

ASSURANT INC
Form S-1/A
February 03, 2004

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As filed with the Securities and Exchange Commission on February 3, 2004.

Registration No. 333-109984

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 3

to

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.**

One Chase Manhattan Plaza, 41st Floor

New York, NY 10005

Telephone: (212) 859-7021

Facsimile: (212) 859-7034

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

**Gary I. Horowitz, Esq.
Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017-3954
Telephone: (212) 455-7113
Facsimile: (212) 455-2502**

**Susan J. Sutherland, Esq.
Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, NY 10036
Telephone: (212) 735-2388
Facsimile: (917) 777-2388**

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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.

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 merger for the purpose of redomestication 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.

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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 February 3, 2004

80,000,000 Shares

Common Stock

Fortis Insurance N.V., the selling stockholder in this offering, is offering 80,000,000 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 \$20 and \$22 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, we estimate that Fortis Insurance N.V. will own approximately 45% of our common stock, or approximately 37% if the underwriters exercise their over-allotment option in full.

Our common stock has been approved for listing on the New York Stock Exchange under the symbol AIZ.

Investing in our common stock involves risks. See Risk Factors beginning on page 13.

	<i>PRICE \$</i>	<i>A SHARE</i>		
			Underwriting Discounts and Commissions	Proceeds to Selling Stockholder
		<i>Price to Public</i>		
Per Share	\$	\$	\$	\$
Total	\$	\$	\$	\$

The selling stockholder has granted the underwriters the right to purchase up to an additional 12,000,000 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

MERRILL LYNCH & CO.

CITIGROUP

GOLDMAN, SACHS & CO.

JPMORGAN

BEAR, STEARNS & CO. INC.

COCHRAN, CARONIA & CO.

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FORTIS INVESTMENT SERVICES LLC

MCDONALD INVESTMENTS INC.

RAYMOND JAMES

SUNTRUST ROBINSON HUMPHREY

, 2004

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CONSENT OF PRICEWATERHOUSECOOPERS LLP

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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 merger for the purpose of redomestication 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 merger 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. Unless we specifically state otherwise or the context otherwise requires, all references to shares to be outstanding after the offering and percentage ownership after the offering, reflect (1) changes that will take place in connection with the merger for the purpose of redomestication that will occur immediately prior to effectiveness of the registration statement of which this prospectus forms a part, including the exchange in the merger of each share of Class A Common Stock of Fortis, Inc. for 10,758,820 shares of Common Stock of Assurant, Inc., (2) the automatic conversion of the shares of Class B Common Stock and Class C Common Stock issued in the merger in accordance with their terms simultaneously with the closing of the offering contemplated by this prospectus into shares of Common Stock of Assurant, Inc. based on the public offering price of our common stock, which assuming an initial public offering price of \$21 per share, will result in the issuance of 27,071,962 shares of Common Stock of Assurant, Inc. for all of the outstanding Class B Common Stock and Class C Common Stock, (3) the issuance by us of shares of Common Stock of Assurant, Inc. to Fortis Insurance N.V. simultaneously with the closing of the offering contemplated by this prospectus in exchange for the \$725.5 million capital contribution referred to under Corporate Structure and Reorganization based on the public offering price of our common stock, which assuming an initial public offering price of \$21 per share, will result in the issuance of 34,547,180 shares of Common Stock of Assurant, Inc.; and (4) the issuance by us of shares of Common Stock of Assurant, Inc. to certain of our officers and directors pursuant to stock grants to be made on the closing of the offering contemplated by this prospectus, which assuming an initial public offering price of \$21 per share, will result in the issuance of 72,262 shares of Common Stock of Assurant, Inc. A price of \$21 per share is the midpoint of the price range set forth on the cover of this prospectus. The actual number of shares of Common Stock to be issued pursuant to clauses (2) through (4) above will vary depending upon the final public offering price for our common stock. Accordingly, total shares to be outstanding after the offering, percentage ownership after the offering and as adjusted per share data presented in this preliminary prospectus may change depending on the final public offering price for our common stock. For your convenience, we have provided a glossary, beginning on page G-1, of selected insurance and reinsurance terms.

United Kingdom

Neither we nor the selling stockholder has authorized any offer of our common stock being offered pursuant to this prospectus to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulation 1995, as amended (the Regulations). Our common stock may not lawfully be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of the Regulations or otherwise in compliance with all applicable provisions of the Regulations.

This document is for distribution only to persons who (i) are outside the United Kingdom, (ii) have professional experience in matters relating to investments, (iii) are persons falling within Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) or Article 60 (participation in employee share schemes) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (as amended) or (iv) are persons to whom this document may otherwise lawfully be issued or passed on to (all such persons together being referred to as relevant persons). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

The Netherlands

Our common stock being offered pursuant to this prospectus shall not be offered, transferred or sold in the Netherlands to any person other than to natural or legal persons who trade or invest in securities in the conduct of their profession or trade within the meaning of section 2 of the Exemption Regulation pursuant to The Netherlands Securities Market Supervision Act 1995 (Vrijstellingsregeling Wet toezicht effectenverkeer

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1995), which includes banks, securities intermediaries (including dealers and brokers), insurance companies, central governments, large international and supernational institutions, pension funds, other institutional investors and commercial enterprises which, as an ancillary activity, regularly invest in securities in the conduct of a business or a profession.

Belgium

Neither we nor the selling stockholder has authorized any offer of our common stock being offered pursuant to this prospectus to the public in Belgium. The offering is exclusively conducted under applicable private placement exemptions and therefore it has not been notified to, and the prospectus or any other offering material relating to our common stock has not been approved by, the Belgium Banking and Finance Commission (Commission Bancaire et Financière / Commissie voor het Bank- en Financiewezen). Accordingly, the offering may not be advertised and no offers, sales, resales, transfers or deliveries of our common stock or any distributions of the prospectus or any other offering material relating to our common stock may be made, directly or indirectly, to any individual or legal entity in Belgium other than: (i) investors required to invest a minimum of 250,000 (per investor and per transaction); (ii) institutional investors as defined in Article 3, 2°, of Belgian Royal Decree of 7 July 1999 on the public character of financial transactions, acting for their own account; and (iii) persons for which the acquisition of the common stock subject to the offering is necessary to enable them to exercise their professional activity.

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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 aligned with clients who are leaders in creditor-placed homeowners insurance based on servicing volume, manufactured housing homeowners insurance based on number of homes built and debt protection administration based on credit card balances outstanding. We are also a leading writer of group dental plans sponsored by employers based on the number of subscribers and based on 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

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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.

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Our Assurant Solutions segment, which we began operating with the acquisition of American Security Group in 1980, 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, which we began operating with the acquisition of Time Holdings, Inc. (now Fortis Insurance Company) in 1978, provides individual health insurance, including short-term and student medical 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, which we began operating with the acquisition of Mutual Benefit Life Group Division (now Fortis Benefits Insurance Company) in 1991, we provide employer- and employee-paid group dental insurance, as well as group disability insurance and group life insurance. In Assurant PreNeed, which we began operating with the acquisition of United Family Life Insurance Company in 1980, 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 based on servicing volume, four of the seven largest manufactured housing builders based on number of homes built, four of the six largest general purpose credit card issuers based on credit card balances outstanding and six of the ten largest consumer electronics and appliances retailers based on combined product sales. In Assurant Health, we have exclusive distribution relationships with leading insurance companies based on total assets, 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 based on total revenues, as well as relationships with approximately 2,000 funeral homes.

For the nine months ended September 30, 2003, we generated total revenues of \$5,239 million and net income of \$263 million. For the year ended December 31, 2002, we generated total revenues of \$6,532 million, net income before cumulative effect of change in accounting principle of \$260 million and net loss of \$1,001 million (after giving effect to a cumulative change in accounting principle of \$1,261 million). As of September 30, 2003, we had total assets of \$22,873 million, including separate accounts. For the nine months ended September 30, 2003 and the year ended December 31, 2002, respectively, we had total revenues of \$1,978 million and \$2,401 million in Assurant Solutions, \$1,536 million and \$1,912 million in Assurant Health, \$1,062 million and \$1,455 million in Assurant Employee Benefits and \$545 million 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.

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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 Excellent 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 insurance subsidiaries have financial strength ratings of A (Excellent) or A- (Excellent) from A.M. Best Company (A.M. Best). Ratings of A and A- are the second highest of ten ratings categories and the highest and lowest, respectively, within the category based on modifiers (i.e., A and A- are Excellent). Six of our domestic operating insurance subsidiaries have financial strength ratings of A2 (Good) or A3 (Good) from Moody's Investors Service, Inc. (Moody's). Ratings of A2 and A3 are the third highest of nine ratings categories and mid-range and the lowest, respectively, within the category based on modifiers (i.e., A1, A2 and A3 are Good). In addition, seven of our domestic operating insurance subsidiaries have financial strength ratings of A (Strong) or A- (Strong) from Standard & Poor's (S&P). Ratings of A and A- are the third highest of nine ratings categories and mid-range and the lowest, respectively, within the category based on modifiers (i.e., A+, A and A- are Strong). 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-

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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, Distributors and Other Parties. If our significant clients, distributors 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. Our sales representatives interface with clients and third party distributors. Our inability to attract and retain our sales representatives or an interruption in, or changes to, our relationships with various third-party distributors could impair our ability to compete and market our insurance products and services and materially adversely affect our results of operations and financial condition. In addition, 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.

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;

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 13. You should carefully consider these risk factors together with all the other information included in this prospectus.

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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 redomestication 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 effectiveness of the registration statement of which this prospectus forms a part, we will effectuate a merger of Fortis, Inc. with and into Assurant, Inc. for the purpose of redomesticating Fortis, Inc. in Delaware. As a result of the merger, Assurant, Inc. will be domiciled in Delaware and will be the successor to the business, operations and obligations of Fortis, Inc. After the merger, 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.

In connection with the merger:

each share of the existing Class A Common Stock of Fortis, Inc. will be exchanged for 10.75882039 shares of Common Stock of Assurant, Inc.;

each share of the existing Class B Common Stock of Fortis, Inc. will be exchanged for one share of Class B Common Stock of Assurant, Inc.;

each share of the existing Class C Common Stock of Fortis, Inc. will be exchanged for one share of Class C Common Stock of Assurant, Inc.;

each share of the existing Series B Preferred Stock of Fortis, Inc. will be exchanged for one share of Series B Preferred Stock of Assurant, Inc.; and

each share of the existing Series C Preferred Stock of Fortis, Inc. will be exchanged for one share of Series C Preferred Stock of Assurant, Inc.

In addition, in connection with the offering contemplated by this prospectus:

we entered into a \$650 million senior bridge credit facility in December 2003 and incurred \$650 million aggregate principal amount of indebtedness under the facility in connection with the repayments and redemptions described below and for general corporate purposes;

we entered into a \$1,100 million senior bridge credit facility in December 2003 and incurred \$1,100 million aggregate principal amount of indebtedness under the facility in connection with the repayments and redemptions described below and for general corporate purposes;

we will receive a \$725.5 million capital contribution from Fortis Insurance N.V. immediately prior to or simultaneously with the closing of the offering contemplated by this prospectus and will use the proceeds of that capital contribution to repay the \$650 million of outstanding indebtedness under the \$650 million senior bridge credit facility and \$75.5 million of outstanding indebtedness under the \$1,100 million senior bridge credit facility, and simultaneously with the closing of the offering contemplated by this prospectus, we will also repay a portion of the \$1,100 million senior bridge credit facility with \$49.5 million in cash;

we will issue shares of Common Stock of Assurant, Inc. to Fortis Insurance N.V. simultaneously with the closing of the offering contemplated by this prospectus in exchange for the \$725.5 million capital contribution referred to above based on the public offering price of our common stock, which assuming an initial public offering price of \$21 per share (the midpoint of the price range set forth on the cover of this prospectus), will result in the issuance of 34,547,180 shares of Common Stock of Assurant, Inc.;

we redeemed the outstanding \$550 million aggregate liquidation amount of 2000 trust capital securities in December 2003 at 100% of the liquidation amount thereof plus (i) accrued interest to the date of redemption and (ii) premium of approximately \$73 million;

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we redeemed the outstanding \$699.9 million aggregate liquidation amount of 1999 trust capital securities in December 2003 at 100% of the liquidation amount thereof plus (i) accrued interest to the date of redemption and (ii) premium of approximately \$64 million; we redeemed such securities partially with the proceeds of a four-day loan for \$650 million that we repaid in December 2003;

we redeemed the outstanding \$196.2 million aggregate liquidation amount of 1997 capital securities in January 2004 at 100% of the liquidation amount thereof plus (i) accrued interest to the date of redemption and (ii) premium of approximately \$67 million; and

the shares of Class B Common Stock and Class C Common Stock of Assurant, Inc. issued in the merger in accordance with their terms simultaneously with the closing of the offering contemplated by this prospectus will be automatically converted into shares of Common Stock of Assurant, Inc. based on the public offering price of our common stock, which assuming an initial public offering price of \$21 per share (the midpoint of the price range set forth on the cover of this prospectus), will result in the issuance of 27,071,962 shares of Common Stock of Assurant, Inc. for all of the outstanding Class B Common Stock and Class C Common Stock.

We also intend to repay the \$975 million remaining principal amount to be outstanding under the \$1,100 million senior bridge credit facility with the proceeds of the incurrence of senior long-term indebtedness following the offering.

The purpose of the foregoing transactions is to simplify our capital structure in anticipation of becoming a public company. In addition, we redeemed our indebtedness owed to Fortis in anticipation of Fortis reducing its stock ownership in our Company. The senior bridge credit facilities were entered into in order to fund the redemptions and for general corporate purposes. We will receive the capital contribution from Fortis Insurance N.V. to repay in full the \$650 million senior bridge credit facility and to reduce amounts outstanding under the \$1,100 million senior bridge credit facility immediately prior to or simultaneously with the closing of the offering contemplated by this prospectus.

See Capitalization.

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.

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OUR RELATIONSHIP WITH FORTIS

Fortis currently indirectly owns 100% of our outstanding common stock. Upon completion of this offering, we estimate that Fortis will own approximately 45% of our outstanding common stock, or approximately 37% if the underwriters exercise their over-allotment option in full, assuming an initial public offering price of \$21 per share, which is the midpoint of the price range set forth on the cover of this prospectus. 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 10% of our outstanding common stock, two designees (out of a maximum of 12 directors); and (ii) so long as Fortis owns less than 10% but at least 5% of our outstanding common stock, one designee. Currently, Fortis has five designees on our board of directors. As Fortis' ownership is expected to fall below 50%, three Fortis designees are expected to resign from our board of directors upon the consummation of the offering contemplated by this prospectus.

For so long as Fortis continues to own shares of common stock representing more than one-third of the voting power of our outstanding capital stock entitled to vote on the matter, it will have the power to block a merger or sale of all or substantially all of our assets. In addition, as long as Fortis owns at least 10% of our outstanding common stock, certain significant corporate actions may only be taken with the approval of Fortis Insurance N.V., as stockholder. 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, Description of Share Capital Shareholders Agreement, Certain Relationships and Related Transactions Shareholders Agreement and Certain Relationships and Related Transactions 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, subject to limited exceptions, 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, Description of Share Capital Registration Rights, Shares Eligible For Future Sale and Underwriting.

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THE OFFERING

Common stock offered by the selling stockholder	80,000,000 shares
Common stock to be outstanding after this offering(1)	145,072,262 shares
Over-allotment option	12,000,000 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 currently intends to authorize the payment of a dividend of \$0.07 per share of common stock per quarter to our stockholders of record beginning in the second quarter of 2004. 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.
<u>New York Stock Exchange symbol</u>	AIZ

(1) The number of shares of common stock shown to be outstanding after the offering reflects the effects of the merger, conversion, capital contribution and stock grants described above and assumes an initial public offering price of \$21 per share, which is the midpoint of the price range set forth on the cover of this prospectus.

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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 redomestication 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 effectiveness of the registration statement of which this prospectus forms a part, we will effectuate a merger of Fortis, Inc. with and into Assurant, Inc. for the purpose of redomesticating Fortis, Inc. in Delaware. As a result of the merger, Assurant, Inc. will be domiciled in Delaware and will be the successor to the business, operations and obligations of Fortis, Inc. After the merger, 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 in the period 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 nine months ended September 30, 2003 and September 30, 2002 and the summary consolidated balance sheet data at September 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 nine months ended September 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 Nine Months Ended September 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	\$ 4,533,503	\$ 4,217,145	\$ 5,681,596	\$ 5,242,185	\$ 5,144,375
Net investment income	456,608	472,324	631,828	711,782	690,732
Net realized gains (losses) on investments	14,808	(92,407)	(118,372)	(119,016)	(44,977)
Amortization of deferred gain on disposal of businesses	52,235	59,941	79,801	68,296	10,284
Gain on disposal of businesses		10,672	10,672	61,688	11,994
Fees and other income	181,588	182,741	246,675	221,939	399,571
Total revenues	5,238,742	4,850,416	6,532,200	6,186,874	6,211,979
Benefits, losses and expenses					
Policyholder benefits	2,657,193	2,560,851	3,429,145	3,238,925	3,208,054
Amortization of deferred acquisition costs and value of businesses acquired	732,657	671,577	876,185	875,703	766,904
Underwriting, general and administrative expenses	1,367,289	1,244,185	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	87,854	88,122	118,396	118,370	110,142
Total benefits, losses and expenses	4,844,993	4,564,735	6,161,803	5,981,230	6,017,795
Income before income taxes	393,749	285,681	370,397	205,644	194,184
Income taxes	130,464	86,349	110,657	107,591	104,500
Net income before cumulative effect of change in accounting principle	263,285	199,332	\$ 259,740	\$ 98,053	\$ 89,684
Cumulative effect of change in accounting principle		(1,260,939)	(1,260,939)		

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Net income (loss)	\$ 263,285	\$ (1,061,607)	\$ (1,001,199)	\$ 98,053	\$ 89,684
Per Share Data:					
Net income (loss) per share	\$ 31.72	\$ (127.90)	\$ (120.63)	\$ 11.81	\$ 10.93
As adjusted net income (loss) per share(1)	\$ 2.38	\$ (9.61)	\$ (9.06)	\$ 0.89	\$ 0.85
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
As adjusted weighted average of basic and diluted shares of common stock outstanding(1)	110,452,820	110,452,820	110,452,820	110,452,820	105,940,826
Dividends per share:					
Class A Common Stock(2)	\$ 17.98	\$	\$	\$ 8.65	\$
Class B Common Stock (3)	74.69	74.69	74.69	75.44	37.66
Class C Common Stock(4)	76.68	76.68	76.68	77.45	38.65

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	At September 30, 2003	
	Actual	As Adjusted(5)
(in thousands, except share amounts and per share data)		
Summary Consolidated Balance Sheet Data:		
Cash and cash equivalents and investments	\$ 11,155,385	\$ 11,205,811
Total assets	22,873,297	22,923,723
Policy liabilities(6)	12,780,855	12,780,855
Debt		975,000
Mandatorily redeemable preferred securities of subsidiary trusts(7)	1,446,074	
Mandatorily redeemable preferred stock	24,160	24,160
Total stockholders' equity	\$ 2,753,223	\$ 3,346,123
Per Share Data:		
Total book value per share(8)	\$ 331.71	\$ 23.07(9)

(1) Reflects only the following events as if such events had occurred at the beginning of the period indicated:

the exchange of each existing share of Class A Common Stock of Fortis, Inc. for 10.75882039 shares of Common Stock of Assurant, Inc. in the merger for the purpose of redomestication; and

the automatic conversion of the shares of Class B Common Stock and Class C Common Stock issued in the merger in accordance with their terms simultaneously with the closing of the offering contemplated by this prospectus into shares of Common Stock of Assurant, Inc. based on the public offering price of our common stock, which assuming an initial public offering price of \$21 per share (the midpoint of the price range set forth on the cover of this prospectus), will result in the issuance of 27,071,962 shares of Common Stock of Assurant, Inc. for all of the outstanding Class B Common Stock and Class C Common Stock.

