. There were 1,495,600 SARs granted during the three months ended March 31, 2008. The compensation expense recorded related to SARs was $2,155 and $3,060 for the three months ended March 31, 2009 and 2008, respectively. The related total income tax benefit recognized was $754 and $1,071 for the three months ended March 31, 2009 and 2008, respectively.

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The total intrinsic value of SARs exercised during the three months ended March 31, 2009 and 2008 was $45 and $2,518, respectively. As of March 31, 2009, there was approximately $15,669 of unrecognized compensation cost related to outstanding SARs. That cost is expected to be recognized over a weighted-average period of 1.34 years.

The fair value of each SAR granted to employees and officers was estimated on the date of grant using the Black-Scholes option-pricing model. Expected volatilities for awards issued during the three months ended March 31, 2008 were based on the median historical stock price volatility of insurance guideline companies and implied volatilities from traded options on the Company s stock. The expected term for grants issued during the three months ended March 31, 2008 was assumed to equal the average of the vesting period of the SARs and the full contractual term of the SARs. The risk-free rate for periods within the contractual life of the option was based on the U.S. Treasury yield curve in effect at the time of grant. The dividend yield is based on the current annual dividend and share price as of the grant date.

Directors Compensation Plan

The Company s Amended and Restated Directors Compensation Plan, as amended, permitted the issuance of up to 500,000 shares of the Company s common stock to non-employee directors. Since May 2008, all grants issued to directors have been issued from the ALTEIP, discussed above. There were no common shares issued or expense recorded for the three months ended March 31, 2009 and 2008, respectively.

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan (ESPP), the Company is authorized to issue up to 5,000,000 new shares to employees who are participants in the ESPP. Eligible employees can purchase shares at a 10% discount applied to the lower of the closing price of the common stock on the first or last day of the offering period. The compensation expense recorded related to the ESPP was $1,059 and $521 for the three months ended March 31, 2009 and 2008, respectively.

In January 2009, the Company issued 133,994 shares to employees at a discounted price of $27.00 for the offering period of July 1, 2008 through December 31, 2008. In January 2008, the Company issued 70,646 shares to employees at a discounted price of $53.45 for the offering period of July 1, 2007 through December 31, 2007.

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

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited) (Continued)

Three Months Ended March 31, 2009 and 2008

(In thousands, except per share and share amounts)

9. Earnings Per Common Share

In accordance with FSP EITF 03-6-1, as described in Note 3, restricted stock and RSUs which have non-forfeitable rights to dividends are included in calculating basic and diluted earnings per share under the two-class method. The two-class method is an earnings allocation formula that determines EPS for each class of common stock according to dividends declared and participation rights in undistributed earnings. All prior period EPS data presented has been adjusted retrospectively.

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

	Three months ended March 31, 2009	2008
Numerator		
Net income	$ 80,581	$ 186,830
Deduct dividends paid	(16,489)	(14,173)
Undistributed earnings	$ 64,092	$ 172,657
Denominator		
Weighted average shares outstanding used in basic earnings per share calculations	117,891,543	118,103,519
Incremental common shares from:		
SARs	59,801	1,283,802
PSUs	16,403	
Weighted average shares used in diluted earnings per share calculations	117,967,747	119,387,321
Earnings per Common Share - Basic		
Distributed earnings	$ 0.14	$ 0.12
Undistributed earnings	0.54	1.46
Net income	$ 0.68	$ 1.58
Earnings per Common Share - Diluted		
Distributed earnings	$ 0.14	$ 0.12
Undistributed earnings	0.54	1.44
Net income	$ 0.68	$ 1.56

Average SARs totaling 4,874,288 and 312,477 for the three months ended March 31, 2009 and 2008, respectively, were outstanding but were anti-dilutive and thus not included in the computation of diluted EPS under the treasury stock method.

Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited) (Continued)

Three Months Ended March 31, 2009 and 2008

(In thousands, except per share and share amounts)

10. Retirement and Other Employee Benefits

The components of net periodic benefit cost for the Company s qualified pension benefits plan, nonqualified pension benefits plan and retirement health benefits plan for the three months ended March 31, 2009 and 2008 were as follows:

	Qualified Pension Benefits For the three months ended March 31,		Nonqualified Pension Benefits (1) For the three months ended March 31,		Retirement Health Benefits For the three months ended March 31,	
	2009	2008	2009	2008	2009	2008
Service cost	$ 5,450	$ 5,300	$ 550	$ 475	$ 675	$ 775
Interest cost	7,350	6,575	1,600	1,475	1,050	950
Expected return on plan assets	(8,800)	(9,275)			(475)	(300)
Amortization of prior service cost	100	725	150	200	325	325
Amortization of net loss (gain)	125	1,050	275	350	(50)	
Curtailment credit/special termination benefits			(549)			
Net periodic benefit cost	$ 4,225	$ 4,375	$ 2,026	$ 2,500	$ 1,525	$ 1,750

(1) The Company s nonqualified plans are unfunded.

During the first three months of 2009, $10,000 was contributed to the qualified pension benefits plan (Plan). An additional $30,000 is expected to be contributed to the Plan over the remainder of 2009.

The Benefit Plans Investment Committee of the Company (Investment Committee) oversees the investment of the Plan assets and periodically conducts a review of the investment strategies and policies of the Plan. This includes a review of the strategic asset allocation, including the relationship of the Plan liabilities and portfolio structure. The current target asset allocation and their respective ranges are:

	Low	Target	High
Debt securities	45%	50%	55%
Equity securities *	45%	50%	55%

* Target asset allocations for equity securities include allocations for alternative investments. The Company expects to invest certain plan assets in alternative investments, examples of which include funds of hedge funds, private real estate and private equity, during 2009.

Effective January 1, 2009, the Company decided to modify its expected long-term return on plan assets assumption from 8.25% to 7.50%. The Company believes that this revised assumption better reflects the projected return on the invested assets, given the current market conditions and the modified portfolio structure.

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Assurant, Inc.

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Three Months Ended March 31, 2009 and 2008

(In thousands, except per share and share amounts)

11. Segment Information

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

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

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited) (Continued)

Three Months Ended March 31, 2009 and 2008

(In thousands, except per share and share amounts)

The following tables summarize selected financial information by segment:

	Three Months Ended March 31, 2009					
	Solutions	Specialty Property	Health	Employee Benefits	Corporate & Other	Consolidated
Revenues						
Net earned premiums and other considerations	$ 644,612	$ 493,790	$ 472,346	$ 263,831	$	$ 1,874,579
Net investment income	97,995	29,436	12,477	34,157	4,414	178,479
Net realized losses on investments					(55,689)	(55,689)
Amortization of deferred gain on disposal of businesses					6,802	6,802
Fees and other income	52,031	13,324	9,914	6,758	1,679	83,706
Total revenues	794,638	536,550	494,737	304,746	(42,794)	2,087,877
Benefits, losses and expenses						
Policyholder benefits	272,022	167,800	321,960	198,728	(168)	960,342
Amortization of deferred acquisition costs and value of business acquired	280,536	94,133	3,475	9,650		387,794
Underwriting, general and administrative expenses	195,068	115,784	146,765	85,637	23,431	566,685
Interest expense					15,189	15,189
Total benefits, losses and expenses	747,626	377,717	472,200	294,015	38,452	1,930,010
Segment income (loss) before provision (benefit) for income tax	47,012	158,833	22,537	10,731	(81,246)	157,867
Provision (benefit) for income taxes	16,701	54,165	7,865	3,709	(5,154)	77,286
Segment income (loss) after tax	$ 30,311	$ 104,668	$ 14,672	$ 7,022	$ (76,092)	
Net income						$ 80,581

	As of March 31, 2009					
Segment Assets:						
Segment assets, excluding goodwill	$ 10,867,501	$ 3,266,046	$ 1,015,213	$ 2,510,592	$ 5,156,265	$ 22,815,617
Goodwill						1,005,027

Total assets	$ 23,820,644

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited) (Continued)

Three Months Ended March 31, 2009 and 2008

(In thousands, except per share and share amounts)

	Three Months Ended March 31, 2008					
	Solutions	Specialty Property	Health	Employee Benefits	Corporate & Other	Consolidated
Revenues						
Net earned premiums and other considerations	$ 683,493	$ 481,427	$ 496,060	$ 280,437	$	$ 1,941,417
Net investment income	106,730	29,375	15,648	38,369	7,652	197,774
Net realized losses on investments					(43,143)	(43,143)
Amortization of deferred gain on disposal of businesses					7,379	7,379
Fees and other income	44,281	13,593	9,406	6,555	63	73,898
Total revenues	834,504	524,395	521,114	325,361		