ASSURANT INC
Form 10-K
February 27, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 001-31978

Assurant, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**39-1126612**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

One Chase Manhattan Plaza, 41st Floor

New York, New York	**10005**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant s telephone number, including area code:

(212) 859-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 Par Value	**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

The aggregate market value of the Common Stock held by non-affiliates of the registrant was $7,778 million at June 30, 2008 based on the closing sale price of $65.96 per share for the common stock on such date as traded on the New York Stock Exchange.

The number of shares of the registrant s Common Stock outstanding at February 17, 2009 was 117,778,468.

Documents Incorporated by Reference

Certain information contained in the definitive proxy statement for the annual meeting of stockholders to be held on May 14, 2009 (2009 Proxy Statement) is incorporated by reference into Part III hereof.

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ASSURANT, INC.

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended December 31, 2008

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

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FORWARD-LOOKING STATEMENTS

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

In addition to the factors described in the section below entitled Critical Factors Affecting Results, the following risk factors could cause our actual results to differ materially from those currently estimated by management: (i) failure to maintain significant client relationships, distribution sources and contractual arrangements; (ii) failure to attract and retain sales representatives; (iii) deterioration in the Company s market capitalization compared to its book value that could impair the Company s goodwill; (iv) general global economic, financial market and political conditions (including difficult conditions in financial, capital and credit markets, the global economic slowdown, fluctuations in interest rates, mortgage rates, monetary policies and inflationary pressure); (v) diminished value of invested assets in our investment portfolio (due to, among other things, the recent volatility in financial markets, the global economic slowdown, credit and liquidity risk, other than temporary impairments, environmental liability exposure and inability to target an appropriate overall risk level); (vi) inadequacy of reserves established for future claims losses; (vii) failure to predict or manage benefits, claims and other costs; (viii) losses due to natural and man-made catastrophes; (ix) increases or decreases in tax valuation allowances; (x) fluctuations in exchange rates and other risks related to our international operations; (xi) unavailability, inadequacy and unaffordable pricing of reinsurance coverage; (xii) inability of reinsurers to meet their obligations; (xiii) insolvency of third parties to whom we have sold or may sell businesses through reinsurance or modified co-insurance; (xiv) credit risk of some of our agents in Assurant Specialty Property and Assurant Solutions; (xv) a further decline in the manufactured housing industry; (xvi) a decline in our credit or financial strength ratings (including the currently heightened risk of ratings downgrades in the insurance industry); (xvii) failure to effectively maintain and modernize our information systems; (xviii) failure to protect client information and privacy; (xix) failure to find and integrate suitable acquisitions and new insurance ventures; (xx) inability of our subsidiaries to pay sufficient dividends; (xxi) failure to provide for succession of senior management and key executives; (xxii) negative impact on our business and negative publicity due to unfavorable outcomes in litigation and regulatory investigations (including the potential impact on our reputation and business of a negative outcome in the ongoing SEC investigation); (xxiii) significant competitive pressures in our businesses and cyclicality of the insurance industry; and (xxiv) current or new laws and regulations that could increase our costs or limit our growth. These risk factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this report. For a more detailed discussion of the risk factors that could affect our actual results, please refer to the Critical Factors Affecting Results in Item 7 and Risk Factors in Item 1A of this Form 10-K.

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PART I

Item 1. *Business*

Legal Organization

Assurant, Inc. (Assurant or the Company) is a Delaware corporation, formed in connection with the initial public offering (IPO) of its common stock, which began trading on the New York Stock Exchange (NYSE) on February 5, 2004. Prior to the IPO, Fortis, Inc., a Nevada corporation, formed Assurant and merged into it on February 4, 2004. The merger was executed in order to redomesticate Fortis, Inc. from Nevada to Delaware and to change its name. As a result of the merger, Assurant is the successor to the business operations and obligations of Fortis, Inc.

Prior to the IPO, 100% of the outstanding common stock of Fortis, Inc. was owned indirectly by Fortis N.V., a public company with limited liability incorporated as naamloze vennootschap under Dutch law, and Fortis SA/ NV, a public company with limited liability incorporated as société anonyme/naamloze vennootschap under Belgian law (Fortis).

On January 21, 2005, Fortis owned approximately 36% (50,199,130 shares) of the Company based on the number of shares outstanding on that day and sold 27,200,000 of those shares in a secondary offering to the public. The Company did not receive any of the proceeds from the sale of shares of common stock by Fortis. Fortis concurrently sold exchangeable bonds, due January 26, 2008, that were mandatorily exchangeable for up to 22,999,116 of the shares of Assurant that continued to be held by Fortis.