(2) For each of the periods and dates presented, 7,750,000 shares of 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. Each existing share of Class A Common Stock of Fortis, Inc. will be exchanged for 10.75882039 shares of Common Stock of Assurant, Inc. in connection with the merger of Fortis, Inc. with and into Assurant, Inc. and accordingly, the dividends per share data presented may not be meaningful.

(3) For each of the periods and dates presented, 150,001 shares of 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.

(4) For each of the periods and dates presented, 400,001 shares of 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.

(5) The as adjusted balance sheet data as of September 30, 2003 reflects the following events as if such events had occurred on September 30, 2003:

the incurrence by us in December 2003 of \$1,750 million aggregate principal amount of indebtedness under two senior bridge credit facilities entered into by us, and the subsequent repayment of one of the facilities in full and a portion of the other with \$49.5 million in cash together with the proceeds of a \$725.5 million capital contribution to be received by us from Fortis Insurance N.V. immediately prior to or simultaneously with the closing of the offering contemplated by this prospectus;

the issuance by us of shares of Common Stock of Assurant, Inc. to Fortis Insurance N.V. simultaneously with the closing of the offering contemplated by this prospectus in exchange for the \$725.5 million capital contribution referred to above based on the public offering price of our common stock, which assuming an initial public offering price of \$21 per share (the midpoint of the price range set forth on the cover of this prospectus), will result in the issuance of 34,547,180 shares of Common Stock of Assurant,

Inc.;

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the redemption by us of the mandatorily redeemable preferred securities of subsidiary trusts at 100% of the liquidation amount thereof plus (i) accrued interest to the date of redemption and (ii) aggregate premium of approximately \$204 million, which occurred in December 2003 and January 2004;

the consummation of the merger described under Corporate Structure and Reorganization, which will occur immediately prior to the effectiveness of the registration statement of which this prospectus forms a part, including the exchange in the merger of each share of Class A Common Stock of Fortis, Inc. having a par value of \$0.10 per share for 10.75882039 shares of Common Stock of Assurant, Inc. having a par value of \$0.01 per share;

the automatic conversion of the shares of Class B Common Stock and Class C Common Stock issued in the merger in accordance with their terms simultaneously with the closing of the offering contemplated by this prospectus into shares of Common Stock of Assurant, Inc. based on the public offering price of our common stock, which assuming an initial public offering price of \$21 per share (the midpoint of the price range set forth on the cover of this prospectus), will result in the issuance of 27,071,962 shares of Common Stock of Assurant, Inc. for all of the outstanding Class B Common Stock and Class C Common Stock; and

the issuance by us of shares of Common Stock of Assurant, Inc. to certain of our officers and directors pursuant to stock grants to be made on the closing of the offering contemplated by this prospectus, which assuming an initial public offering price of \$21 per share (the midpoint of the price range set forth on the cover of this prospectus), will result in the issuance of 72,262 shares of Common Stock of Assurant, Inc.

See Capitalization.

- (6) Policy liabilities include future policy benefits and expenses, unearned premiums and claims and benefits payable.
- (7) 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 Certain Relationships and Related Transactions.
- (8) Actual total book value per share based on total stockholders' equity divided by 8,300,002 shares issued and outstanding, and, as adjusted total book value per share based on as adjusted total stockholders' equity divided by as adjusted 145,072,262 shares issued and outstanding.
- (9) Total stockholders' equity divided by as adjusted weighted average of basic and diluted shares of common stock outstanding adjusted solely for the events described in footnote (1) above would be \$24.93 at September 30, 2003.

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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. 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, distributors and other parties important to the success of our business.

Our relationships and contractual arrangements with significant clients, distributors 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, through Assurant Health's agreement dated September 1, 2003 with its administrator, National Administration Company, Inc. An association in the health insurance market is an entity that was formed and maintained in good faith for purposes other than obtaining insurance and does not make health insurance coverage offered through the association available other than in connection with membership in the association. The agreement that provides for our exclusive distribution relationship with IPSI terminates in July 2004, but may be extended if agreed to by both parties. 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. A PPO is an entity that acts as an intermediary between an insurer and a network of hospitals, physicians, dentists or other providers of health care who have agreed to provide care to insureds subject to contractually established reimbursement rates. In Assurant PreNeed, we have an exclusive distribution relationship with SCI. Many of these arrangements have terms ranging from one to five years. Although we believe we have generally been successful in maintaining our client, distribution and related relationships, 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 distributors consolidate or align themselves 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.

For example, Assurant Solutions lost a few clients over the last three years as a result of bankruptcies and termination of contracts either by it or its clients; however, none of the clients lost was significant to its business. At Assurant Health, client turnover increased slightly over the last three years from issues related to the slowing economy, particularly in 2001 through early 2003; however, none of the clients lost was significant to its business. Similar to Assurant Health, Assurant Employee Benefits' client turnover increased slightly over the last three years from issues related to the slowing economy, particularly in 2001 through early 2003, such as companies going out of business and businesses no longer providing benefits; however, none of the clients lost was significant to its business. Assurant PreNeed terminated several client relationships with three funeral home groups in 2003 because of profitability issues with the business; none of the clients terminated was significant to its business.

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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:

independent employee benefits specialists;

brokers;

managing general agents;

life agents;

financial institutions;

funeral directors;

association groups; and

other third-party marketing organizations.

We do not distribute our insurance products and services through captive or affiliated agents except for a small number of affiliated agents at Assurant Health. Our relationships with these various distributors are significant both for our revenues and profits. 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, independent agents and brokers who act as advisors to our customers, market and distribute our products. Independent agents and brokers are typically not exclusively dedicated to us and usually also market products of our competitors. Strong competition exists among insurers to 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, by relying 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.

We have our own sales representatives whose role in the distribution process varies by segment. We depend in large part on our sales representatives to develop and maintain client relationships. Our inability to attract and retain effective sales representatives could 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.

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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. Pre-funded funeral insurance, or pre-need, provides benefits to fund the costs incurred in connection with a pre-arranged funeral contract, which is an arrangement between a funeral firm and an individual whereby the funeral firm agrees to perform a selected funeral upon the individual's death.

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. During the past three years, we did not experience substantial deviations in actual claims losses from reserve estimates previously established. However, 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.

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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. Utilization review is a review process designed to control and limit medical expenses, which includes, among other things, requiring certification for admission to a health care facility and cost-effective ways of handling patients with catastrophic illnesses. Claims management entails the use of a variety of means to mitigate the extent of losses incurred by insureds and the corresponding benefit cost, which includes efforts to improve the quality of medical care provided to insureds and to assist them with vocational services. The aging of the population and other demographic characteristics and advances in medical technology continue to contribute to rising health care costs. Our ability to predict and manage costs and claims, as well as our business, results of operations and financial condition may be adversely affected by:

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.

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

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liabilities, we may be forced to liquidate investments prior to maturity at a significant loss to cover such liabilities. For the nine month period ended September 30, 2003, our net investment income was \$457 million and our net realized gains on investments were \$15 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 \$9,177 million, or 86%, of the fair value of our total investments as of September 30, 2003 and \$8,720 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 September 30, 2003, mortgage-backed and other asset-backed securities represented approximately \$2,024 million, or 19%, 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. Whole life insurance refers to a form of life insurance that provides guaranteed death benefits and guaranteed cash values to policyholders. 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 September 30, 2003, approximately 82% 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

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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. Waiver of premium refers to a provision in a life insurance policy pursuant to which an insured with total disability that lasts for a specified period no longer has to pay premiums for the duration of the disability or for a stated period, during which time the life insurance coverage provides continued coverage. 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 September 30, 2003, we held \$8,848 million of fixed maturity securities, or 83% 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 September 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 \$17 million for the nine months ended September 30, 2003 and \$85 million for the year ended December 31, 2002.

As of September 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 August 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 September 30, 2003, commercial mortgage loans on real estate investments represented approximately 9% 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

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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.

Environmental liability exposure may result from our commercial mortgage loan portfolio and real estate investments.

Liability under environmental protection laws resulting from our commercial mortgage loan portfolio and real estate investments may harm our financial strength and reduce our profitability. Under the laws of several states, contamination of a property may give rise to a lien on the property to secure recovery of the costs of the cleanup. In some states, this kind of lien has priority over the lien of an existing mortgage against the property, which would impair our ability to foreclose on that property should the related loan be in default. In addition, under the laws of some states and under the federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, under certain circumstances, we may be liable for costs of addressing releases or threatened releases of hazardous substances that require remedy at a property securing a mortgage loan held by us. We also may face this liability after foreclosing on a property securing a mortgage loan held by us after a loan default.

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 nine months ended September 30, 2003 represented approximately 23% of our net earned premiums and other considerations in our Assurant Solutions segment. In addition, as of September 30, 2003, approximately 33% 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, which typically provides coverage against an insured's property being destroyed or damaged by various perils, 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. Adverse selection refers to the process by which an applicant who believes himself to be uninsurable, or at greater than average risk, seeks to obtain an insurance policy at a standard premium rate.

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.

Pre-tax catastrophe losses in excess of \$1 million (before the benefits of reinsurance) that we have experienced in recent years are:

a loss of approximately \$10 million incurred in 2001 in connection with tropical storm Allison;

total losses of approximately \$12 million incurred in 2002 in connection with Arizona wildfires, Texas floods and Hurricane Lili; and

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total losses of approximately \$18 million incurred in the first nine months in 2003 in connection with various catastrophes caused by windstorms, hailstorms and tornadoes and Hurricane Isabel.

In addition, we estimate a loss of approximately \$11 million in the fourth quarter of 2003 related to the wildfires in Southern California. No liquidation in investments was required in connection with these catastrophes as the claims were paid from current cash flow, cash on hand or short-term investments.

In addition, our group life and health insurance operations could be materially impacted by 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. The mortality rate refers to the relationship of the frequency of deaths of individual members of a group to the entire group membership over a specified period of time. The morbidity rate refers to the relationship of the incidence of disease or disability contracted by individual members of a group to the entire group membership over a specified period of time. For example, the influenza epidemic of 1918 caused several million deaths. Losses due to 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.

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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. Such separate accounts represent assets allocated under certain policies and contracts that are segregated from the general account and other separate accounts. The policyholder or contractholder bears the risk of investments held in a separate account. 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, the 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. However, we have not had any loss experience with this very large producer to date. 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, a client with whom we do business has declared bankruptcy. This client's assets were purchased as part of bankruptcy proceedings and we have an agreement with the purchaser to administer the claims. In the event that this purchaser does not honor its claims obligation, we would be liable for making payment, which we estimate to be approximately \$23 million as of November 25, 2003, net of offsetting collateral. We would also be responsible for administering such claims. Probable and estimable loss contingencies associated with this risk have been accrued.

A further decline in the manufactured housing market may adversely affect our results of operations and financial condition.

The manufactured housing industry has experienced a significant decline in both shipments and retail sales in the last five years. Manufactured housing shipments have decreased from approximately 370,000 in 1998 to 130,000 (annualized) in 2003, representing a 65% decline. Repossessions are at an all time high, resale values have been significantly reduced and several lenders, dealers, manufacturers and vertically integrated manufactured housing companies have either ceased operations or gone bankrupt. This downturn in the industry is the result of several factors, including excess production, aggressive sales practices, reduced underwriting standards and poor lending practices. As a result of this downturn, the industry has experienced consolidation, with the leaders purchasing the weaker competitors. If these downward trends continue, our results of operations and financial condition may be adversely affected.

The financial strength of our insurance company subsidiaries is rated by A.M. Best, Moody's and S&P, 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 insurance subsidiaries are rated by A.M. Best, six of our

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domestic operating insurance subsidiaries are rated by Moody's and seven of our domestic operating insurance subsidiaries are rated by S&P. The ratings reflect A.M. Best's, Moody's and S&P'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, Moody's and S&P, and we cannot assure you that we will be able to retain these ratings.

Most of our domestic operating insurance subsidiaries have 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). Our other domestic operating insurance subsidiaries have 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 is A2 (Good) for one of our domestic operating insurance subsidiaries, 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 five of our domestic operating insurance subsidiaries, which is the third highest of nine ratings categories and the lowest within the category based on modifiers.

The S&P financial strength rating is A (Strong) for five of our domestic operating insurance subsidiaries, which is the third highest of nine ratings categories and mid-range within the category based on modifiers (i.e., A+, A and A- are Strong), and A- (Strong) for two of our domestic operating insurance subsidiaries, 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, Moody's or S&P, 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. Rating agencies may take action to lower our ratings in the future due to, among other things:

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.

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, Moody's or S&P, 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.

Contracts representing approximately 18% of Assurant Solutions' net earned premiums and fee income for the nine months ended September 30, 2003 contain provisions requiring the applicable subsidiaries to maintain minimum A.M. Best financial strength ratings ranging from A or better to B or better, depending on the contract. Our clients may terminate these contracts if the subsidiaries' ratings fall below these minimum acceptable levels. Under our ten-year marketing agreement with SCI, American Memorial Life Insurance Company (AMLIC), one of our subsidiaries in the Assurant PreNeed segment, is required to maintain an A.M. Best financial strength rating of B or better throughout the term of the agreement. If AMLIC fails to maintain this rating for a period of 180 days, SCI may terminate the agreement. In our Assurant Health and Assurant Employee Benefits segments, we do not have any material contracts that permit termination in the case of a ratings downgrade.

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Since January 1, 2000, none of the A.M. Best ratings for our domestic operating insurance subsidiaries has been downgraded. On September 25, 2003, the Moody's financial strength rating for Fortis Benefits Insurance Company, one of our domestic operating insurance subsidiaries, was downgraded from A1 (Good) to A2 (Good) and the financial strength rating for John Alden Life Insurance Company, another domestic operating insurance subsidiary, was downgraded from A2 (Good) to A3 (Good) in contemplation of the fact that we will no longer be wholly owned by Fortis after this offering. In addition, on May 2, 2003, Moody's downgraded the insurance financial strength rating of Fortis Benefits Insurance Company from Aa3 (Excellent) to A1 (Good) corresponding to the downgrading of Fortis. These recent downgrades did not have a quantifiable impact on the business of these subsidiaries primarily because our operating insurance companies rely solely on the ratings of A.M. Best for the marketing and sale of their products. S&P re-instituted its rating of our domestic operating insurance subsidiaries as of December 8, 2003 and as of such date rates seven of our domestic operating insurance subsidiaries.

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 clients, are critical to the operation of our business. Our failure to update our systems to reflect technological advancements or to protect our systems may adversely affect our relationships and ability to do business with our clients.

During the nine months ended September 30, 2003, we have spent approximately \$90 million in Assurant Solutions, \$55 million in Assurant Health, \$43 million in Assurant Employee Benefits and \$4 million in Assurant PreNeed to maintain, upgrade and consolidate our information systems. In 2004, we plan to spend for these purposes approximately \$124 million in Assurant Solutions, \$73 million in Assurant Health, \$53 million in Assurant Employee Benefits and \$5 million in Assurant PreNeed.

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.

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Failure 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.

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 information. The actions we take to protect such confidential information vary by business segment and may include among other things:

training and educating our employees regarding our obligations relating to confidential information;

actively monitoring our record retention plans and any changes in state or federal privacy and compliance requirements;

drafting appropriate contractual provisions into any contract that raises proprietary and confidentiality issues;

maintaining secure storage facilities for tangible records; and

limiting access to electronic information and maintaining a clean desk policy aimed at safeguarding certain current 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. While our business model is not dependent upon acquisitions or new insurance ventures, the time frame for achieving or further improving upon our desired market positions can be significantly shortened through opportune acquisitions or new insurance ventures. Historically, acquisitions and new insurance ventures have played a significant role in achieving desired market positions in some, but not all, of our businesses. 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. Although we believe that most of our acquisitions have been successful and

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have not had a material adverse impact on our financial condition, we did recognize a goodwill impairment of \$1,261 million in 2002 related to an earlier acquisition.

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, as part of the regulatory approval process for the acquisition of American Bankers Insurance Group (ABIG) in 1999, we 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), entered into an agreement with the New York Insurance Department as part of the regulatory approval process for the merger of Bankers American Life Assurance Company into First Fortis Life Insurance Company in 2001 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 was approximately \$290 million, of which approximately \$100 million had been paid as of December 31, 2003. We expect that as a result of, among other things, 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.

Our senior bridge credit facilities and our Series B and Series C Preferred Stock also contain limitations on our ability to pay dividends.

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We may be unable to refinance indebtedness under our \$1,100 million senior bridge credit facility on a timely basis or on commercially reasonable terms, which may have a material adverse effect on our business.

On a pro forma basis after giving effect to the events described in note 5 to Summary Consolidated Financial Information, we will have \$975 million of indebtedness outstanding under our \$1,100 million senior bridge credit facility. No assurances can be given that we will be able to secure permanent financing to refinance this indebtedness on a timely basis or on commercially reasonable terms, which may have a material adverse effect on our business.

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. Assurant Solutions has numerous competitors in its product lines, but we believe no other company participates in all of the same lines or offers comprehensive capabilities. Competitors include insurance companies and financial institutions. In Assurant Health, we believe the market is characterized by many competitors, and our main competitors include health insurance companies and the Blue Cross/ Blue Shield plans in the states in which we write business. In Assurant Employee Benefits, commercial competitors include benefits and life insurance companies as well as not-for-profit Delta Dental plans. In Assurant PreNeed, our main competitors are two pre-need life insurance companies with nationwide representation, Forethought Financial Services and Homesteaders Life Company, and several small regional insurers. While we are among the largest competitors in terms of market share in many of our business lines, in some cases there are one or more major market players in a particular line of business.

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 relationships. 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. Credit insurance is insurance issued to cover the life, unemployment or disability of a debtor or borrower for an outstanding loan. 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.

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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. Although no two cycles are the same, insurance industry cycles have typically lasted for periods ranging from two to six years. The segments of the insurance markets in which we operate tend not to be correlated to each other, with each segment having its own cyclicity. 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 cyclicity 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;

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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.

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;

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;

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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 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

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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

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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 assurances 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.

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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, we estimate that Fortis, through Fortis Insurance N.V., its wholly owned subsidiary, will own approximately 45% of our outstanding common stock, or approximately 37% if the underwriters exercise their over-allotment option in full, in each case assuming an initial public offering price of \$21 per share, which is the midpoint of the price range set forth on the cover of this prospectus. As a result, for as long as Fortis continues to own shares of common stock representing more than one-third of the voting power of our outstanding capital stock entitled to vote on the matter, it will be able to veto corporate actions requiring a two-thirds vote of our stockholders. 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 will 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 less than 50% but at least 10% of our outstanding common stock, two designees (out of a maximum of 12 directors); and (ii) so long as Fortis owns less than 10% but at least 5% of our outstanding common stock, one designee. Currently, Fortis has five designees on our board of directors. As Fortis' ownership is expected to fall below 50%, three Fortis designees are expected to resign from our board of directors upon the consummation of the offering contemplated by this prospectus.

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*, *Description of Share Capital 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.

In addition, if for any reason, Fortis should continue to own at least 50% of our outstanding common stock after the offering contemplated by this prospectus, the following will also apply:

As long as Fortis owns at least 50% of our outstanding common stock, our board of directors shall consist of no more than 14 directors (including at least five independent directors if there are 12 or fewer directors and otherwise at least six independent directors);

As long as Fortis owns at least 50% of our outstanding common stock, Fortis will have the right to nominate five designees to our board of directors (out of a maximum of 14 directors), and the shareholders' agreement and our by-laws provide that, subject to limited exceptions, our board of directors will nominate those designees; and

Pursuant to the shareholders' agreement and our by-laws, as long as Fortis owns at least 50% of our outstanding common stock, the following significant corporate actions may only be taken with the approval of 75% of our directors, which will require the approval of two or more Fortis designees:

any recapitalization, reclassification or combination of any of our securities or any of those of our principal subsidiaries (other than certain activities between wholly owned subsidiaries);

any liquidation, dissolution, winding up or commencement of voluntary bankruptcy or insolvency proceedings with respect to us or our principal subsidiaries;

any acquisition or disposition with a value in excess of \$500 million;

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the incurrence or assumption of indebtedness resulting in total indebtedness in excess of \$1.5 billion on a consolidated basis; and

any offer or sale of shares of our common stock, other equity securities or securities convertible into or exchangeable into our equity securities in excess of 10% of the common stock outstanding or such amounts as would reduce Fortis' ownership to below 50% of our outstanding common stock.

Accordingly, although Fortis designees on our board of directors have a fiduciary duty to all of our stockholders, they would be able to veto certain actions for as long as Fortis owns at least 50% of our outstanding common stock.

In addition, for so long as Fortis continues to own shares of our common stock representing more than 50% of the voting power of our outstanding capital stock entitled to vote on the matter, it will be able to determine the outcome of corporate actions requiring majority stockholder approval.

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:

Stock Ownership. So long as Fortis owns shares of common stock representing more than one-third of the voting power of our outstanding capital stock entitled to vote on the matter, Fortis will be able to veto mergers and the sale of all or substantially all of our consolidated assets. With certain limited exceptions, Fortis, exercising its rights as a stockholder, can veto a merger or sale without regard to the interests of the other stockholders. In addition, the shareholders' agreement will also provide that for as long as Fortis owns at least 10% of our outstanding common stock, the following actions may only be taken with the approval of Fortis Insurance N.V., as stockholder:

any recapitalization, reclassification or combination of any of our securities or any of those of our principal subsidiaries (other than certain activities between wholly owned subsidiaries); and

any liquidation, dissolution, winding up or commencement of voluntary bankruptcy or insolvency proceedings with respect to us or our principal subsidiaries.

For more information regarding the shareholders' agreement, see Description of Share Capital Shareholders' Agreement.

Cross-Directorships. Anton van Rossum, Michel Baise and Gilbert Mittler are directors of our Company who are also currently directors and/or officers of Fortis. Service as both a director of our Company and as a director or officer of 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; or

corporate finance decisions.

Allocation of Business Opportunities. Although we do not expect Fortis to compete with us in the near term, there may be business opportunities that are suitable for both Fortis and us. Fortis designees may direct such opportunities to Fortis and we may have no recourse against the Fortis designees or Fortis. We have no formal mechanisms for allocating business opportunities.

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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 persistency 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 controls us within the meaning of the BHCA or 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 except to the extent that another exemption under the BHCA, such as the merchant banking exemption, is available. 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.

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The Federal Reserve Board oversees all of Fortis' direct and indirect U.S. subsidiaries for compliance with the BHCA, including our Company. Our Company will be considered a subsidiary of Fortis so long as Fortis owns 25% or more of any class of our voting shares or otherwise controls us within the meaning of the BHCA. In addition, even if we are not a subsidiary of Fortis, the nonfinancial activities restrictions of the BHCA and Regulation Y (discussed above) would continue to apply so long as Fortis owned more than 5% of any class of our voting shares and another BHCA exemption, such as the merchant banking exemption, is not available.

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 and from taking action by written consent;

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

- subject to limited exceptions, require the approval of at least two-thirds of the voting power of our outstanding capital stock entitled to vote on the matter 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 the voting power of our outstanding capital stock entitled to vote on the matter for the stockholders to amend the provisions of our by-laws and certificate of incorporation described in the second through seventh bullet points above and this supermajority provision.

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

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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.

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, we estimate that Fortis, through Fortis Insurance N.V., will own approximately 65,000,000 shares of our common stock, assuming an initial public offering price of \$21 per share, which is the midpoint of the price range set forth on the cover of this prospectus, and assuming there is no exercise of the underwriters over-allotment option. Fortis 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

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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 these registration rights, 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, we estimate that there will be approximately 145,072,262 shares of our common stock outstanding, assuming an initial public offering price of \$21 per share, which is the midpoint of the price range on the cover of this prospectus. 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, Inc. (NASD) restrictions. In addition, our certificate of incorporation permits the issuance of up to 800,000,000 shares of common stock. After this offering, we estimate that we will have an aggregate of approximately 655,000,000 shares of our common stock authorized but unissued, assuming an initial public offering price of \$21 per share, which is the midpoint of the price range set forth on the cover of this prospectus. 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 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, among other things, 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. However, in the event that either (1) during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to us occurs or (2) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period, the lock-up restrictions, subject to certain exceptions, will continue to apply until the expiration of the 18-day period beginning on the earnings release or the occurrence of the material news or material event.

Shares registered under a registration statement on Form S-8 to be filed by us will be available for sale into the public markets, subject to the exercise of any future issued and outstanding options, if any.

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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.

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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 currently intends to authorize the payment of a dividend of \$0.07 per share of common stock per quarter to our stockholders of record beginning in the second quarter of 2004. 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. 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 was approximately \$290 million, of which approximately \$100 million had been paid as of December 31, 2003. We expect that as a result of, among other things, 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, as part of the regulatory approval process for the acquisition of ABIG in 1999, we entered into an agreement with the Florida Insurance Department pursuant to which two of our subsidiaries, American Bankers Insurance Company (ABIC) and American Bankers Life Assurance Company (ABLAC), 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, also entered into an agreement with the New York Insurance Department as part of the regulatory approval process for the merger of Bankers American Life Assurance Company into First Fortis Life Insurance Company in 2001 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 and our senior bridge credit facilities, see Regulation United States State Regulation Insurance Regulation Concerning Dividends and Statutory Accounting Practices (SAP), Description of Share Capital and Description of Indebtedness.

On May 27, 2003, we paid the holders of our Class A Common Stock a cash dividend in the aggregate amount of \$139 million. 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.

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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 redomestication 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 effectiveness of the registration statement of which this prospectus forms a part, we will effectuate a merger of Fortis, Inc. with and into Assurant, Inc. for the purpose of redomesticating Fortis, Inc. in Delaware. As a result of the merger, Assurant, Inc. will be domiciled in Delaware and will be the successor to the business, operations and obligations of Fortis, Inc. After the merger, 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.

In connection with the merger:

each share of the existing Class A Common Stock of Fortis, Inc. will be exchanged for 10.75882039 shares of Common Stock of Assurant, Inc.;

each share of the existing Class B Common Stock of Fortis, Inc. will be exchanged for one share of Class B Common Stock of Assurant, Inc.;

each share of the existing Class C Common Stock of Fortis, Inc. will be exchanged for one share of Class C Common Stock of Assurant, Inc.;

each share of the existing Series B Preferred Stock of Fortis, Inc. will be exchanged for one share of Series B Preferred Stock of Assurant, Inc.; and

each share of the existing Series C Preferred Stock of Fortis, Inc. will be exchanged for one share of Series C Preferred Stock of Assurant, Inc.

In addition, in connection with the offering contemplated by this prospectus:

we entered into a \$650 million senior bridge credit facility in December 2003 and incurred \$650 million aggregate principal amount of indebtedness under the facility in connection with the repayments and redemptions described below and for general corporate purposes;

we entered into a \$1,100 million senior bridge credit facility in December 2003 and incurred \$1,100 million aggregate principal amount of indebtedness under the facility in connection with the repayments and redemptions described below and for general corporate purposes;

we will receive a \$725.5 million capital contribution from Fortis Insurance N.V. immediately prior to or simultaneously with the closing of the offering contemplated by this prospectus and will use the proceeds of that capital contribution to repay the \$650 million of outstanding indebtedness under the \$650 million senior bridge credit facility and \$75.5 million of outstanding indebtedness under the \$1,100 million senior bridge credit facility, and simultaneously with the closing of the offering contemplated by this prospectus, we will also repay a portion of the \$1,100 million senior bridge credit facility with \$49.5 million in cash;

we will issue shares of Common Stock of Assurant, Inc. to Fortis Insurance N.V. simultaneously with the closing of the offering contemplated by this prospectus in exchange for the \$725.5 million capital contribution referred to above based on the public offering price of our common stock, which assuming an initial public offering price of \$21 per share (the midpoint of the price range set forth on the cover of this prospectus), will result in the issuance of 34,547,180 shares of Common Stock of Assurant, Inc.;

we redeemed the outstanding \$550 million aggregate liquidation amount of 2000 trust capital securities in December 2003 at 100% of the liquidation amount thereof plus (i) accrued interest to the date of redemption and (ii) premium of approximately \$73 million;

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we redeemed the outstanding \$699.9 million aggregate liquidation amount of 1999 trust capital securities in December 2003 at 100% of the liquidation amount thereof plus (i) accrued interest to the date of redemption and (ii) premium of approximately \$64 million; we redeemed such securities partially with the proceeds of a four-day loan for \$650 million that we repaid in December 2003;

we redeemed the outstanding \$196.2 million aggregate liquidation amount of 1997 capital securities in January 2004 at 100% of the liquidation amount thereof plus (i) accrued interest to the date of redemption and (ii) premium of approximately \$67 million; and

the shares of Class B Common Stock and Class C Common Stock of Assurant, Inc. issued in the merger in accordance with their terms simultaneously with the closing of the offering contemplated by this prospectus will be automatically converted into shares of Common Stock of Assurant, Inc. based on the public offering price of our common stock, which assuming an initial public offering price of \$21 per share (the midpoint of the price range set forth on the cover of this prospectus), will result in the issuance of 27,071,962 shares of Common Stock of Assurant, Inc. for all of the outstanding Class B Common Stock and Class C Common Stock.

We also intend to repay the \$975 million remaining principal amount to be outstanding under the \$1,100 million senior bridge credit facility with the proceeds of the incurrence of senior long-term indebtedness following the offering.

The purpose of the foregoing transactions is to simplify our capital structure in anticipation of becoming a public company. In addition, we redeemed our indebtedness owed to Fortis in anticipation of Fortis reducing its stock ownership in our Company. The senior bridge credit facilities were entered into in order to fund the redemptions and for general corporate purposes. We will receive the capital contribution from Fortis Insurance N.V. to repay in full the \$650 million senior bridge credit facility and to reduce amounts outstanding under the \$1,100 million senior bridge credit facility immediately prior to or simultaneously with the closing of the offering contemplated by this prospectus.

See Capitalization.

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.

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CAPITALIZATION

The following table sets forth our consolidated capitalization as of September 30, 2003, on an actual basis and as adjusted to give effect to the following events as if such events had occurred on September 30, 2003:

the incurrence by us in December 2003 of \$650 million aggregate principal amount of indebtedness under a senior bridge credit facility entered into by us in connection with the repayments and redemptions described below and for general corporate purposes and the subsequent repayment thereof with a portion of the proceeds of a \$725.5 million capital contribution to be received by us from Fortis Insurance N.V. immediately prior to or simultaneously with the closing of the offering contemplated by this prospectus;

the incurrence by us in December 2003 of \$1,100 million aggregate principal amount of indebtedness under an additional senior bridge credit facility entered into by us in connection with the repayments and redemptions described below and for general corporate purposes and the subsequent repayment of a portion thereof with \$75.5 million of the \$725.5 million capital contribution referred to above and with \$49.5 million in cash;

the issuance by us of shares of Common Stock of Assurant, Inc. to Fortis Insurance N.V. simultaneously with the closing of the offering contemplated by this prospectus in exchange for the \$725.5 million capital contribution referred to above based on the public offering price of our common stock, which assuming an initial public offering price of \$21 per share (the midpoint of the price range set forth on the cover of this prospectus), will result in the issuance of 34,547,180 shares of Common Stock of Assurant, Inc.;

the redemption by us of the outstanding \$550 million aggregate liquidation amount of 2000 trust capital securities at 100% of the liquidation amount thereof plus (i) accrued interest to the date of redemption and (ii) premium of approximately \$73 million in December 2003;

the redemption by us of the outstanding \$699.9 million aggregate liquidation amount of 1999 trust capital securities at 100% of the liquidation amount thereof plus (i) accrued interest to the date of redemption and (ii) premium of approximately \$64 million in December 2003; we redeemed such securities partially with the proceeds of a four-day loan for \$650 million that we repaid in December 2003;

the redemption by us of the outstanding \$196.2 million aggregate liquidation amount of 1997 capital securities at 100% of the liquidation amount thereof plus (i) accrued interest to the date of redemption and (ii) premium of approximately \$67 million in January 2004;

the consummation of the merger described under Corporate Structure and Reorganization, which will occur immediately prior to the effectiveness of the registration statement of which this prospectus forms a part, including the exchange in the merger of each share of Class A Common Stock of Fortis, Inc. having a par value of \$0.10 per share for 10.75882039 shares of Common Stock of Assurant, Inc. having a par value of \$0.01 per share;

the automatic conversion of the shares of Class B Common Stock and Class C Common Stock issued in the merger in accordance with their terms simultaneously with the closing of the offering contemplated by this prospectus into shares of Common Stock of Assurant, Inc. based on the public offering price of our common stock, which assuming an initial public offering price of \$21 per share (the midpoint of the price range set forth on the cover of this prospectus), will result in the issuance of 27,071,962 shares of Common Stock of Assurant, Inc. for all of the outstanding Class B Common Stock and Class C Common Stock; and

the issuance by us of shares of Common Stock of Assurant, Inc. to certain of our officers and directors pursuant to stock grants to be made on the closing of the offering contemplated by this prospectus, which assuming an initial public offering price of \$21 per share (the midpoint of the price

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range set forth on the cover of this prospectus), will result in the issuance of 72,262 shares of Common Stock of Assurant, Inc. 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 Indebtedness.

	As of September 30, 2003	
	Actual	As Adjusted
	(unaudited) (in thousands, except share amounts and per share data)	
Cash and cash equivalents	\$ 441,468	\$ 491,894
Debt Outstanding:		
Long-term senior debt	\$	\$ 975,000
Mandatorily redeemable preferred securities of subsidiary trusts(1):		
2000 trust capital securities	550,000	
1999 trust capital securities	699,850	
1997 capital securities	196,224	
Total mandatorily redeemable preferred securities of subsidiary trusts	1,446,074	
Mandatorily redeemable preferred stock, par value \$1.00 per share, actual and as adjusted (20,000,000 shares authorized, actual and 200,000,000 shares authorized, as adjusted; 19,160 shares of Series B Preferred Stock and 5,000 shares of Series C Preferred Stock issued and outstanding, actual and as adjusted)	24,160	24,160
Stockholders' Equity:		
Common stock, par value \$0.10 per share, actual, and \$0.01 per share, as adjusted (80,000,000 shares of common stock authorized, actual and 800,550,002(2) shares of common stock authorized, as adjusted):		
Class A (7,750,000 shares issued and outstanding, actual and 145,072,262, as adjusted)(3)	775	1,451
Class B (150,001 shares issued and outstanding, actual and 0, as adjusted)	15	
Class C (400,001 shares issued and outstanding, actual and 0, as adjusted)	40	
Additional paid-in capital	2,064,025	2,788,904
Retained earnings	326,602	194,002(4)
Accumulated other comprehensive income	361,766	361,766
Total stockholders' equity	2,753,223	3,346,123
Total Capitalization	\$4,223,457	\$4,345,283

- (1) 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 Certain Relationships and Related Transactions.
- (2) The Class B and Class C Common Stock may not be reissued following the conversion.
- (3) The Class A Common Stock of Fortis, Inc. will be exchanged for Common Stock, par value \$0.01 per share, of Assurant, Inc. in connection with the merger. The figure presented in the as adjusted column refers to the Common Stock of Assurant, Inc.
- (4) Decrease in retained earnings is attributable to after-tax premiums paid associated with the early redemption of mandatorily redeemable preferred securities of subsidiary trusts.

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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 redomestication 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 effectiveness of the registration statement of which this prospectus forms a part, we will effectuate a merger of Fortis, Inc. with and into Assurant, Inc. for the purpose of redomesticating Fortis, Inc. in Delaware. As a result of the merger, Assurant, Inc. will be domiciled in Delaware and will be the successor to the business, operations and obligations of Fortis, Inc. After the merger, 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 in the period ended December 31, 2002 and the selected consolidated balance sheet data at 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 at December 31, 2002 and 2001 have been included elsewhere in this prospectus. The selected consolidated statement of operations data for the nine months ended September 30, 2003 and the selected consolidated balance sheet data as of September 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 nine months ended September 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 Nine Months Ended September 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	\$ 4,533,503	\$ 4,217,145	\$ 5,681,596	\$ 5,242,185	\$ 5,144,375	\$ 4,508,795	\$ 3,056,550
Net investment income	456,608	472,324	631,828	711,782	690,732	590,487	491,947
Net realized gains (losses) on investments	14,808	(92,407)	(118,372)	(119,016)	(44,977)	13,616	88,185
Amortization of deferred gain on disposal of businesses	52,235	59,941	79,801	68,296	10,284		
Gain on disposal of businesses		10,672	10,672	61,688	11,994		
Fees and other income	181,588	182,741	246,675	221,939	399,571	357,878	307,780
Total revenues	5,238,742	4,850,416	6,532,200	6,186,874	6,211,979	5,470,776	3,944,462
Benefits, losses and expenses							
Policyholder benefits	2,657,193	2,560,851	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	732,657	671,577	876,185	875,703	766,904	494,000	213,817
Underwriting, general and administrative expenses	1,367,289	1,244,185	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	87,854	88,122	118,396	118,370	110,142	53,824	16,713
Total benefits, losses and expenses	4,844,993	4,564,735	6,161,803	5,981,230	6,017,795	5,356,733	3,771,164
Income before income taxes	393,749	285,681	370,397	205,644	194,184	114,043	173,298
Income taxes	130,464	86,349	110,657	107,591	104,500	57,657	63,939
Net income before cumulative effect of change in accounting principle	\$ 263,285	\$ 199,332	\$ 259,740	\$ 98,053	\$ 89,684	\$ 56,386	\$ 109,359
Cumulative effect of change in accounting principle		(1,260,939)	(1,260,939)				
Effect of discontinued operations							(13,979)
Net income (loss)	\$ 263,285	\$ (1,061,607)	\$ (1,001,199)	\$ 98,053	\$ 89,684	\$ 56,386	\$ 95,380
Per Share Data:							
Net income (loss) per share	\$ 31.72	\$ (127.90)	\$ (120.63)	\$ 11.81	\$ 10.93	\$ 9.17	\$ 19.08

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As adjusted net income (loss) per share(1)	\$ 2.38	\$ (9.61)	\$ (9.06)	\$ 0.89	\$ 0.85	\$ 0.85	\$ 1.77
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
As adjusted weighted average of basic and diluted shares of common stock outstanding(1)	110,452,820	110,452,820	110,452,820	110,452,820	105,940,826	66,122,451	53,794,102
Dividends per share:							
Class A Common Stock(2)	\$ 17.98	\$	\$	\$ 8.65	\$	\$	\$
Class B Common Stock (3)	74.69	74.69	74.69	75.44	37.66		
Class C Common Stock(4)	76.68	76.68	76.68	77.45	38.65		

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	At	At December 31,				
	September 30, 2003(5)	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	\$ 11,155,385	\$ 10,578,415	\$ 10,159,809	\$ 10,750,554	\$ 10,110,136	\$ 8,027,307
Total assets	22,873,297	22,218,009	24,449,877	24,115,139	22,216,730	14,577,790
Policy liabilities(6)	12,780,855	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(7)	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	2,753,223	2,555,059	3,452,405	3,367,713	3,164,297	1,765,568
Per Share Data:						
Total book value per share(8)	\$ 331.71	\$ 307.84	\$ 415.95	\$ 410.28	\$ 514.86	\$ 353.11
As adjusted total book value per share(1)(9)	\$ 24.93	\$ 23.13	\$ 31.26	\$ 31.79	\$ 47.86	\$ 32.82

(1) Reflects only the following events as if such events had occurred at the beginning of the period indicated:

the exchange of each existing share of Class A Common Stock of Fortis, Inc. for 10.75882039 shares of Common Stock of Assurant, Inc. in the merger for the purpose of redomestication; and

the automatic conversion of the shares of Class B Common Stock and Class C Common Stock issued in the merger in accordance with their terms simultaneously with the closing of the offering contemplated by this prospectus into shares of Common Stock of Assurant, Inc. based on the public offering price of our common stock, which assuming an initial public offering price of \$21 per share (the midpoint of the price range set forth on the cover of this prospectus), will result in the issuance of 27,071,962 shares of Common Stock of Assurant, Inc. for all of the outstanding Class B Common Stock and Class C Common Stock.