On January 28, 2008, Fortis distributed 18,851,690 shares of the Company s common stock to the holders of the mandatorily exchangeable bonds. The shares of the Company s common stock distributed to such holders were not registered at the time Fortis sold the exchangeable bonds but became freely transferable by such holders upon distribution. Following this transaction, Fortis owned 4,147,440, or 3.5% of Assurant s shares outstanding. On August 7, 2008, the Company purchased 1,000,000 of its common shares from Fortis.

In this report, references to the Company, Assurant, we, us or our refer to (1) Fortis, Inc. and its subsidiaries prior to the merger, on February 2004, and (2) Assurant, Inc. and its subsidiaries after the consummation of the merger. References to Fortis refer collectively to Fortis N.V. and Fortis SA/ NV. References to our separation from Fortis refer to the fact that Fortis reduced its ownership of our common stock in connection with the secondary offering.

Business Overview

Assurant is a premier provider of specialized insurance products and related services in North America and selected other international markets. Our four operating segments Assurant Solutions, Assurant Specialty Property, Assurant Health, and Assurant Employee Benefits have partnered with clients who are leaders in their industries and have built leadership positions in a number of specialty insurance market segments in the United States of America (U.S.) and selected international markets. These segments provide debt protection administration; credit insurance; warranties and service contracts; pre-funded funeral insurance; creditor placed homeowners insurance; manufactured housing homeowners insurance; individual health and small employer group health insurance; group dental insurance; group disability insurance; and group life insurance.

Assurant s mission is to be the premier provider of specialized insurance products and related services in North America and selected international markets. To achieve this mission, we focus on the following areas:

Building and maintaining a portfolio of diverse, specialty insurance businesses

Leveraging a set of core capabilities for competitive advantage *managing risk; managing relationships with large distribution partners; and integrating complex administrative systems*

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Managing targeted growth initiatives

Identifying and adapting to evolving market needs

Centralizing certain key functions in the Corporate and Other segment to achieve economies of scale

Building and maintaining a portfolio of diverse, specialty insurance businesses We currently are made up of four operating segments, Assurant Solutions, Assurant Specialty Property, Assurant Health and Assurant Employee Benefits, each focused on serving specific sectors of the insurance market. We believe that the uncorrelated nature of the risks in our businesses allows us to maintain a greater level of financial stability since our businesses will likely not be affected in the same way by the same economic and operating trends.

Leveraging a set of core capabilities for competitive advantage We pursue a differentiated strategy of building leading positions in specialized market segments for insurance products and related services in North America as well as selected international markets. These markets are generally complex, have a relatively limited number of competitors and, we believe, offer long-term growth opportunities. In these markets, we leverage the experience of our management team and apply our core capabilities to create a competitive advantage *managing risk; managing relationships with large distribution partners; and integrating complex administrative systems*. These core capabilities represent areas of expertise which are evident within each of our businesses. We seek to generate leading insurance industry 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.

Managing targeted growth initiatives Our approach to mergers, acquisitions and other growth opportunities reflects our prudent and disciplined approach to managing our businesses. We make decisions based on strict guidelines designed to ensure that any new business will support our business model. We have established performance goals related to short-term incentive compensation for senior management based on those and other initiatives.

Identifying and adapting to evolving market needs Assurant s businesses adapt to changing market conditions by tailoring product and service offerings to specific client and customer needs. This flexibility was developed, in part, as a result of our entrepreneurial culture and the encouragement of management autonomy at each operating segment. By understanding the dynamics of our core markets, we seek to design innovative products and services and sustain long-term profitable growth and market leading positions.

Centralizing certain key functions in the Corporate and Other segment to achieve economies of scale At the corporate level, Assurant, Inc. provides strategic management and key resources for its operating segments, including asset management, employee benefits, finance, treasury, tax, accounting, legal, organizational and leadership development, mergers and acquisitions, real estate and facility management and communications. Assurant, Inc. also provides support services in such areas as information technology, financial and human resources systems management. We believe this enables the operating segments to focus on their target markets and distribution relationships while enjoying the economies of scale realized by operating these businesses together and benefiting from being part of a larger, diversified specialty insurance company. Our overall strategy and financial objectives are set annually and continuously monitored at the corporate level to ensure that our capital resources are being properly allocated.