- (2) 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 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 Class A Common Stock were issued and outstanding. Each existing share of Class A Common Stock of Fortis, Inc. will be exchanged for 10.75882039 shares of Common Stock of Assurant, Inc. in connection with the merger of Fortis, Inc. with and into Assurant, Inc. and accordingly, the dividends per share data presented may not be meaningful.
- (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, 150,001 shares of 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. No shares of 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.
- (4) 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 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. No shares of 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.
- (5) This column should be read in conjunction with Capitalization to understand the significant changes expected to our balance sheet data after September 30, 2003 as a result of transactions being undertaken in connection with the offering contemplated by this prospectus.
- (6) Policy liabilities include future policy benefits and expenses, unearned premiums and claims and benefits payable.

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- (7) 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 Certain Relationships and Related Transactions.
- (8) Based on total stockholders' equity divided by weighted average of basic and diluted shares of common stock outstanding.
- (9) Based on total stockholders' equity divided by as adjusted weighted average of basic and diluted shares of common stock outstanding.

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**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, interest income earned from short-term investments held and interest income from excess surplus of insurance subsidiaries 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. Debt protection administration programs include services for non-insurance products that cancel or defer the required monthly payment on outstanding loans when covered events occur.

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

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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 September 30, 2003, approximately 82% 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.

In addition, in December 2003 and January 2004, we redeemed all of the mandatorily redeemable preferred securities of subsidiary trusts for a redemption price equal to their aggregate liquidation amount plus accrued and unpaid interest to the date of redemption and aggregate premium of approximately \$204 million, all of which has been expensed in the fourth quarter of 2003. We entered into the senior bridge credit facilities described under "Description of Indebtedness" in connection with these redemptions.

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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 pre-tax gains 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 Assurant Employee Benefits.

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 \$0.2 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 Assurant Employee Benefits.

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 \$669 million and income after tax of \$65 million during 2000. FFG included certain individual life insurance policies, investment-type annuity contracts 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 investment-type annuity contracts 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. Variable insurance refers to an investment-oriented life insurance policy that offers fixed premiums and a minimum death benefit as well as providing a return linked to an underlying portfolio of securities. These registered insurance contracts, which we no longer sell, 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

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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 September 30, 2003, we had separate account assets and liabilities of \$3,561 million compared to \$4,809 million on April 2, 2001, the date of the FFG sale.

On October 1, 2000, we acquired AMLIC, a provider of pre-funded funeral insurance products, from SCI. Total revenues of \$75 million and income after tax of \$5 million were generated by AMLIC from October 1, 2000 through December 31, 2000, as compared to total revenues of \$353 million and income after tax of \$30 million in 2001. AMLIC is included in Assurant PreNeed.

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 after-tax deferred gains of approximately \$34 million, which is being amortized over the remaining lives of the related contracts. Total revenues of \$25 million and income after tax of \$5 million 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.

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; and

warranties and extended service contracts.

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Long Duration Contracts

Currently, our long duration contracts being sold are pre-funded funeral life insurance and investment-type annuities. For pre-funded funeral life insurance policies, any excess of the gross premium over the net premium is deferred and is recognized in income in a constant relationship with the insurance in force. For pre-funded funeral investment-type annuity contracts, revenues consist of charges assessed against policy balances.

For traditional life insurance contracts sold by Assurant PreNeed that are no longer offered, revenue is recognized when due from policyholders.

For universal life insurance and investment-type annuity contracts sold by Assurant Solutions that are no longer offered, revenues consist of charges assessed against policy balances.

Premiums for LTC insurance and traditional life insurance contracts within FFG are recognized as revenue when due from the policyholder. For universal life insurance and investment-type annuity contracts within FFG, revenues 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 calculated based upon payments received from ceding companies together with accrual estimates which are based on both payments received and in force policy information received from ceding companies. 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;

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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. In July 2003, the valuation interest rate was lowered to 5.25% from 6% for group long-term disability and raised to 5.25% from 3.5% for group life waiver of premium reserves. Group long-term disability and group life waiver of premium reserves are discounted because the payment pattern and ultimate cost are fixed and determinable on an individual claim basis.

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. Any estimation of these liabilities is subject to greater than normal variation and uncertainty 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. However, based on information currently available, and after consideration of the reserves reflected in the financial statements, we believe that any changes in reserve estimates for these claims are not reasonably likely to be material. Asbestos, environmental and other general liability claim payments, net of reinsurance recoveries, were \$1.4 million, \$2.2 million and \$2.1 million for the years ended December 31, 2002, 2001 and 2000, respectively.

One of our subsidiaries, American Reliable Insurance Company (ARIC), participated in certain excess of loss reinsurance programs in the London market and, as a result, reinsured certain personal accident, ransom and kidnap insurance risks from 1995 to 1997. ARIC and a foreign affiliate ceded a portion of these risks to other reinsurers (retrocessionaires). ARIC ceased reinsuring such business in 1997. However, certain risks continued beyond 1997 due to the nature of the reinsurance contracts written. ARIC and some of the other reinsurers involved in the programs are seeking to avoid certain treaties on various grounds, including material misrepresentation and non-disclosure by the ceding companies and intermediaries involved in the programs. Similarly, some of the retrocessionaires are seeking avoidance of certain treaties with ARIC and the other reinsurers and some reinsureds are seeking collection of disputed balances under some of the treaties. The disputes generally involve multiple layers of reinsurance, and allegations that the reinsurance programs

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involved interrelated claims spirals devised to disproportionately pass claims losses to higher-level reinsurance layers. Many of the companies involved in these programs, including ARIC, are currently involved in negotiations, arbitration and/or litigation between multiple layers of retrocessionaires, reinsurers, ceding companies and intermediaries, including brokers, in an effort to resolve these disputes. Many of those disputes relating to the 1995 program year, including those involving ARIC, were settled on December 3, 2003. Based on information currently available, and after consideration of the reserves reflected in the financial statements, we believe that it is not reasonably likely that any liabilities we experience in connection with these programs would have a material adverse effect on our financial condition or results of operations. However, the inherent uncertainty of arbitrations and lawsuits, including the uncertainty of estimating whether any settlements we may enter into in the future would be on favorable terms, makes it difficult to predict the outcomes with certainty.

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 investment-type annuities, universal life insurance policies and investment-type annuity contracts that are no longer offered, and the variable life insurance and investment-type 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.

Future policy benefits and expense reserves for pre-funded funeral life insurance contracts are recorded as the present value of future benefits to policyholders and related expenses less the present value of future net premiums. Reserve assumptions are selected using best estimates for expected investment yield, inflation, mortality and withdrawal rates. These assumptions reflect current trends, are based on Company experience and include provision for possible unfavorable deviation. An unearned premium reserve is also recorded for these contracts which represents the balance of the excess of gross premiums over net premiums that is still to be recognized in future years income in a constant relationship to insurance in force.

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. If the premium deficiency is greater than unamortized DAC, a liability will be accrued for the excess deficiency.

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.

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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 investment-type annuities and universal life insurance policies and investment-type 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. These acquisition costs relate to commissions and policy issuance expenses. Commissions represent the majority of deferred costs and result from commission schedules that pay significantly higher rates in the first year. The majority of deferred policy issuance expenses are the costs of separately underwriting each individual medical contract.

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.

Changes in individual security values are monitored on a semi-monthly basis in order to identify potential problem credits. In addition, 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

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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 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.

Table of Contents**Results of Operations***Consolidated Overview*

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

	For the Nine Months Ended September 30,		For the Year Ended December 31,		
	2003	2002	2002	2001	2000
	(in millions)				
Revenues:					
Net earned premiums and other considerations	\$ 4,534	\$ 4,217	\$ 5,681	\$ 5,242	\$ 5,144
Net investment income	457	472	632	712	691
Net realized gains (losses) on investments	15	(92)	(118)	(119)	(45)
Amortization of deferred gain on disposal of businesses	52	60	80	68	10
Gain on disposal of businesses		11	11	62	12
Fees and other income	181	182	246	222	400
Total revenues	5,239	4,850	6,532	6,187	6,212
Benefits, losses and expenses:					
Policyholder benefits	(2,657)	(2,561)	(3,429)	(3,239)	(3,208)
Selling, underwriting and general expenses(1)	(2,100)	(1,916)	(2,615)	(2,497)	(2,568)
Amortization of goodwill				(113)	(107)
Interest expense				(14)	(25)
Distributions on mandatorily redeemable preferred securities of subsidiary trusts	(88)	(88)	(118)	(118)	(110)
Total benefits, losses and expenses	(4,845)	(4,565)	(6,162)	(5,981)	(6,018)
Income before income taxes	394	285	370	206	194
Income taxes	(131)	(86)	(110)	(108)	(104)
Net income before cumulative effect of change in accounting principle	263	199	260	98	90
Cumulative effect of change in accounting principle		(1,261)	(1,261)		
Net income (loss)	\$ 263	\$(1,062)	\$(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 nine months ended September 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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Nine Months Ended September 30, 2003 Compared to Nine Months Ended September 30, 2002 Total Revenues

Total revenues increased by \$389 million, or 8%, from \$4,850 million for the nine months ended September 30, 2002, to \$5,239 million for the nine months ended September 30, 2003.

Net earned premiums and other considerations increased by \$317 million, or 8%, from \$4,217 million for the nine months ended September 30, 2002, to \$4,534 million for the nine months ended September 30, 2003, primarily due to increases in net earned premiums in Assurant Solutions and Assurant Health. Net earned premiums increased by \$223 million, or 15%, in Assurant Solutions and \$111 million, or 8%, in Assurant

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Health. Offsetting these increases was a decrease in net earned premiums and other considerations at Assurant Employee Benefits by \$10 million, or 1%, and at Assurant PreNeed by \$7 million, or 2%.

Net investment income decreased by \$15 million, or 3%, from \$472 million for the nine months ended September 30, 2002 to \$457 million for the nine months ended September 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 6% (annualized) for the nine months ended September 30, 2003, as compared to 6% (annualized) for the nine months ended September 30, 2002.

Net realized gains on investments improved by \$107 million from net realized losses on investments of \$92 million for the nine months ended September 30, 2002, to net realized gains of \$15 million for the nine months ended September 30, 2003. Net realized gains/losses on investments are comprised of both other-than-temporary impairments and realized capital gains/ losses on sales of securities. For the nine months ended September 30, 2003, we had other-than-temporary impairments of \$17 million, as compared to \$57 million for the nine months ended September 30, 2002. There were no individual impairments in excess of \$10 million for the nine months ended September 30, 2003. Impairments on available for sale securities in excess of \$10 million during the nine months ended September 30, 2002 consisted of a \$12 million writedown of fixed maturity investments in AT&T Canada Inc. (AT&T Canada), an \$11 million writedown of fixed maturity investments in MCI WorldCom Inc. (MCI WorldCom) and an \$18 million writedown of fixed maturity investments in NRG Energy Inc. (NRG Energy). Excluding the effect of other-than-temporary impairments, we recorded an increase in net realized gains of \$67 million in the Corporate and Other segment.

Amortization of deferred gain on disposal of businesses decreased by \$8 million, or 13%, from \$60 million for the nine months ended September 30, 2002, to \$52 million for the nine months ended September 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 nine months ended September 30, 2002. On June 28, 2002, we sold our investment in NHP, which resulted in pre-tax gains of \$11 million for the nine months ended September 30, 2002.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses increased by \$280 million, or 6%, from \$4,565 million for the nine months ended September 30, 2002, to \$4,845 million for the nine months ended September 30, 2003.

Policyholder benefits increased by \$96 million, or 4%, from \$2,561 million for the nine months ended September 30, 2002, to \$2,657 million for the nine months ended September 30, 2003. The increase was primarily due to increases of \$87 million, \$56 million and \$3 million in Assurant Solutions, Assurant Health and Assurant PreNeed, respectively, offset by a \$50 million decrease in Assurant Employee Benefits.

Selling, underwriting and general expenses increased by \$184 million, or 10%, from \$1,916 million for the nine months ended September 30, 2002, to \$2,100 million for the nine months ended September 30, 2003. The increase was primarily due to increases of \$141 million, \$29 million and \$9 million in Assurant Solutions, Assurant Health, and Assurant PreNeed, respectively. The increase in Assurant Solutions was primarily due to growth in warranty and extended service contract products. The increase in Assurant Health was primarily due to amortization of DAC related to higher sales from individual health insurance products.

Distributions on preferred securities of subsidiary trusts during the nine months ended September 30, 2003 remained unchanged from the comparable prior year period at \$88 million.

Net Income

Net income increased by \$1,325 million from a loss of \$1,062 million for the nine months ended September 30, 2002 to a profit of \$263 million for the nine months ended September 30, 2003.

Income taxes increased by \$45 million, or 52%, from \$86 million for the nine months ended September 30, 2002, to \$131 million for the nine months ended September 30, 2003. The effective tax rate for the nine months ended September 30, 2002 was 30% compared to 33% for the nine months ended September 30, 2003. During the nine months ended September 30, 2002, we recognized the release of

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approximately \$9 million of previously provided tax accruals which were no longer considered necessary based on the resolution of certain tax matters.

A cumulative effect (expense) of changes in accounting principles of \$1,261 million was recognized for the nine months ended September 30, 2002, as compared to \$0 recognized for the nine months ended September 30, 2003. Effective January 1, 2002, we adopted FAS 142, pursuant to which we ceased amortization of goodwill. See Critical Accounting Policies 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, 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 of amortization 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 Assurant Solutions, 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.

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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 Assurant Health, 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. Loss ratio refers to policyholder benefits divided by net earned premiums and other considerations; net earned premiums and other considerations include the amount of net premiums written allocable to the expired period of an insurance policy or policies, including fees earned on interest sensitive policies.

Selling, underwriting and general expenses increased by \$118 million, or 5%, from \$2,497 million in 2001 to \$2,615 million in 2002. Assurant Employee Benefits 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. Selling, underwriting and general expenses in Assurant Health 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, selling, underwriting and general expenses in Assurant PreNeed 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 \$42 million increase as a result of the acquisitions and dispositions described above, net earned premiums and other considerations increased by \$56 million due to a \$126 million increase at Assurant Solutions in 2001, a \$23 million increase in 2001 in dental products issued by Assurant Employee Benefits and a \$13 million increase at Assurant PreNeed. 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

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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 \$33 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 less than 1%, 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 \$11 million decrease as a result of the acquisitions and dispositions described above, policyholder benefits increased by \$42 million due to a \$115 million increase in policyholder benefits at Assurant Solutions as a result of growth in its business. Assurant Employee Benefits contributed an additional increase in policyholder benefits of \$36 million due to corresponding growth in its dental and disability product businesses. Offsetting these increases was a \$192 million decrease in policyholder benefits 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 \$216 million decrease as a result of the acquisitions and dispositions described above, selling, underwriting and general expenses increased by \$145 million, mainly due to a \$140 million increase in selling, underwriting and general expenses at Assurant Solutions attributable to additional commission expenses associated with growth in sales of its warranty and extended service contract products and a \$25 million increase at Assurant Health primarily due to additional spending to achieve loss ratio improvements, investments in technology and higher employee compensation. 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.

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

	For the Nine Months Ended September 30,		For the Year Ended December 31,		
	2003	2002	2002	2001	2000
(in millions)					
Revenues:					
Net earned premiums and other considerations	\$ 1,737	\$ 1,514	\$ 2,077	\$ 1,906	\$ 1,780
Net investment income	142	153	205	218	212
Fees and other income	99	88	119	98	68
Total revenues	1,978	1,755	2,401	2,222	2,060
Benefits, losses and expenses:					
Policyholder benefits	(632)	(545)	(755)	(640)	(525)
Selling, underwriting and general expenses	(1,200)	(1,059)	(1,449)	(1,444)	(1,304)
Total benefits, losses and expenses	(1,832)	(1,604)	(2,204)	(2,084)	(1,829)
Segment income before income tax	146	151	197	138	231
Income taxes	(46)	(50)	(65)	(40)	(76)
Segment income after tax	\$ 100	\$ 101	\$ 132	\$ 98	\$ 155
Net earned premiums and other considerations by major product groupings:					
Specialty Property Solutions(1)	\$ 527	\$ 411	\$ 552	\$ 452	\$ 413
Consumer Protection Solutions(2)	1,210	1,103	1,525	1,454	1,367
Total	\$ 1,737	\$ 1,514	\$ 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) Consumer Protection Solutions includes an array of debt protection administration services, credit insurance programs and warranties and extended service contracts.

Nine Months Ended September 30, 2003 Compared to Nine Months Ended September 30, 2002

Total Revenues

Total revenues increased by \$223 million, or 13%, from \$1,755 million for the nine months ended September 30, 2002, to \$1,978 million for the nine months ended September 30, 2003.

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Net earned premiums and other considerations increased by \$223 million, or 15%, from \$1,514 million for the nine months ended September 30, 2002, to \$1,737 million for the nine months ended September 30, 2003. This increase was primarily due to \$116 million of additional net earned premiums and other considerations attributable to our special property solutions products, including approximately \$97 million from our creditor-placed and voluntary homeowners insurance and manufactured housing homeowners insurance lines as a result of new clients and increased sales through growth in existing clients. Consumer protection solutions also contributed \$107 million of growth in net earned premiums and other considerations primarily from growth in our warranty and extended service contracts business.

Net investment income decreased by \$11 million, or 7%, from \$153 million for the nine months ended September 30, 2002 to \$142 million for the nine months ended September 30, 2003. The average portfolio

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yield decreased by 55 basis points from 5.88% (annualized) for the nine months ended September 30, 2002, to 5.33% (annualized) for the nine months ended September 30, 2003, due to the lower interest rate environment. The average allocated invested assets increased by 2%.

Fees and other income increased by \$11 million, or 13%, from \$88 million for the nine months ended September 30, 2002, to \$99 million for the nine months ended September 30, 2003, primarily 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 \$228 million, or 14%, from \$1,604 million for the nine months ended September 30, 2002, to \$1,832 million for the nine months ended September 30, 2003.

Policyholder benefits increased by \$87 million, or 16%, from \$545 million for the nine months ended September 30, 2002 to \$632 million for the nine months ended September 30, 2003. This increase was due in part to a growth in our specialty property solutions products, including our creditor-placed and voluntary homeowners insurance and our manufactured housing homeowners insurance lines and approximately \$18 million in losses attributable to Hurricane Isabel and the Midwest hail storms and tornadoes. Our consumer protection products also contributed \$29 million in cost and losses, primarily related to the increase in business from our warranty and extended service contracts business.