Competition

Assurant s businesses focus on niche segments within broader insurance markets. While we face competition in each of our businesses, we believe that no single competitor competes against us in all of our business lines and the business lines in which we operate are generally characterized by a limited number of competitors. Competition in our operating segments is based on a number of factors, including quality of service, product features, price, scope of distribution, financial strength ratings and name recognition. The relative importance of these factors depends on the particular product and market. We compete for customers and distributors with insurance companies and other financial services companies in our various businesses.

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The Assurant Solutions and Assurant Specialty Property segments face competition in their product lines, but we believe that no other company participates in all of the same product lines or offers comparable comprehensive capabilities as do these two segments. Competitors include insurance companies, financial institutions, and, in the case of preneed life insurance, regional insurers. Assurant Health s main competitors are other health insurance companies, Health Maintenance Organizations (HMOs) and the Blue Cross/Blue Shield plans in states where we write business. Assurant Employee Benefits competitors include other benefit and life insurance companies, dental managed care entities and not-for-profit dental plans.

Segments

On April 1, 2006, the Company separated its Assurant Solutions segment into two segments: Assurant Solutions and Assurant Specialty Property. In addition, concurrent with the creation of the new Assurant Solutions and Assurant Specialty Property segments, the Company realigned the Preneed segment under the new Assurant Solutions segment. For additional information on our segments, see Note 22 to the Consolidated Financial Statements included elsewhere in this report.

Assurant Solutions

	For the Years Ended	
	December 31, 2008	**December 31, 2007**
Gross written premium for selected product groupings (1):		
Domestic credit insurance	$ 604,101	$ 656,975
International credit insurance	827,457	833,894
Domestic extended service contracts and warranties (2)	1,530,284	1,828,048
International extended service contracts and warranties (2)	477,652	422,669
Preneed life insurance (face sales)	445,313	395,790
Net earned premiums and other considerations	$ 2,813,407	$ 2,530,445
Segment net income	$ 112,183	$ 143,921
Equity (3)	$ 1,540,066	$ 1,595,083

(1) Gross written premium does not necessarily translate to an equal amount of subsequent net earned premium since Assurant Solutions reinsures a portion of its premiums to third parties and to insurance subsidiaries of its clients.
(2) Extended service contracts include warranty contracts for products such as personal computers, consumer electronics and appliances.
(3) Equity excludes accumulated other comprehensive (loss) income.

For additional information on Assurant Solutions, see Management s Discussion and Analysis and Note 22 to the Consolidated Financial Statements elsewhere in this report.

Products and Services

Assurant Solutions targets growth in three key product areas: extended service contracts (ESC) and warranties, both domestically and internationally; preneed life insurance and international credit insurance. In addition, we offer debt protection/debt deferment services through financial institutions.

ESC and Warranties: Through partnerships with leading retailers, we underwrite and provide administrative services for extended service contracts and warranties. These contracts provide consumers with coverage on appliances, consumer electronics, personal computers, cellular phones, automobiles and recreational vehicles, protecting them from certain covered losses. We pay the cost of repairing or replacing customers property in the event of damages due to mechanical breakdown, accidental damage, and casualty losses such as theft, fire, and water damage. Our strategy is to seamlessly provide a total solution to our clients that addresses all aspects of the

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warranty or extended service contract, including program design and marketing strategy. We provide technologically advanced administration, claims handling and customer service. We believe that we maintain a differentiated position in the marketplace as a provider of both the required administrative infrastructure and insurance underwriting capabilities.

Preneed Life Insurance: Preneed life insurance allows individuals to prepay for a funeral in a single payment or in multiple payments over a fixed number of years. The insurance policy proceeds are used to address funeral costs at death. These products are only sold in the U.S. and Canada and are generally structured as whole life insurance policies in the U.S. and as annuity products in Canada.

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

Credit Insurance: Our credit insurance programs provide our clients customers with products that offer protection from life events and uncertainties that arise in purchasing and borrowing transactions, thereby providing the consumer peace of mind. Credit insurance programs generally offer consumers a convenient option to protect a credit card balance or installment loan in the event of death, involuntary unemployment or disability, and are generally available to all consumers without the underwriting restrictions that apply to term life insurance. For more information see Risk Factors 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.

Regulatory changes have caused a shift to debt deferment products by financial institutions. The largest credit card issuing institutions and lenders have migrated from credit insurance towards debt protection programs. Consequently, we have seen a reduction in domestic gross written premiums generated in the credit insurance market.