Selling, underwriting and general expenses increased by \$141 million, or 13%, from \$1,059 million for the nine months ended September 30, 2002, to \$1,200 million for the nine months ended September 30, 2003. Commissions, taxes, licenses and fees increased by \$128 million primarily due to an additional \$89 million of commissions, taxes, licenses and fees in our consumer protection solutions products, primarily warranty and extended service contract products and an additional \$38 million of commissions, taxes, licenses and fees in our specialty property solutions products, primarily the manufactured housing homeowners insurance and creditor-placed and voluntary homeowners insurance lines. General expenses increased by \$13 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 decreased by \$1 million, or 1%, from \$101 million for the nine months ended September 30, 2002, to \$100 million for the nine months ended September 30, 2003. Excluding the decrease in investment income of \$8 million after-tax, segment income after-tax increased by \$7 million, or 7%.

Income taxes decreased by \$4 million, or 8%, from \$50 million for the nine months ended September 30, 2002, to \$46 million for the nine months ended September 30, 2003. This decrease was largely due to the decrease 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 primarily due to the growth of \$39 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 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

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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 51 basis points from 6.36% in 2001 to 5.85% 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. Also, average allocated invested assets increased by approximately 2%.

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 primarily to \$36 million from the warranty and extended service contracts business and \$24 million from an accidental death and disability product. The increase was partly offset by a decrease in benefits in credit insurance products, 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 \$11 million of losses related to Hurricane Lili and Arizona wildfires. In 2001, we had approximately \$10 million in losses related to tropical storm Allison.

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 \$21 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 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 \$134 million from our warranty and extended service contract products mainly resulting from the addition of a new client in late 2000. This increase was largely offset by a 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 30 basis points from 6.66% in 2000 to 6.36% in 2001 due to the lower interest rate environment. Average allocated invested assets increased by approximately 8% 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 warranty and extended service 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 for the following reasons. 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.

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

	For the Nine Months Ended September 30,		For the Year Ended December 31,		
	2003	2002	2002	2001	2000
(in millions except membership data)					
Revenues:					
Net earned premiums and other considerations	\$ 1,476	\$ 1,365	\$ 1,834	\$ 1,838	\$ 1,967
Net investment income	36	42	55	58	58
Fees and other income	24	16	23	14	11
Total revenues	1,536	1,423	1,912	1,910	2,036
Benefits, losses and expenses:					
Policyholder benefits	(965)	(909)	(1,222)	(1,306)	(1,498)
Selling, underwriting and general expenses	(429)	(400)	(546)	(496)	(471)
Total benefits, losses and expenses	(1,394)	(1,309)	(1,768)	(1,802)	(1,969)
Segment income before income tax	142	114	144	108	67
Income taxes	(49)	(39)	(49)	(37)	(23)
Segment income after tax	\$ 93	\$ 75	\$ 95	\$ 71	\$ 44
Loss ratio(1)	65.4%	66.6%	66.6%	71.1%	76.2%
Expense ratio(2)	28.6%	29.0%	29.4%	26.8%	23.8%
Combined ratio(3)	92.9%	94.8%	95.2%	97.3%	99.5%
Membership by product line (in thousands):					
Individual	755	670	670	600	500
Small employer group	365	360	355	420	585
Total	1,120	1,030	1,025	1,020	1,085

- (1) The loss ratio is equal to policyholder benefits divided by net earned premiums and other considerations.
- (2) The expense ratio is equal to selling, underwriting and general expenses divided by net earned premiums and other considerations and fees and other income.
- (3) The combined ratio is equal to total benefits, losses and expenses divided by net earned premiums and other considerations and fees and other income.

Nine Months Ended September 30, 2003 Compared to Nine Months Ended September 30, 2002

Total Revenues

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Total revenues increased by \$113 million, or 8%, from \$1,423 million for the nine months ended September 30, 2002, to \$1,536 million for the nine months ended September 30, 2003.

Net earned premiums and other considerations increased by \$111 million, or 8%, from \$1,365 million for the nine months ended September 30, 2002, to \$1,476 million for the nine months ended September 30, 2003. The increase was primarily due to our individual health insurance business, which experienced membership growth, premium rate increases and favorable lapse experience on renewal business. Net earned premiums attributable to our small employer group health insurance business remained virtually unchanged. We instituted premium rate increases in select small group markets to sufficiently price for the underlying medical costs of existing business and for anticipated future medical trends.

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Net investment income decreased by \$6 million, or 14%, from \$42 million for the nine months ended September 30, 2002, to \$36 million for the nine months ended September 30, 2003. There was a 100 basis point decrease in yield on the investment portfolio from 6.5% (annualized) for the nine months ended September 30, 2002, to 5.5% (annualized) for the nine months ended September 30, 2003, due to the lower interest rate environment. Offsetting the decrease in yield was a 4% increase in average allocated invested assets for the nine months ended September 30, 2003, over the comparable prior year period.

Fees and other income increased by \$8 million, or 50%, from \$16 million for the nine months ended September 30, 2002, to \$24 million for the nine months ended September 30, 2003, due to additional insurance policy fees and higher fee-based product sales in individual markets, such as sales of our non-insurance health access discount cards.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses increased by \$85 million, or 6%, from \$1,309 million for the nine months ended September 30, 2002, to \$1,394 million for the nine months ended September 30, 2003.

Policyholder benefits increased by \$56 million, or 6%, from \$909 million for the nine months ended September 30, 2002, to \$965 million for the nine months ended September 30, 2003. This increase was consistent with the increase in net earned premiums. Primarily a result of our risk management activities, the loss ratio improved by 120 basis points from 66.6% for the nine months ended September 30, 2002, to 65.4% for the nine months ended September 30, 2003.

Selling, underwriting and general expenses increased by \$29 million, or 7%, from \$400 million for the nine months ended September 30, 2002, to \$429 million for the nine months ended September 30, 2003. Commissions increased by only \$2 million reflecting a change in the mix of business to products, durations and distribution channels with lower agent compensation in 2003. Amortization of deferred acquisition costs increased by \$17 million due to higher sales of individual health insurance products beginning in 2000. General expenses increased by \$11 million mainly due to additional spending on technology, higher employee compensation and additional spending to achieve loss ratio improvements to improve claims experience. The expense ratio improved by 40 basis points from 29% for the nine months ended September 30, 2002 to 28.6% for the nine months ended September 30, 2003.

Segment Income After Tax

Segment income after tax increased by \$18 million, or 24%, from \$75 million for the nine months ended September 30, 2002 to \$93 million for the nine months ended September 30, 2003.

Income taxes increased by \$10 million, or 26%, from \$39 million for the nine months ended September 30, 2002, to \$49 million for the nine months ended September 30, 2003. The increase was consistent with the 25% increase in segment income before income tax during the nine months ended September 30, 2003.

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

Total Revenues

Total revenues remained virtually unchanged from 2001 to 2002, at \$1,910 million in 2001 as compared to \$1,912 million in 2002.

Net earned premiums and other considerations also remained stable from 2001 to 2002, at \$1,838 million in 2001 as compared to \$1,834 million in 2002, with an increase of \$142 million in 2002 in the net earned premiums attributable to our individual health insurance products being offset by a decrease of \$146 million during such year in net earned premiums attributable to our small employer group health insurance products. Net earned premiums attributable to our individual health insurance business increased due to membership growth, premium rate increases and favorable lapse experience on renewal business. Net earned premiums attributable to our small employer group health insurance business decreased due to declining membership.

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partially offset by small employer group premium rate increases that we instituted in selected markets to adequately price for the underlying medical costs of existing business and for anticipated future medical trends.

Net investment income decreased by \$3 million, or 5%, from \$58 million in 2001 to \$55 million in 2002. There was a 100 basis point decrease in yield on the investment portfolio from 7.4% in 2001 to 6.4% in 2002 mainly due to the lower interest rate environment. Partially offset by the decrease in yield was a 9% increase in average allocated invested assets in 2002.

Fees and other income increased by \$9 million, or 64%, from \$14 million in 2001 to \$23 million in 2002 due to additional insurance policy fees and higher fee-based product sales in our individual health insurance business.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses decreased by \$34 million, or 2%, from \$1,802 million in 2001 to \$1,768 million in 2002.

Policyholder benefits decreased by \$84 million, or 6%, from \$1,306 million in 2001 to \$1,222 million in 2002. This decrease was principally due to a higher mix of individual health insurance business which had a lower loss ratio relative to small employer group health insurance business, primarily due to disciplined pricing and product design changes. The loss ratio improved 450 basis points from 71.1% in 2001 to 66.6% in 2002 due to the higher mix of individual health insurance business, increased premium rates and product design changes.

Selling, underwriting and general expenses increased by \$50 million, or 10%, from \$496 million in 2001 to \$546 million in 2002. Taxes, licenses and fees increased by \$5 million in 2002, or 13%, due to a change in the mix of business by state and legal entity, and the loss of favorable consolidated premium tax return benefits triggered by the disposition of FFG. The amortization of DAC increased by \$21 million in 2002, or 49%, due to higher sales of individual health insurance products beginning in 2000. General expenses increased by \$34 million in 2002, or 13%, due to investments in technology, higher employee compensation and additional spending to achieve loss ratio improvements. Partially offsetting these increases was a \$10 million, or 7%, decrease in commissions due to a higher mix of first year individual health insurance business. Individual health insurance policy acquisition costs are deferred and amortized in subsequent years.

The expense ratio increased by 260 basis points from 26.8% in 2001 to 29.4% in 2002. This increase was primarily attributable to the higher commissions on the mix of business in individual health insurance, investments in technology, higher employee compensation and additional spending to achieve loss ratio improvements.

Segment Income After Tax

Segment income after tax increased by \$24 million, or 34%, from \$71 million in 2001 to \$95 million in 2002.

Income taxes increased by \$12 million, or 32%, from \$37 million in 2001 to \$49 million in 2002. The increase was consistent with the 33% increase in segment income before income tax in 2002.

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

Total Revenues

Total revenues decreased by \$126 million, or 6%, from \$2,036 million in 2000 to \$1,910 million in 2001.

Net earned premiums and other considerations decreased by \$129 million, or 7%, from \$1,967 million in 2000 to \$1,838 million in 2001. A decrease of \$248 million in 2001 in the net earned premiums attributable to our small employer group health insurance products was partially offset by an increase of \$119 million in net earned premiums attributable to our individual health insurance products in 2001. Net earned premiums for

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small employer group health insurance products decreased due to declining membership that resulted primarily from premium increases required to restore profitability to the block of business. Net earned premiums attributable to our individual health insurance business increased due to premium rate increases and membership growth.

Net investment income remained unchanged at \$58 million in 2001. A 20 basis point increase in yield on the investment portfolio from 7.2% in 2000 to 7.4% in 2001 offset a decrease in average allocated invested assets in 2001.

Fees and other income increased by \$3 million, or 27%, from \$11 million in 2000 to \$14 million in 2001.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses decreased by \$167 million, or 8%, from \$1,969 million in 2000 to \$1,802 million in 2001.

Policyholder benefits decreased by \$192 million, or 13%, from \$1,498 million in 2000 to \$1,306 million in 2001. This decrease was due to a reduction in persons insured, an increasing mix of individual health insurance business and improved small employer group health insurance loss experience. The loss ratio improved 510 basis points from 76.2% in 2000 to 71.1% in 2001 due to increased premium rates, product design changes and the increased mix of individual health insurance business.

Selling, underwriting and general expenses increased by \$25 million, or 5%, from \$471 million in 2000 to \$496 million in 2001. The increase was driven by an increase in general expenses of \$35 million, primarily due to additional spending to achieve loss ratio improvements, investments in technology and higher employee compensation. Offsetting this increase was a decrease in commissions, taxes, licenses and fees of \$15 million in 2001, principally due to the decrease in small employer group health insurance products sold.

The expense ratio increased 300 basis points from 23.8% in 2000 to 26.8% in 2001 due to investments in technology and additional spending to achieve loss ratio improvements.

Segment Income After Tax

Segment income after tax increased by \$27 million, or 61%, from \$44 million in 2000 to \$71 million in 2001.

Income taxes increased by \$14 million, or 61%, from \$23 million in 2000 to \$37 million in 2001. The increase was consistent with the 61% increase in segment income before income tax in 2001.

Table of Contents**Assurant Employee Benefits***Overview*

The table below presents information regarding Assurant Employee Benefits results of operations:

	For the Nine Months Ended September 30,		For the Year Ended December 31,		
	2003	2002	2002	2001	2000
(in millions)					
Revenues:					
Net earned premiums and other considerations	\$ 920	\$ 930	\$ 1,233	\$ 934	\$ 903
Net investment income	105	109	148	144	136
Fees and other income	37	56	74	39	8
Total revenues	1,062	1,095	1,455	1,117	1,047
Benefits, losses and expenses:					
Policyholder benefits	(668)	(718)	(945)	(738)	(702)
Selling, underwriting and general expenses	(319)	(320)	(422)	(316)	(280)
Total benefits, losses and expenses	(987)	(1,038)	(1,367)	(1,054)	(982)
Segment income before income tax	75	57	88	63	65
Income taxes	(26)	(20)	(31)	(22)	(23)
Segment income after tax	\$ 49	\$ 37	\$ 57	\$ 41	\$ 42
Loss ratio(1)	72.6%	77.2%	76.6%	79.0%	77.7%
Expense ratio(2)	33.3%	32.5%	32.3%	32.5%	30.7%
Premium persistency ratio(3)	83.5%	85.9%	79.9%	84.3%	88.5%
Net earned premiums and other considerations by major product groupings:					
Group dental	\$ 404	\$ 420	\$ 554	\$ 255	\$ 232
Group disability	321	298	400	398	388
Group life	195	212	279	281	283
Total	\$ 920	\$ 930	\$ 1,233	\$ 934	\$ 903

- (1) The loss ratio is equal to policyholder benefits divided by net earned premiums and other considerations.
- (2) The expense ratio is equal to selling, underwriting and general expenses divided by net earned premiums and other considerations and fees and other income.
- (3) The premium persistency ratio is equal to the year-to-date (not annualized) rate at which existing business for all issue years at the beginning of the period remains in force at the end of the period. Persistency is typically higher mid-year than at year-end. The calculations for the year ended December 31, 2002 and the nine months ended September 30, 2002 exclude DBD.

We acquired DBD on December 31, 2001 and CORE on July 12, 2001; therefore, the results of DBD and CORE are included in our Assurant Employee Benefits segment financial results beginning in 2002 and July 2001, respectively.

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Nine Months Ended September 30, 2003 Compared to Nine Months Ended September 30, 2002

Total Revenues

Total revenues decreased by \$33 million, or 3%, from \$1,095 million for the nine months ended September 30, 2002, to \$1,062 million for the nine months ended September 30, 2003.

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Net earned premiums and other considerations decreased by \$10 million, or 1%, from \$930 million for the nine months ended September 30, 2002, to \$920 million for the nine months ended September 30, 2003. The decrease was primarily due to a \$16 million decline in group dental net premiums, driven by lower sales and the non-renewal of a large account. Also contributing to the decrease was the non-renewal of certain unprofitable business and less new business due to continued pricing discipline. This decrease was partially offset by growth in group disability premiums of \$23 million, driven by reinsurance assumed from our Disability Reinsurance Management Services, Inc. (DRMS) pool as described in Business Operating Business Segments Assurant Employee Benefits. This resulted in an aggregate premium persistency of 83.5% for the nine months ended September 30, 2003 compared to 85.9% for the nine months ended September 30, 2002. Premium persistency measures the proportionate premium levels remaining after nine months of lapse activity. The premium persistency ratio encompasses the effects of rate increases, plan design changes and benefit volume changes.

Net investment income decreased by \$4 million, or 4%, from \$109 million for the nine months ended September 30, 2002, to \$105 million for the nine months ended September 30, 2003. Our average portfolio yield declined 80 basis points from 7.2% (annualized) for the nine months ended September 30, 2002, to 6.4% (annualized) for the nine months ended September 30, 2003, due to the lower interest rate environment. However, average allocated invested assets increased by 7%.

Fees and other income decreased by \$19 million, or 34%, from \$56 million for the nine months ended September 30, 2002, to \$37 million for the nine months ended September 30, 2003. The decrease was primarily due to lower fee revenue from CORE due to our sale of PRA.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses decreased by \$51 million, or 5%, from \$1,038 million for the nine months ended September 30, 2002, to \$987 million for the nine months ended September 30, 2003.

Policyholder benefits decreased by \$50 million, or 7%, from \$718 million for the nine months ended September 30, 2002, to \$668 million for the nine months ended September 30, 2003. This decrease was driven by favorable development in group disability claims and lower claims activity due to a reduction in group life and dental earned premiums. In addition, during the third quarter of 2003, we completed actuarial reserve adequacy studies for the group long-term disability, group life and group dental products, which reflected that, in the aggregate, these reserves were redundant by \$18 million (pre-tax). Therefore, reserves of \$18 million were reduced in the third quarter of 2003 to reflect these estimates.

The loss ratio improved by 460 basis points from 77.2% for the nine months ended September 30, 2002 to 72.6% for the nine months ended September 30, 2003. Excluding the reserve release discussed above, the loss ratio would have been 74.6% for the nine months ended September 30, 2003, which would have been a 260 basis point improvement over the nine months ended September 30, 2002. This improvement was driven by favorable disability experience, partially offset by unfavorable life experience.

The expense ratio increased by 80 basis points from 32.5% for the nine months ended September 30, 2002, to 33.3% for the nine months ended September 30, 2003. The increase was driven by one-time unusual items, including \$2 million in severance costs related to CORE and a \$4 million writedown of capitalized software costs.

Segment Income After Tax

Segment income after tax increased by \$12 million, or 32%, from \$37 million for the nine months ended September 30, 2002, to \$49 million for the nine months ended September 30, 2003.

Income taxes increased by \$6 million, or 30%, from \$20 million for the nine months ended September 30, 2002, to \$26 million for the nine months ended September 30, 2003. The increase was consistent with the 32% increase in reported segment income before income tax.

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

Total Revenues

Total revenues increased by \$338 million, or 30%, from \$1,117 million in 2001 to \$1,455 million in 2002, substantially all of which was attributable to the acquisition of DBD.

Net earned premiums and other considerations increased by \$299 million, or 32%, from \$934 million in 2001 to \$1,233 million in 2002. Excluding the \$299 million increase in net earned premiums due to the acquisition of DBD, net earned premiums were unchanged at \$934 million from 2001 to 2002, primarily because new business was offset by non-renewal of certain unprofitable business. An additional contributing factor was increased pressure on ancillary employee benefits provided by employer groups due to increased medical costs. Premium persistency (excluding the DBD acquisition) decreased by 440 basis points from 84.3% for 2001 to 79.9% for 2002 because of disciplined underwriting and reduced employment in renewed groups.

Net investment income increased by \$4 million from \$144 million in 2001 to \$148 million in 2002 mainly due to the DBD acquisition. This increase was offset in part by a decrease in investment yields by 36 basis points from 7.52% in 2001 to 7.16% in 2002 due to the lower interest rate environment.

Fees and other income increased by \$35 million, or 90%, from \$39 million in 2001 to \$74 million in 2002 primarily due to a full year of fee revenue from CORE, which was acquired on July 12, 2001. CORE fee revenue was \$66 million in 2002, as compared to the half-year of revenue recorded in 2001 of \$31 million.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses increased by \$313 million, or 30%, from \$1,054 million in 2001 to \$1,367 million in 2002.

Policyholder benefits increased by \$207 million, or 28%, from \$738 million in 2001 to \$945 million in 2002. Excluding the \$197 million increase related to the acquisition of DBD, policyholder benefits increased by \$10 million, or 1%, driven by growth in group dental premiums. Our loss ratio improved 240 basis points from 79.0% in 2001 to 76.6% in 2002. Excluding the effect of the DBD acquisition, the loss ratio in 2002 was 80.1%, which was higher than in 2001 due to slight deterioration in group dental and group life experience.

Selling, underwriting and general expenses increased by \$106 million, or 34%, from \$316 million in 2001 to \$422 million in 2002 primarily due to the DBD and CORE acquisitions. The expense ratio was virtually unchanged between 2001 and 2002.

Segment Income After Tax

Segment income after tax increased by \$16 million, or 39%, from \$41 million in 2001 to \$57 million in 2002.

Income taxes increased by \$9 million, or 41%, from \$22 million in 2001 to \$31 million in 2002. The increase was consistent with the 40% increase in segment income before income tax.

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

Total Revenues

Total revenues increased by \$70 million, or 7%, from \$1,047 million in 2000 to \$1,117 million in 2001.

Net earned premiums and other considerations increased by \$31 million, or 3%, from \$903 million in 2000 to \$934 million in 2001. Net earned premiums attributable to dental products increased \$23 million in 2001 primarily due to increased sales of recently developed products

with PPOs and lower-cost plan options. Group disability products contributed a further \$10 million increase in 2001 to net earned premiums while net earned premiums attributable to our group life products decreased by \$2 million in 2001. The stable premium

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level from 2000 to 2001 was primarily due to non-renewal of certain unprofitable business. This led to an aggregate premium persistency of 84.3% for 2001, which was 420 basis points below the prior year.

Net investment income increased by \$8 million, or 6%, from \$136 million in 2000 to \$144 million in 2001. Average allocated invested assets increased by 4% and investment yields increased by 15 basis points from 7.37% in 2000 to 7.52% in 2001.

Fees and other income increased by \$31 million from \$8 million in 2000 to \$39 million in 2001 mainly due to fee income earned by CORE in 2001.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses increased by \$72 million, or 7%, from \$982 million in 2000 to \$1,054 million in 2001.

Policyholder benefits increased by \$36 million, or 5%, from \$702 million in 2000 to \$738 million in 2001. The increase resulted from revenue growth in the dental and disability product lines, as well as unfavorable group life mortality experience compared to 2000, when we experienced positive mortality results. The loss ratio increased 130 basis points from 77.7% in 2000 to 79.0% in 2001. The increased loss ratio was primarily due to unfavorable group life mortality experience as compared to 2000, as explained above.

Selling, underwriting and general expenses increased by \$36 million, or 13%, from \$280 million in 2000 to \$316 million in 2001. The increase was primarily due to the acquisition of CORE, which contributed \$31 million to such expenses.

The expense ratio increased 180 basis points from 30.7% in 2000 to 32.5% in 2001. Excluding the effect of the CORE acquisition, the expense ratio was virtually unchanged between 2000 and 2001.

Segment Income After Tax

Segment income after tax decreased by \$1 million, or 2%, from \$42 million in 2000 to \$41 million in 2001.

Income taxes also decreased by \$1 million or 4%, from \$23 million in 2000 to \$22 million in 2001, which was consistent with the decrease in segment income before income tax in 2001.

Table of Contents*Assurant PreNeed**Overview*

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

	For the Nine Months Ended September 30,		For the Year Ended December 31,		
	2003	2002	2002	2001	2000
(in millions)					
Revenues:					
Net earned premiums and other considerations	\$ 401	\$ 408	\$ 538	\$ 507	\$ 277
Net investment income	140	139	184	179	128
Fees and other income	4	3	5	3	2
Total revenues	545	550	727	689	407
Benefits, losses and expenses:					
Policyholder benefits	(392)	(389)	(507)	(485)	(279)
Selling, underwriting and general expenses	(110)	(101)	(143)	(121)	(76)
Total benefits, losses and expenses	(502)	(490)	(650)	(606)	(355)
Segment income before income tax	43	60	77	83	52
Income taxes	(15)	(21)	(27)	(29)	(18)
Segment income after tax	\$ 28	\$ 39	\$ 50	\$ 54	\$ 34
Net earned premiums and other considerations by channel:					
AMLIC	\$ 216	\$ 223	\$ 293	\$ 278	\$ 60
Independent	185	185	245	229	217
Total	\$ 401	\$ 408	\$ 538	\$ 507	\$ 277

We acquired AMLIC on October 1, 2000, and therefore the results of AMLIC are included in our Assurant PreNeed segment financial results beginning October 1, 2000.

*Nine Months Ended September 30, 2003 Compared to Nine Months Ended September 30, 2002**Total Revenues*

Total revenues decreased by \$5 million, or 1%, from \$550 million for the nine months ended September 30, 2002 to \$545 million for the nine months ended September 30, 2003.

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Net earned premiums and other considerations decreased by \$7 million, or 2%, from \$408 million for the nine months ended September 30, 2002, to \$401 million for the nine months ended September 30, 2003. The decline was primarily due to a \$7 million decline in our AMLIC channel caused by a 25% drop in new sales from SCI, AMLIC's principal customer.

Net investment income increased by \$1 million, or 1%, from \$139 million for the nine months ended September 30, 2002, compared to \$140 million for the nine months ended September 30, 2003. An 8% increase in average allocated invested assets was offset by a 45 basis point decrease in the annualized investment yield of 7.02% at September 30, 2002 to 6.57% at September 30, 2003. The increase in allocated invested assets was due to a larger in force block of business. This rate decline reduced net investment income over the comparable prior year period. This decline in yields was due to the lower interest rate environment and the restructuring of the portfolio in 2002 to improve credit quality.

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Total Benefits, Losses and Expenses

Total benefits, losses and expenses increased by \$12 million, or 2%, from \$490 million for the nine months ended September 30, 2002 to \$502 million for the nine months ended September 30, 2003.

Policyholder benefits increased by \$3 million, or 1%, from \$389 million for the nine months ended September 30, 2002, to \$392 million for the nine months ended September 30, 2003. This increase was due to the normal growth in the in force block of business.

Selling, underwriting and general expenses increased by \$9 million, or 9%, from \$101 million for the nine months ended September 30, 2002 to \$110 million for the nine months ended September 30, 2003. Amortization of DAC and VOBA expense increased by \$4 million for the nine months ended September 30, 2003, principally due to a larger in force block of business and increased sales of single pay policies versus plans paid over a three-, five- or ten-year period. The acquisition costs on single pay policies are amortized in the year of issue. This caused the increase in expense levels in the nine months ended September 30, 2003 over the comparable prior year period. Offsetting this increase was a decrease of \$3 million in commission, taxes, licenses and fees due to a decrease in overall new sales. General expenses increased by \$7 million during the nine months ended September 30, 2003 from the comparable prior year period.

Segment Income After Tax

Segment income after tax decreased by \$11 million, or 28%, from \$39 million for the nine months ended September 30, 2002, to \$28 million for the nine months ended September 30, 2003. This decrease was caused primarily by smaller spreads between investment income earned and the fixed benefit credited to the policyholder, higher Consumer Price Index growth and general expenses.

Income taxes decreased by \$6 million, or 29%, from \$21 million for the nine months ended September 30, 2002, to \$15 million for the nine months ended September 30, 2003, which was consistent with the 28% decrease in reported segment results before tax.

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

Total Revenues

Total revenues increased by \$38 million, or 6%, from \$689 million in 2001 to \$727 million in 2002.

Net earned premiums and other considerations increased by \$31 million, or 6%, from \$507 million in 2001 to \$538 million in 2002. The increase was driven by a \$15 million increase in net earned premiums in 2002 in our AMLIC channel due to an increase in the average size of the policies sold and increased earned premiums from the independent channel due to increased sales through expansion of pre-need counselors. Policy size increased due to a change in packaging of funerals sold by SCI.

Net investment income increased by \$5 million, or 3%, from \$179 million in 2001 to \$184 million in 2002. An 8% increase in average allocated invested assets in 2002 resulting from the growth in in force policies resulted in additional investment income in 2002. Offsetting the increase in invested assets was a 34 basis point decrease in yield on the investment portfolio from 7.25% in 2001 to 6.91% in 2002 due to the lower interest rate environment and restructuring of the investment portfolio to enhance credit quality. The decline in yields reduced investment income in 2002.

Fees and other income increased by \$2 million, or 66%, from \$3 million in 2001 to \$5 million in 2002.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses increased by \$44 million, or 7%, from \$606 million in 2001 to \$650 million in 2002.

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Policyholder benefits increased by \$22 million, or 5%, from \$485 million in 2001 to \$507 million in 2002. The increase in policyholder benefits was consistent with the increase in business written, partially offset by other factors. A portion of our pre-funded funeral insurance policies uses a Consumer Price Index rate as a

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growth rate credited on policies. The Consumer Price Index rate decreased from 3.36% in 2001 to 1.97% in 2002. This reduced policyholder benefits by \$6 million in 2002. In addition, benefit expense increased by \$3 million from 2001 to 2002 related to higher customer utilization of an early pay off feature that allows conversion from limited pay policies to single pay policies.

Selling, underwriting and general expenses increased by \$22 million or 18% from \$121 million in 2001 to \$143 million in 2002. The primary reason for the increase was an increase in amortization of DAC and VOBA of \$12 million in 2002, as a result of the increased sales of single pay policies versus plans paid over a three-, five- and ten-year period. The acquisition costs on single pay policies are amortized in the year of issue, thus causing the increase in expense levels in 2002 over 2001. All other expenses increased by \$10 million in 2002 from 2001 due primarily to the increase in premiums.

Segment Income After Tax

Segment income after tax decreased by \$4 million, or 7%, from \$54 million in 2001 to \$50 million in 2002. This was caused primarily by smaller spreads between our investment yields and rates we credited to our policyholders. Also, profits were lower due to higher utilization of the early pay off feature described above and higher mortality, offset by the lower Consumer Price Index credited growth.

Income taxes decreased by \$2 million, or 7%, from \$29 million in 2001 to \$27 million in 2002 which was largely consistent with the 7% decrease in segment income before income tax in 2002.

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

Total Revenues

Total revenues increased by \$282 million, or 69%, from \$407 million in 2000 to \$689 million in 2001.

Net earned premiums and other considerations increased by \$230 million, or 83%, from \$277 million in 2000 to \$507 million in 2001. Excluding the increase in net earned premiums of \$218 million due to the acquisition of AMLIC, net earned premiums increased by \$12 million primarily due to growth in our independent channels in force block of business and to increased sales from the signing of new large third-party marketing distributors. In late 2000, we began pursuing large third-party marketers as an additional source of distribution, diversifying our traditional channels of captive field representatives and independent agents specializing in pre-funded funeral insurance products.

Investment income increased by \$51 million, or 40%, from \$128 million in 2000 to \$179 million in 2001. Excluding the net increase to investment income of \$49 million due to the acquisition of AMLIC, investment income increased by \$2 million. This was primarily due to an increase in average invested assets.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses increased by \$251 million, or 71%, from \$355 million in 2000 to \$606 million in 2001.

Policyholder benefits increased by \$206 million, or 74%, from \$279 million in 2000 to \$485 million in 2001. Excluding the increase in policyholder benefits of \$196 million as a result of the acquisition of AMLIC, the policyholder benefits in our independent channel increased by \$10 million in 2001, or 4%, consistent with the 6% increase in net earned premiums in 2001.

Selling, underwriting and general expenses increased by \$45 million, or 59%, from \$76 million in 2000 to \$121 million in 2001. The increase was primarily due to the acquisition of AMLIC.

Segment Income After Tax

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Segment income after tax increased by \$20 million, or 59%, from \$34 million in 2000 to \$54 million in 2001. This increase was primarily due to a full year of operating results from AMLIC in 2001.

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Income taxes increased by \$11 million, or 61%, from \$18 million in 2000 to \$29 million in 2001. The increase in income tax expense was consistent with the 60% increase in segment income before income tax in 2001.

Corporate and Other*Overview*

The Corporate and Other segment includes activities of the holding company, financing expenses, realized gains (losses) on investments, interest income earned from short-term investments held and interest income from excess surplus of insurance subsidiaries 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) 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 sale of FFG and LTC sold through reinsurance agreements as described above.

The table below presents information regarding Corporate and Other's results of operations:

	For the Nine Months Ended September 30,		For the Year Ended December 31,		
	2003	2002	2002	2001	2000
	(in millions)				
Revenues:					
Net earned premiums and other considerations	\$	\$	\$	\$ 58	\$ 217
Net investment income	34	29	40	112	157
Net realized gains (losses) on investments	15	(92)	(118)	(119)	(45)
Amortization of deferred gain on disposal of businesses	52	60	80	68	10
Gain on disposal of businesses		11	11	62	12
Fees and other income	17	19	25	67	311
Total revenues	118	27	38	248	662
Benefits, losses and expenses:					
Policyholder benefits				(70)	(204)
Selling, underwriting and general expenses	(42)	(36)	(55)	(120)	(437)
Interest expense				(14)	(25)
Distributions on preferred securities of subsidiary trusts	(88)	(88)	(118)	(118)	(110)
Total benefits, losses and expenses	(130)	(124)	(173)	(322)	(776)
Segment income before income tax	(12)	(97)	(135)	(74)	(114)
Income taxes	6	44	61	21	36
Segment income after tax	\$ (6)	\$ (53)	\$ (74)	\$ (53)	\$ (78)

As of September 30, 2003, we had approximately \$410 million (pre-tax) of deferred gains that had not yet been amortized. We expect that we will be amortizing deferred gains from dispositions through 2031. The deferred gains are being amortized in a pattern consistent with the expected future reduction of the in force blocks of business ceded to The Hartford and John Hancock. This reduction is expected to be more rapid in the first few years after sale and to be slower as the liabilities in the block decrease.

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The Corporate and Other segment's financial results were most affected by the April 2, 2001 sale of FFG. Below are the results of FFG that have been included in the Corporate and Other segment from January 1, 2001 through March 31, 2001, and for 2000:

	For the Year Ended December 31,	
	2001	2000
	(in millions)	
Revenues:		
Net earned premiums	\$ 49	\$ 196
Net investment income	32	179
Fees and other income	65	302
	<hr/>	<hr/>
Total revenues	146	677
	<hr/>	<hr/>
Benefits, losses and expenses:		
Policyholder benefits	(48)	(211)
Selling, underwriting and general expenses	(86)	(360)
	<hr/>	<hr/>
Total benefits, losses and expenses	(134)	(571)
	<hr/>	<hr/>
Reportable income results before income tax		
	12	106
Income taxes	(4)	(33)
	<hr/>	<hr/>
Reportable income results after tax	\$ 8	\$ 73
	<hr/>	<hr/>

Nine Months Ended September 30, 2003 Compared to Nine Months Ended September 30, 2002

Total Revenues

Total revenues increased by \$91 million, or 337%, from \$27 million for the nine months ended September 30, 2002, to \$118 million for the nine months ended September 30, 2003.

Net investment income increased by \$5 million, or 17%, from \$29 million for the nine months ended September 30, 2002, to \$34 million for the nine months ended September 30, 2003.

Net realized gains on investments improved by \$107 million from net realized losses on investments of \$92 million for the nine months ended September 30, 2002, to net realized gains of \$15 million for the nine months ended September 30, 2003. Net realized gains/losses on investments are comprised of both other-than-temporary impairments and realized capital gains/losses on sales of securities. For the nine months ended September 30, 2003, we had other-than-temporary impairments of \$17 million, as compared to \$57 million for the nine months ended September 30, 2002. There were no individual impairments in excess of \$10 million for the nine months ended September 30, 2003. Impairments on available for sale securities in excess of \$10 million during the nine months ended September 30, 2002 consisted of a \$12 million writedown of fixed maturity investments in AT&T Canada, an \$11 million writedown of fixed maturity investments in MCI WorldCom and an \$18 million writedown of fixed maturity investments in NRG Energy. Excluding the effect of other-than-temporary impairments, we recorded an increase in net realized gains of \$67 million.

Amortization of deferred gain on disposal of businesses decreased by \$8 million, or 13%, from \$60 million for the nine months ended September 30, 2002, to \$52 million for the nine months ended September 30, 2003. This 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 nine months ended September 30, 2002, to \$0 for the nine months ended September 30, 2003. On June 28, 2002, we sold our investment in NHP, which resulted in pre-tax gains of \$11 million for the nine months ended September 30, 2002.

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Fees and other income decreased by \$2 million, or 11% from \$19 million for the nine months ended September 30, 2002, to \$17 million for the nine months ended September 30, 2003.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses increased by \$6 million, or 5%, from \$124 million for the nine months ended September 30, 2002, to \$130 million for the nine months ended September 30, 2003.

Selling, underwriting and general expenses increased by \$6 million, or 17%, from \$36 million for the nine months ended September 30, 2002, to \$42 million for the nine months ended September 30, 2003.

Distributions on preferred securities of subsidiary trusts during the nine months ended September 30, 2003 remained unchanged from the comparable prior year period at \$88 million.

Segment Loss After Income Tax

Segment loss after income tax improved by \$47 million, or 87%, from a loss of \$53 million for the nine months ended September 30, 2002, to a loss of \$6 million for the nine months ended September 30, 2003.

Income taxes decreased by \$38 million, or 86%, from an income tax benefit of \$44 million for the nine months ended September 30, 2002, to an income tax benefit of \$6 million for the nine months ended September 30, 2003. During the nine months ended September 30, 2002, we recognized the release of approximately \$9 million of previously provided tax accruals which were no longer considered necessary based on the resolution of certain tax matters.

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

Total Revenues

Total revenues decreased by \$210 million, or 85%, from \$248 million in 2001 to \$38 million in 2002.

Net earned premiums and other considerations decreased by \$58 million, or 100%, from \$58 million in 2001 to \$0 million in 2002 due to the sale of FFG.

Net investment income decreased by \$72 million, or 64%, from \$112 million in 2001 to \$40 million in 2002. Excluding the \$32 million reduction in investment income from the sale of FFG, net investment income decreased in 2002 as a result of a decrease in invested assets because we paid down debt and acquired CORE and DBD.

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, 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.

Amortization of deferred gain on disposal of businesses increased by \$12 million, or 18%, from \$68 million in 2001 to \$80 million in 2002, mainly due a to full year of amortization of the deferred gain on the sale of FFG as compared to nine months of amortization in 2001.

Gains on disposal of businesses decreased by \$51 million, or 82%, from \$62 million in 2001 to \$11 million in 2002. This decrease was due to the sale of FFG's mutual fund operations. Also, on June 28, 2002, we sold our investment in NHP, which resulted in pre-tax gains of \$11 million in 2002.

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Fees and other income decreased by \$42 million, or 63%, from \$67 million in 2001 to \$25 million in 2002. Excluding the \$65 million reduction in other income due to the sale of FFG, fees and other income increased by \$23 million in 2002 mainly due to approximately \$15 million of income associated with a settlement true-

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up of a 1999 sale of a small block of business to a third party and reversal of bad debt allowances due to successful collection of receivables that had been previously written off.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses decreased by \$149 million, or 46%, from \$322 million in 2001 to \$173 million in 2002.

Policyholder benefits decreased by \$70 million, or 100%, from \$70 million in 2001 to \$0 in 2002. The decrease was entirely due to the sale of FFG.

Interest expense decreased by \$14 million, or 100%, from \$14 million in 2001 to \$0 in 2002. We used a portion of the FFG sale proceeds to repay \$225 million of debt owed to Fortis Finance.

Selling, underwriting and general expenses decreased by \$65 million, or 54%, from \$120 million in 2001 to \$55 million in 2002. Excluding the \$86 million reduction in selling, underwriting and general expenses attributable to the sale of FFG, these expenses increased by \$21 million from 2001 to 2002.

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

Segment Loss After Tax

Segment loss after tax increased by \$21 million, or 40%, from a \$53 million loss in 2001 to a \$74 million loss in 2002, primarily due to the sale of FFG.

Income taxes increased by \$40 million, or 190%, from \$21 million in 2001 to \$61 million in 2002. Excluding the \$4 million reduction in income tax expenses due to the sale of FFG, income tax benefit increased by \$44 million in 2002. The change in the income tax benefit was largely consistent with the increase in segment losses before income tax. In 2002, we also recognized the release of approximately \$13 million of previously provided tax accruals, which were no longer considered necessary based on the resolution of certain domestic tax matters.

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

Total Revenues

Total revenues decreased by \$414 million, or 63%, from \$662 million in 2000 to \$248 million in 2001.

Net earned premiums and other considerations decreased by \$159 million, or 73%, from \$217 million in 2000 to \$58 million in 2001. The decrease was primarily due to the sale of FFG.

Net investment income decreased by \$45 million, or 29%, from \$157 million in 2000 to \$112 million in 2001. Excluding the net decrease to investment income of \$147 million due to the sale of FFG, net investment income increased by \$102 million.

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. There were no impairments in excess of \$10 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 gain on disposal of businesses increased by \$58 million from \$10 million in 2000 to \$68 million in 2001, due primarily to the recognition of nine months of amortization of the FFG deferred gain as compared to \$0 in 2000.

Gains on disposal of businesses 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.

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Fees and other income decreased by \$244 million, or 78%, from \$311 million in 2000 to \$67 million in 2001. Excluding the net decrease in fees and other income of \$237 million in 2001 due to the sale of FFG, fees and other income decreased by \$7 million in 2001.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses decreased by \$454 million, or 59%, from \$776 million in 2000 to \$322 million in 2001.

Policyholder benefits decreased by \$134 million, or 66%, from \$204 million in 2000 to \$70 million in 2001. The decrease was primarily due to the sale of FFG.

Selling, underwriting and general expenses decreased by \$317 million, or 73%, from \$437 million in 2000 to \$120 million in 2001. Excluding the net decrease of \$274 million in 2001 attributable to the sale of FFG, these expenses decreased by \$43 million primarily due to two months of selling, underwriting and general expenses in 2000 associated with LTC operations sold to John Hancock on March 1, 2000.

Interest expense decreased by \$11 million, or 44%, from \$25 million in 2000 to \$14 million in 2001. This decrease was mainly due to the repayment of \$225 million of debt in April 2001 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. The increase was primarily due to the reflection of twelve months of distributions related to the trust capital securities.

Segment Loss After Tax

Segment loss after tax improved by \$25 million, or 32%, from a \$78 million loss in 2000 to a \$53 million loss in 2001.

Income taxes decreased \$15 million, or 42%, from a benefit of \$36 million in 2000 to a benefit of \$21 million in 2001. Excluding the net \$29 million reduction in income tax expense due to the sale of FFG, income tax increased by \$14 million. This increase was largely consistent with the increase in pre-tax gains on disposal of businesses in 2001.

Investments

The following table shows the carrying value of our investments by type of security as of the dates indicated:

	As of September 30, 2003		As of December 31, 2002		As of December 31, 2001	
	(in millions)					
Fixed maturities	\$ 8,848	83%	\$ 8,036	80%	\$ 7,630	79%
Equity securities	433	4	272	3	247	3
Commercial mortgage loans on real estate	909	8	842	8	869	9
Policy loans	69	1	69	1	68	1
Short-term investments	329	3	684	7	627	7
Other investments	126	1	126	1	159	1
Total investments	\$ 10,714	100%	\$ 10,029	100%	\$ 9,600	100%

Of our fixed maturity securities shown above, 70% and 75% (based on total fair value) were invested in securities rated A or better as of September 30, 2003 and December 31, 2002, respectively. As interest rates decrease, the market value of fixed maturity securities increases.

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The following table provides the cumulative net unrealized gains (pre-tax) on fixed maturity securities and equity securities as of the dates indicated:

	As of September 30, 2003	As of December 31, 2002	As of December 31, 2001
(in millions)			
Fixed maturities:			
Amortized cost	\$8,284	\$7,631	\$7,471
Net unrealized gains	564	405	159
	<hr/>	<hr/>	<hr/>
Fair value	\$8,848	\$8,036	\$7,630
	<hr/>	<hr/>	<hr/>
Equities:			
Cost	\$ 419	\$ 265	\$ 243
Net unrealized gains	14	7	4
	<hr/>	<hr/>	<hr/>
Fair value	\$ 433	\$ 272	\$ 247
	<hr/>	<hr/>	<hr/>

Net unrealized gains on fixed maturity securities increased by \$159 million, or 39%, from December 31, 2002 to September 30, 2003. The increase in net unrealized gains was primarily due to the decline in investment grade corporate securities yield spreads. Spreads on investment grade corporate securities fell by approximately 85 basis points between December 31, 2002 and September 30, 2003.

Net unrealized gains on fixed maturity securities increased by \$246 million, or 155%, from December 31, 2001 to December 31, 2002. This reflected the impact of declining market interest rates. Yields on 10-year U.S. Treasury bonds decreased by 121 basis points from 5.03% at December 31, 2001 to 3.82% at December 31, 2002.

Net unrealized gains on equity securities increased by \$7 million, or 100%, from December 31, 2002 to September 30, 2003 and by \$3 million, or 75%, from December 31, 2001 to December 31, 2002.

Reserves

The following table presents reserve information as of the dates indicated:

	As of September 30, 2003	As of December 31, 2002	As of December 31, 2001
(in millions)			
Future policy benefits and expenses	\$ 6,125	\$ 5,807	\$ 5,547
Unearned premiums	3,194	3,208	3,267
Claims and benefits payable	3,462	3,374	3,250
	<hr/>	<hr/>	<hr/>
Total policy liabilities	\$ 12,781	\$ 12,389	\$ 12,064
	<hr/>	<hr/>	<hr/>

Future policy benefits and expenses increased by \$318 million, or 5%, from December 31, 2002 to September 30, 2003 and by \$260 million, or 5%, from December 31, 2001 to December 31, 2002. The main contributing factor to these increases was growth in underlying business.

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Unearned premiums decreased by \$14 million, or less than 1%, from December 31, 2002 to September 30, 2003 and by \$59 million, or 2%, from December 31, 2001 to December 31, 2002.

Claims and benefits payable increased by \$88 million, or 3%, from December 31, 2002 to September 30, 2003 and increased by \$124 million, or 4%, from December 31, 2001 to December 31, 2002. The main contributing factor to these increases was growth in underlying business.

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The following table provides reserve information by our major lines of business for the years ended December 31, 2002 and 2001:

	December 31, 2002			December 31, 2001		
	Future policy benefits and expenses	Unearned premiums	Claims and benefits payable	Future policy benefits and expenses	Unearned premiums	Claims and benefits payable
(in millions)						
Long Duration Contracts:						
Pre-funded funeral life insurance policies and investment-type annuity contracts	\$ 1,991	\$ 3	\$ 15	\$ 1,764	\$ 2	\$ 12
Life insurance no longer offered	693	1	5	704	1	5
Universal life and annuities no longer offered	334	1	12	359	1	20
FFG and LTC disposed businesses	2,619	48	139	2,565	46	120
All other	170	75	167	155	64	147
Short Duration Contracts:						
Group term life		11	457		15	438
Group disability		4	1,299		4	1,204
Medical		43	202		34	210
Dental		8	44		9	47
Property and warranty		1,135	536		1,081	501
Credit life and disability		1,074	445		1,313	484
Extended service contracts		803	16		695	31
All other		2	37		2	31
Total policy liabilities	\$5,807	\$3,208	\$3,374	\$5,547	\$3,267	\$3,250

For a description of our reserving methodology, see Note 14 of the Notes to Consolidated Financial Statements included elsewhere in this prospectus.

Long Duration

The following discusses the reserving process for our major long duration product line.

Pre-funded Funeral Life Insurance

Reserves for future policy benefits are recorded as the present value of future benefits to policyholders and related expenses less the present value of future net premiums. Reserve assumptions are selected using best estimates for expected investment yield, inflation, mortality and withdrawal rates. These assumptions reflect current trends, are based on Company experience and include provision for possible unfavorable deviation. An unearned premium reserve is also recorded which represents the balance of the excess of gross premiums over net premiums that is still to be recognized in future years income in a constant relationship to insurance in force.

Loss recognition testing is performed annually. Such testing involves the use of best estimate assumptions to determine if the net liability position (all liabilities less DAC) exceeds the minimum liability needed. Any premium deficiency would first be addressed by removing the provision for adverse deviation. To the extent a premium deficiency still remains, it would be recognized immediately by a charge to the statement of

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operations and a corresponding reduction in DAC. Any additional deficiency would be recognized as a premium deficiency reserve.

Historically, loss recognition testing has not resulted in an adjustment to DAC or reserves. Such adjustments would occur only if economic or mortality conditions significantly deteriorated.

Short Duration

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) 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. Periodically, we review emerging experience and make adjustments to our case reserves and assumptions where necessary. Below are further discussions on the reserving process for our major short duration products.

Group Disability and Group Term Life

Case or claim reserves are set for active individual claims on group disability policies and for disability waiver of premium benefits on group term life policies. Assumptions considered in setting such reserves include disabled life mortality and claim termination rates (the rates at which disabled claimants come off claim, either through recovery or death), claim management practices, awards for social security and other benefit offsets and yield rates earned on assets supporting the reserves. Group long-term disability and group term life waiver of premium reserves are discounted because the payment pattern and ultimate cost are fixed and determinable on an individual claim basis.

Factors considered when setting IBNR reserves include patterns in elapsed time from claim incidence to claim reporting, and elapsed time from claim reporting to claim payment.

Key sensitivities for group long-term disability claim reserves include the discount rate and claim termination rates. If the discount rate were reduced (or increased) by 100 basis points, reserves at September 30, 2003 would be approximately \$52 million higher (or lower). If claim termination rates were 10% lower (or higher) than currently assumed, reserves at September 30, 2003 would be approximately \$38 million higher (or lower).

The discount rate is also a key sensitivity for group term life waiver of premium reserves. If the discount rate were reduced (or increased) by 100 basis points, reserves at September 30, 2003 would be approximately \$13 million higher (or lower).

As set forth in Note 14 of the Notes to Consolidated Financial Statements for the years ended December 31, 2002, 2001 and 2000, Group Disability incurred losses related to prior years were approximately \$3 million, \$7 million and \$10 million less than the reserves that were previously estimated for the years ended December 31, 2002, 2001 and 2000, respectively. The downward revisions were less than 1% of prior-year reserves. Group Disability reserves are long-term in nature, and the reserves are estimated based on claims incurred in several prior years. The Group Disability reserve redundancies described above, and the related downward revisions in our Group Disability reserve estimates, arose as a result of our actual claim recovery rates exceeding those assumed in our beginning-of-year case reserves, after taking into account an offset of one less year of discounting reflected in our end-of-year case reserves. The difference in actual versus best estimate recovery rates reflects an experience gain, which is recognized in the period the gain is realized. One less year of discounting reflects the mechanics of discounted reserves, which are recognized in the period such unwinding occurs.

As set forth in Note 14 of the Notes to Consolidated Financial Statements for the years ended December 31, 2002, 2001 and 2000, Group Term Life incurred losses related to prior years were approximately \$29 million, \$35 million and \$38 million less than the reserves that were previously estimated for the years ended December 31, 2002, 2001 and 2000, respectively. A significant portion of the Group Term Life

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reserve is related to waiver of premium reserves for disabled claimants. Group Term Life waiver of premium reserves are long-term in nature, and the reserves are estimated based on claims incurred in several prior years.

A portion of the Group Term Life reserve redundancies described above, and the related downward revision in our Group Term Life reserve estimates, were caused by actual mortality rates being lower than assumed in our beginning-of-year reserves and recovery rates being higher than assumed in our beginning-of-year waiver of premium reserves. The remaining redundancy and related downward revision were due to shorter-than-expected lags between incurred claim dates and paid claim dates. These amounts were offset by one less year of discounting reflected in the Company's end-of-year waiver of premium reserves. The differences in actual versus best estimate mortality, recovery and paid claim lag rates reflect experience gains, which are recognized in the period the gains emerge. One less year of discounting reflects the mechanics of discounted reserves, which are reflected in the period such unwinding occurs.

For both Group Disability and Group Term Life, none of the changes in incurred claims from prior years, and the related downward revisions in our Group Disability and Group Term Life estimated reserves, were attributable to any change in our reserve methods or assumptions.

Medical

IBNR reserves represent the largest component of reserves estimated for claims and benefits payable in our Medical line of business, and we use a number of methods in their estimation, including the loss development method and the projected claim method for recent claim periods. We use several methods in our Medical line of business because of the limitations of relying exclusively on a single method.

A key sensitivity is the loss development factors used. Loss development factors selected take into consideration claims processing levels, claims under case management, medical inflation, seasonal effects, medical provider discounts and product mix. A 1% reduction (or increase) to the loss development factors for the most recent four months would result in approximately \$25 million higher (or lower) reserves at September 30, 2003. Our historical claims experience indicates that approximately 85% of medical claims are paid within four months of the incurred date.

As set forth in Note 14 of the Notes to Consolidated Financial Statements for the years ended December 31, 2002, 2001 and 2000, actual losses incurred in our Medical business related to prior years were \$43 million, \$48 million and \$38 million less than previously estimated for the years ended December 31, 2002, 2001 and 2000, respectively. Due to the short-tail nature of this business, these developments relate to claims incurred in the preceding year (i.e., in 2001, 2000 and 1999 respectively). The redundancies in our Medical line of business, and the related downward revisions in our Medical reserve estimates, were caused by our claims developing more favorably than expected. Our actual claims experience reflected lower medical provider utilization and lower medical inflation than assumed in our prior-year pricing and reserving processes. The differences in actual versus best estimate paid claim lag rates, medical provider utilization and medical inflation reflect experience gains, which are recognized in the period the gains emerge.

None of the changes in incurred claims from prior years in our Medical line of business, and the related downward revisions in our Medical estimated reserves, were attributable to any change in our reserve methods or assumptions.

Property and Warranty

Our Property and Warranty line of business includes creditor-placed homeowners, manufactured housing homeowners, credit property, credit unemployment and warranty insurance and some longer-tail coverages (e.g. asbestos, environmental, other general liability and personal accident). Our Property and Warranty loss reserves consist of case reserves and bulk reserves. Bulk reserves consist of IBNR and development on case reserves. The method we most often use in setting our Property and Warranty bulk reserves is the loss development method. Under this method, we estimate ultimate losses for each accident period by multiplying the current cumulative losses by the appropriate loss development factor. We then calculate the bulk reserve as the difference between the estimate of ultimate losses and the current case-incurred losses (paid losses plus

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case reserves). We select loss development factors based on a review of historical averages, and we consider recent trends and business specific matters such as current claims payment practices.

We may use other methods depending on data credibility and product line. We use the estimates generated by the various methods to establish a range of reasonable estimates. In arriving at the best estimate, we consider reserve stability and conservatism. At December 31, 2002, our Property and Warranty reserve estimates ranged from \$209 million to \$270 million. From this range, our actuaries selected a best estimate of \$249 million.

As set forth in Note 14 of the Notes to Consolidated Financial Statements for the periods ended December 31, 2002, 2001 and 2000, actual losses incurred in our Property and Warranty lines of business related to prior years were \$1 million, \$22 million and \$24 million less than previously estimated for the years ended December 31, 2002, 2001 and 2000, respectively. The redundancies in our Property and Warranty lines of business, and the related downward revisions in our estimated reserves in 2001 and 2000, occurred mostly in our credit unemployment and credit property insurance coverages, whereas the other coverages showed immaterial adjustments to prior years' incurred losses. These changes reflect experience gains from actual claim frequencies being more favorable than best estimate claim frequencies, and differences in actual versus best estimate paid claim lag rates. Such gains are recognized in the period the gains emerge. The drop in redundancy from 2001 to 2002 largely reflected a shift in the mix of business away from the credit property and unemployment product lines. In addition, an increase in the claim frequency of unemployment contributed to additional development in 2002 and thus lower reserve redundancies in the credit unemployment product line.

For the longer-tail Property and Warranty coverages (e.g. asbestos, environmental, other general liability and personal accident), there were no changes in estimated amounts for incurred claims in prior years for all years.

None of the changes in incurred claims from prior years, and the related downward revisions in estimated reserves, were attributable to any change in our reserve methods or assumptions.

Most of our credit insurance business is written on a retrospective commission basis, which permits Assurant Solutions to adjust commissions based on claims experience. Thus, any adjustment to prior years' incurred claims in this line of business is largely offset by a change in contingent commissions.

Reinsurance

The following table sets forth our reinsurance recoverables as of the dates indicated:

	As of September 30, 2003	As of December 31, 2002	As of December 31, 2001
		(in millions)	
Reinsurance recoverables	\$4,530	\$4,650	\$4,752

Reinsurance recoverables decreased by \$120 million, or 3%, from December 31, 2002 to September 30, 2003 and by \$102 million, or 2%, from December 31, 2001 to December 31, 2002. We have used reinsurance to exit certain businesses, such as the dispositions of FFG and LTC. The reinsurance recoverables relating to these dispositions amounted to \$2,373 million at December 31, 2002 and \$2,294 million at December 31, 2001.

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In the ordinary course of business, we are involved in both the assumption and cession of reinsurance with non-affiliated companies. The following table provides details of the reinsurance recoverables balance for the years ended December 31:

	<u>2002</u>	<u>2001</u>
	(in millions)	
Ceded future policyholder benefits and expense	\$2,452	\$2,348
Ceded unearned premium	1,277	1,496
Ceded claims and benefits payable	744	752
Ceded paid losses	177	156
	<u> </u>	<u> </u>
Total	\$4,650	\$4,752
	<u> </u>	<u> </u>

We utilize ceded reinsurance for loss protection and capital management, business dispositions and, in Assurant Solutions, for client risk and profit sharing.

Loss Protection and Capital Management

As part of our overall risk and capacity management strategy, we purchase reinsurance for certain risks underwritten by our various business segments, including significant individual or catastrophic claims, and to free up capital to enable us to write additional business.

For those product lines where there is exposure to catastrophes, we closely monitor and manage the aggregate risk exposure by geographic area, and we have entered into reinsurance treaties to manage exposure to these types of events.

Under indemnity reinsurance transactions in which we are the ceding insurer, we remain liable for policy claims if the assuming company fails to meet its obligations. To limit this risk, we have control procedures to evaluate the financial condition of reinsurers and to monitor the concentration of credit risk to minimize this exposure. The selection of reinsurance companies is based on criteria related to solvency and reliability and, to a lesser degree, diversification as well as developing strong relationships with our reinsurers for the sharing of risks.

Business Dispositions

We have used reinsurance to exit certain businesses, such as the dispositions of FFG and LTC. Reinsurance was used in these cases to facilitate the transactions because the businesses shared legal entities with business segments that we retained. Assets backing liabilities ceded relating to these businesses are held in trusts, and the separate accounts relating to FFG are still reflected in our balance sheet.

The reinsurance recoverable from The Hartford was \$1,682 million and \$1,748 million as of December 31, 2002 and 2001, respectively. The reinsurance recoverable from John Hancock was \$693 million and \$546 million as of December 31, 2002 and 2001, respectively. We would be responsible to administer this business in the event of a default by reinsurers. 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.

Assurant Solutions Segment Client Risk and Profit Sharing

The Assurant Solutions segment writes business produced by its clients, such as mortgage lenders and servicers and financial institutions, and reinsures all or a portion of such business to insurance subsidiaries of the clients. Such arrangements allow significant flexibility in structuring the sharing of risks and profits on the underlying business.

A substantial portion of Assurant Solutions' reinsurance activities are related to agreements to reinsure premiums and risk related to business generated by certain clients to the clients' **captive insurance companies** or to reinsurance subsidiaries in which the clients have an ownership interest. Through these arrangements, our insurance subsidiaries share some of the premiums and risk related to client-generated business with these clients. When the reinsurance companies are not authorized to do business in our insurance subsidiary's

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domiciliary state, our insurance subsidiary obtains collateral, such as a trust or a letter of credit, from the reinsurance company or its affiliate in an amount equal to the outstanding reserves to obtain full financial credit in the domiciliary state for the reinsurance. Our reinsurance agreements do not relieve us from our direct obligation to our insured. Thus, a credit exposure exists to the extent that any reinsurer is unable to meet the obligations assumed in the reinsurance agreements. To minimize our exposure to reinsurance insolvencies, we evaluate the financial condition of our reinsurers and hold substantial collateral (in the form of funds, trusts and letters of credit) as security under the reinsurance agreements. See [Quantitative and Qualitative Disclosures about Market Risk](#) [Credit Risk](#).

Liquidity and Capital Resources

Assurant, Inc. is a holding company, and as such, has limited direct operations of its own. Our holding company assets consist primarily of the capital stock of our subsidiaries. Accordingly, our future cash flows depend upon the availability of dividends and other statutorily permissible payments from our subsidiaries, such as payments under our tax allocation agreement and under management agreements with our subsidiaries. The ability to pay such dividends and to make such other payments will be limited by applicable laws and regulations of the states in which our subsidiaries are domiciled, which subject our subsidiaries to significant regulatory restrictions. The dividend requirements and regulations vary from state to state and by type of insurance provided by the applicable subsidiary. These laws and regulations require, among other things, our insurance subsidiaries to maintain minimum solvency requirements and limit the amount of dividends these subsidiaries can pay to the holding company. Solvency regulations, capital requirements and rating agencies are some of the factors used in determining the amount of capital used for dividends. For 2003, the maximum amount of distributions our subsidiaries could pay under applicable laws and regulations without prior regulatory approval was \$290 million. As a result of, among other things, statutory accounting for our sales of businesses, we believe that our maximum will be significantly lower for 2004. For a discussion of the various restrictions on our ability and the ability of our subsidiaries to pay dividends, please see [Regulation](#), [Description of Share Capital](#) and [Description of Indebtedness](#).

Dividends and other interest income paid by our subsidiaries totaled \$18.5 million for the nine months ended September 30, 2003, \$78.2 million for the nine months ended September 30, 2002, \$186.5 million for the year ended December 31, 2002 and \$615.4 million for the year ended December 31, 2001. Figures for 2001 were higher due to a gain on the sale of FFG. We used these cash inflows primarily to pay expenses, to make interest payments on indebtedness and to make dividend payments to our stockholders.

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

Historically, Fortis has maintained a \$1 billion commercial paper facility that we have been able to access for up to \$750 million. We use commercial paper to cover any cash shortfalls, which may occur from time to time. We had no commercial paper borrowings during the first nine months of 2003 or during the year ended December 31, 2002. In 2001, \$217 million in commercial paper was issued and redeemed. There was no outstanding commercial paper at year-end 2001. In connection with our separation from Fortis, we will no longer have access to this facility. Our subsidiaries do not maintain commercial paper or other borrowing facilities at the subsidiary level.

We have entered into two senior bridge credit facility arrangements. See [Description of Indebtedness](#). We also have entered into a \$500 million senior revolving credit facility and intend to establish a commercial paper program, which we expect to be available for working capital and other general corporate purposes. We will receive a \$725.5 million capital contribution from Fortis Insurance N.V. immediately prior to or simultaneously with the closing of the offering contemplated by this prospectus and will use the proceeds of that capital contribution to repay the \$650 million of outstanding indebtedness under the \$650 million senior bridge credit facility and \$75.5 million of outstanding indebtedness under the \$1,100 million senior bridge credit facility. Simultaneously with the closing of the offering contemplated by this prospectus, we will also repay a portion of the \$1,100 million senior bridge credit facility with \$49.5 million in cash. We will also seek

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to incur other long-term indebtedness to refinance amounts remaining outstanding under the \$1,100 million senior bridge credit facility following the offering contemplated by this prospectus.

Our qualified pension plan was under-funded by \$95 million at December 31, 2002. In 2003, we made contributions to the pension fund of \$19 million in April and \$39.6 million in September. In accordance with ERISA, there is no expected minimum funding requirement for 2004 or 2005. Our nonqualified plans, which are unfunded, had a projected benefit obligation of \$64 million at December 31, 2002. The expected company payments to retirees under these plans are approximately \$4 million per year in 2004 and 2005. Also, our post-retirement plans (other than pension), which are unfunded, had an accumulated post-retirement benefit obligation of \$46 million at December 31, 2002. In September 2003, we contributed \$5.9 million towards pre-funding these benefits. In addition, the expected company payments to retirees and dependents under the postretirement plan are approximately \$1.5 million per year in 2004 and 2005. See Note 16 of the Notes to Consolidated Financial Statements included elsewhere in this prospectus.

We estimate that our capital expenditures in connection with our name change and rebranding initiative will be approximately \$10 million, which we will expense in 2004. We are not currently planning to make any other significant capital expenditures in 2004 or 2005.

In January 2004, we paid to participants in the Fortis Appreciation Incentive Rights Plan (to be renamed the Assurant Appreciation Incentive Rights Plan) an aggregate of approximately \$25 million in connection with the cash-out of all outstanding Fortis, Inc. incentive rights. See Management Compensation and Incentive Plans Assurant Appreciation Incentive Rights Plan.

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

Cash Flows

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

The table below shows our recent net cash flows:

Net cash provided by (used in):	For the Nine Months Ended September 30,		For the Year Ended December 31,		
	2003	2002	2002	2001	2000
	(in millions)				
Operating activities	\$ 590	\$ 208	\$ 395	\$ 536	\$ 533
Investing activities	(516)	(320)	(361)	(175)	(28)
Financing activities	(182)	(42)	(43)	(380)	(429)
Net change in cash	\$(108)	\$(154)	\$ (9)	\$ (19)	\$ 76

Cash Flows for the Nine Months Ended September 30, 2003 and September 30, 2002. The key changes of the net cash outflow of \$108 million for the nine months ended September 30, 2003 were net purchases of fixed maturity securities of \$1,571 million and dividends paid of \$182 million, as compared to net purchases of fixed maturity securities of \$962 million and dividends paid of \$42 million for the nine months ended September 30, 2002.

Cash Flows for the Years Ended December 31, 2002, 2001 and 2000. The key changes of the net cash outflow of \$9 million for the year ended December 31, 2002 were net purchases of fixed maturity securities of \$1,153 million and maturities of these securities of \$861 million. Key changes of the net cash outflow of \$19 million for the year ended December 31, 2001 were the sale of FFG for \$385 million in cash and changes in our revenues and expenses from operating activities as described above. Key changes of the net cash inflow of \$76 million for the year ended December 31, 2000 were \$550 million of proceeds received from the issuance

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of the 2000 trust capital securities and changes in our revenues and expenses from operating activities as described above.

At September 30, 2003, we had total debt outstanding of \$1,470 million, as compared to \$1,471 million at December 31, 2002, \$1,471 million at December 31, 2001 and \$1,475 million at December 31, 2000. This debt consisted of trust capital securities, which we classify as mandatorily redeemable preferred securities of subsidiary trusts, and a small amount of mandatorily redeemable preferred stock. See Description of Share Capital and Certain Relationships and Related Transactions for a description of the terms of these securities.

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

Security	For the Nine Months Ended September 30,	For the Year Ended December 31,		
	2003	2002	2001	2000
(in thousands)				
Mandatorily redeemable preferred securities of subsidiary trusts and interest paid	\$ 97,151	\$117,114	\$133,667	\$112,816
Mandatorily redeemable preferred stock dividends	715	1,052	1,053	947
Class A Common Stock dividends	139,310		67,000	
Class B and C Common Stock dividends	41,877	41,876	42,298	21,111
Total	\$279,053	\$160,042	\$244,018	\$134,874

See Capitalization.

Commitments and Contingencies

We have obligations and commitments to third parties as a result of our operations. These obligations and commitments, as of December 31, 2002, are detailed in the table below by maturity date as of the dates indicated:

	As of December 31,					
	2003	2004	2005	2006	2007	Thereafter
(in millions)						
Contractual obligations:						
Mandatorily redeemable preferred securities of subsidiary trusts	\$	\$	\$ 150	\$	\$	\$ 1,296
Mandatorily redeemable preferred stock						24
Operating leases	40	35	32	27	23	53
Commitments:						
Investment purchases						
Outstanding:						
unsettled trades	24					
commercial mortgage loans on real estate	29					
other investments	4			2	30	
Total obligations and commitments	\$ 97	\$ 35	\$ 182	\$ 29	\$ 53	\$ 1,373



In December 2003 and January 2004, we redeemed all of the mandatorily redeemable preferred securities of subsidiary trusts for a redemption price equal to their aggregate liquidation amount plus accrued and unpaid interest to the date of redemption and aggregate premium of approximately \$204 million, all of which has been

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expensed in the fourth quarter of 2003. We entered into the senior bridge credit facilities described under Description of Indebtedness in connection with these redemptions.

Letters of Credit

In the normal course of business, letters of credit are issued primarily to support reinsurance arrangements. These letters of credit are supported by commitments with financial institutions. We had approximately \$108 million and \$109 million of letters of credit outstanding as of September 30, 2003 and December 31, 2002, respectively.

Additionally, as of September 30, 2003, we had an unused \$50 million letter of credit facility.

Quantitative and Qualitative Disclosures about Market Risk

As a provider of insurance products, effective risk management is fundamental to our ability to protect both our customers and stockholders interests. We are exposed to potential loss from various market risks, in particular interest rate risk and credit risk. Additionally we are exposed to inflation risk and to a small extent to foreign currency risk.

Interest rate risk is the possibility the fair value of liabilities will change more or less than the market value of investments in response to changes in interest rates, including changes in the slope or shape of the yield curve and changes in spreads due to credit risks and other factors.

Credit risk is the possibility that counterparties may not be able to meet payment obligations when they become due. We assume counterparty credit risk in many forms. A counterparty is any person or entity from which cash or other forms of consideration are expected to extinguish a liability or obligation to us. Primarily, our credit risk exposure is concentrated in our fixed income investment portfolio and, to a lesser extent, in our reinsurance recoverables.

Inflation risk is the possibility that a change in domestic price levels produces an adverse effect on earnings. This typically happens when only one of invested assets or liabilities is indexed to inflation.

Foreign exchange risk is the possibility that changes in exchange rates produce an adverse effect on earnings and equity when measured in domestic currency. This risk is largest when assets backing liabilities payable in one currency are invested in financial instruments of another currency. Our general principle is to invest in assets that match the currency in which we expect the liabilities to be paid.

Interest Rate Risk

Interest rate risk arises as we invest substantial funds in interest-sensitive fixed income assets, such as fixed maturity investments, mortgage-backed and asset-backed securities and commercial mortgage loans, primarily in the United States and Canada. There are two forms of interest rate risk price risk and reinvestment risk. Price risk occurs when fluctuations in interest rates have a direct impact on the market valuation of these investments. As interest rates rise, the market value of these investments falls, and conversely, as interest rates fall, the market value of these investments rises. Reinvestment risk occurs when fluctuations in interest rates have a direct impact on expected cash flows from mortgage-backed and asset-backed securities. As interest rates fall, an increase in prepayments on these assets results in earlier than expected receipt of cash flows forcing us to reinvest the proceeds in an unfavorable lower interest rate environment, and conversely as interest rates rise, a decrease in prepayments on these assets results in later than expected receipt of cash flows forcing us to forgo reinvesting in a favorable higher interest rate environment. As of September 30, 2003, we held \$8,848 million of fixed maturity securities at fair market value and \$909 million of commercial mortgages at amortized cost for a combined total of 91.1% of total invested assets. As of December 31, 2002, we held \$8,036 million of fixed maturity securities at fair market value and \$842 million of commercial mortgages at amortized cost for a combined total of 89% of total invested assets.

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We expect to manage interest rate risk by selecting investments with characteristics such as duration, yield, currency and liquidity tailored to the anticipated cash outflow characteristics of our insurance and reinsurance liabilities.

Our group long-term disability reserves are also sensitive to interest rates. 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.

The interest rate sensitivity of our fixed maturity security assets is assessed using hypothetical test scenarios that assume several positive and negative parallel shifts of the underlying yield curves. We have assumed that both the United States and Canadian yield curves have a 100% correlation and, therefore, move together. The individual securities are repriced under each scenario using a valuation model. For investments such as mortgage-backed and asset-backed securities, a prepayment model was used in conjunction with a valuation model. Our actual experience may differ from the results noted below particularly due to assumptions utilized or if events occur that were not included in the methodology. The following table summarizes the results of this analysis for bonds, mortgage-backed and asset-backed securities held in our investment portfolio:

Interest Rate Movement Analysis

**of Market Value of Fixed Maturity Securities Investment Portfolio
As of December 31, 2002**

	-100	-50	0	50	100
			(in millions)		
Total market value	\$ 8,527	\$ 8,279	\$ 8,036	\$ 7,805	\$ 7,582
% Change in market value from base case	6.1%	3.0%	0.0%	(2.9)%	(5.6)%
\$ Change in market value from base case	\$ 491	\$ 243	\$	\$ (231)	\$ (454)

Credit Risk

We have exposure to credit risk primarily as a holder of fixed income securities and by entering into reinsurance cessions.

Our risk management strategy and investment policy is to invest in debt instruments of high credit quality issuers and to limit the amount of credit exposure with respect to any one issuer. We attempt to limit our credit exposure by imposing fixed maturity portfolio limits on individual issuers based upon credit quality. Currently our portfolio limits are 1.5% for issuers rated AA-and above, 1% for issuers rated A- to A+, 0.75% for issuers rated BBB- to BBB+ and 0.38% for issuers rated BB- to BB+. These portfolio limits are further reduced for certain issuers with whom we have credit exposure on reinsurance agreements. We use the lower of Moody's or Standard & Poor's ratings to determine an issuer's rating. See Business Investments.

The following table presents our fixed maturity investment portfolio by ratings of the nationally recognized securities rating organizations as of December 31, 2002:

Rating	Fair Value	Percentage of Total
	(in millions)	
Aaa/Aa/ A	\$ 6,013	75%
Baa	\$ 1,526	19%
Ba	\$ 338	4%
B and lower	\$ 159	2%
Total	\$ 8,036	100%



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We are also exposed to the credit risk of our reinsurers. When we reinsure, we are still liable to our insureds regardless of whether we get reimbursed by our reinsurer. As part of our overall risk and capacity management strategy, we purchase reinsurance for certain risks underwritten by our various business segments as described above under Reinsurance.

For at least 50% of our \$4,650 million of reinsurance recoverables at December 31, 2002, we are protected from the credit risk by using some type of risk mitigation mechanism such as a trust, letter of credit or by withholding the assets in a modified coinsurance or co-funds-withheld arrangement. For example, reserves of \$1,682 million and \$693 million as of December 31, 2002 relating to two large coinsurance arrangements with The Hartford and John Hancock, respectively, related to sales of businesses. If the value of the assets in these trusts decreases, The Hartford and John Hancock, as the case may be, will be required to put more assets in the trusts. We may be dependent on the financial condition of The Hartford and John Hancock, whose A.M. Best ratings are currently A+ and A++, respectively. For recoverables that are not protected by these mechanisms, we are dependent solely on the credit of the reinsurer. Occasionally, the credit worthiness of the reinsurer becomes questionable. See Risk Factors Risks Related to Our Company Reinsurance may not be available or adequate to protect us against losses, and we are subject to the credit risk of reinsurers. We believe that a majority of our reinsurance exposure has been ceded to companies rated A- or better by A.M. Best.

Inflation Risk

Inflation risk arises as we invest substantial funds in nominal assets, which are not indexed to the level of inflation, whereas the underlying liabilities are indexed to the level of inflation. Approximately 15% of Assurant PreNeed's insurance policies with reserves of approximately \$394 million as of September 30, 2003 have death benefits that are guaranteed to grow with the Consumer Price Index. In times of rapidly rising inflation the credited death benefit growth on these liabilities increases relative to the investment income earned on the nominal assets resulting in an adverse impact on earnings. We have partially mitigated this risk by purchasing a contract with payments tied to the Consumer Price Index. See Derivatives.

In addition, we have inflation risk in our individual and small employer group health insurance businesses to the extent that medical costs increase with inflation and we have not been able to increase premiums to keep pace with inflation.

Foreign Exchange Risk

We are exposed to some foreign exchange risk arising from our international operations mainly in Canada. We also have limited foreign exchange risk exposure to currencies other than the Canadian dollar, primarily British pounds and Danish krone. Total invested assets denominated in these other currencies were less than 1% of our total invested assets at December 31, 2002.

Foreign exchange risk is mitigated by matching our liabilities under insurance policies that are payable in foreign currencies with investments that are denominated in such currency. We have not established any hedge to our foreign currency exchange rate exposure.

We assess our foreign exchange risk by examining the foreign exchange rate exposure of the excess of invested assets over the statutory reserve liabilities denominated in foreign currency. Two stress scenarios are examined.

The first scenario assumes a hypothetical 10% immediate change in the foreign exchange rate.

The second scenario assumes a more severe 2.33 standard deviation event (comparable to a one in 100 probability under a normal distribution).

The modelling techniques we use to calculate our exposure does not take into account correlation among foreign currency exchange rates or correlation among various markets. Our actual experience may differ from the results noted below particularly due to correlation assumptions utilized or if events occur that were not included in the methodology, such as significant illiquidity or other market events.

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The following table summarizes the results of this analysis:

**Adverse impact on the excess of investment assets over the statutory reserve
liabilities denominated in foreign currency
As of December 31, 2002**

Country	Total invested assets (in foreign currency)	Statutory reserve liabilities (in foreign currency)	Excess of invested assets over statutory reserve liabilities (in foreign currency)	Adverse impact of a 10% change in exchange rate (in \$)*	Adverse impact of a 2.33 standard deviation change in exchange rate (in \$)
			(in millions)		
Canada	CAD 497.0	CAD 349.3	CAD 147.7	\$(8.5)	\$(9.8)

* 10% depreciation of CAD would cause a \$8.9 million loss in the excess of investment assets over the statutory reserve liabilities.

Derivatives

Derivatives are financial instruments whose values are derived from interest rates, foreign exchange rates, financial indices or the prices of securities or commodities. Derivative financial instruments may be exchange-traded or contracted in the over-the-counter market and include swaps, futures, options and forward contracts.

Under insurance statutes, our insurance companies may use derivative financial instruments to hedge actual or anticipated changes in their assets or liabilities, to replicate cash market instruments or for certain income-generating activities. These statutes generally prohibit the use of derivatives for speculative purposes. We generally do not use derivative financial instruments.

On August 1, 2003, we purchased a contract to partially hedge the inflation risk exposure inherent in some of our pre-funded funeral insurance policies.

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BUSINESS

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. In our Assurant Solutions business, we have leadership positions or are aligned with clients who are leaders in creditor-placed homeowners insurance based on servicing volume, manufactured housing homeowners insurance based on number of homes built and debt protection administration based on credit card balances outstanding. In our Assurant Employee Benefits business, we are a leading writer of group dental plans sponsored by employers based on the number of subscribers and based on the number of master contracts in force. A master contract refers to a single contract issued to an employer that provides coverage on a group basis; group members receive certificates, which summarize benefits provided and serve as evidence of membership. In our Assurant PreNeed business, we are 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. 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.

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We organize and manage our specialized businesses through four operating business segments:

Operating Business Segment	Principal Products and Services	Principal Distribution Channels	For the Nine Months Ended September 30, 2003
Assurant Solutions			
<i>Specialty Property</i>	Creditor-placed homeowners insurance (including tracking services) Manufactured housing homeowners insurance	Mortgage lenders and servicers	Total revenues: \$1,978 million Segment income before income tax: \$146 million