Debt Protection/Debt Deferment: Debt protection/debt deferment is coverage offered by a lender with credit card accounts, installment loans and lines of credit. It waives or defers all or a portion of the monthly payments, monthly interest, or the actual debt for the account holder for a covered event such as death, disability, unemployment and family leave. It is similar to credit, life, disability and involuntary unemployment insurance except it is not necessary to have an insurance company underwrite the program and can include a variety of coverages.

We have worked with our clients to offer alternative products such as debt deferment and protection services. Our debt protection programs generate fee income.

Marketing and Distribution

Assurant Solutions focuses on establishing strong, long-term distribution relationships with market leaders. We partner with six of the top ten largest credit card companies to market our credit insurance and debt protection programs and four of the ten largest consumer electronics and appliance retailers (based on combined product sales) to market our ESC and warranty products.

Several of our distribution agreements are exclusive. Typically these agreements have terms of one to five years and allow us to integrate our administrative systems with those of our clients. This integration enables us to exchange information in an almost real-time environment.

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In addition to our domestic market, we operate in Canada, the United Kingdom (U.K.), Argentina, Brazil, Puerto Rico, Denmark, Chile, Germany, Spain, Italy and Mexico. In these markets, we primarily sell ESC and credit insurance products through agreements with financial institutions, retailers and cellular phone companies. Although there has been contraction in the domestic credit insurance market, the international markets are experiencing growth in the credit insurance business. Expertise gained in the domestic credit insurance market has enabled us to extend our administrative infrastructure internationally. Systems, training, computer hardware and the overall market development approach are customized to fit the particular needs of each targeted international market.

Assurant Solutions has decided to exit the Denmark market and close its office there. This process should be completed by the end of 2009. The Company incurred $9,651 (after-tax) in expenses in the fourth quarter of 2008 in the form of severance accruals, reserve increases and deferred asset write-offs in connection with the closure.

On January 9, 2009, we announced a strategic relationship to market, administer and underwrite ESC products to Whirlpool Corporation (Whirlpool) appliance customers in the U.S. and Canada. Whirlpool is a leading manufacturer and marketer of major home appliances. The Company paid $25,000 in cash for the transaction.

On September 26, 2008, the Company acquired the Warranty Management Group business from GE Consumer & Industrial, a unit of General Electric Co. (GE). The Company paid GE $140,000 in cash for the sale, transfer and conveyance of certain assets and assumed certain liabilities. As part of the acquisition, the Company entered into a new 10-year agreement to market extended warranties and service contracts on GE-branded major appliances in the U.S.

In a separate transaction, GE paid the Company $115,000 in cash and the Company eliminated deferred acquisition costs (DAC) by $106,000 and a receivable from GE of $9,000 in connection with the termination of the existing strategic alliance. Under the pre-existing relationship, the Company sold extended warranties directly to GE appliance purchasers and through leading retailers and paid commissions to GE. After the acquisition, the Company assumed full responsibility for operating the extended warranty business it previously co-managed and shared with GE.

On October 1, 2008, the Company completed the acquisition of Signal Holdings LLC (Signal), a leading provider of wireless handset protection programs and repair services. The Company paid $257,400 in cash for the acquisition, transfer and conveyance of certain assets and assumed certain liabilities. Signal generates annual revenues of approximately $330,000 through servicing extended service contracts for 4.2 million wireless subscribers.

Our preneed life insurance policies are marketed in the U.S. and Canada. On November 9, 2005, we sold our U.S. independent distribution business to Forethought Life Insurance Company (Forethought) to allow us to focus in the U.S. and Canada on our exclusive distribution partnership with Service Corporation International (SCI), the largest funeral provider in the U.S. based on total revenue and continue to develop our other growth area: independent business in Canada. We are the sole provider of preneed life insurance for SCI through September 30, 2013. In Canada, we market our preneed life insurance programs through independent and corporate funeral homes and selected third-party general agents. On July 1, 2007, we acquired 100% of the outstanding stock of Mayflower National Life Insurance Company (Mayflower) from SCI. We subsequently merged Mayflower, a leading provider of preneed insurance products and services, into one of our existing preneed life insurers, American Memorial Life Insurance Company, where we continue to write all new preneed life insurance business.

On July 12, 2007 we acquired 100% of the outstanding stock of Swansure Group (Swansure), a privately held company in the U.K. Swansure owns D&D Homecare Limited and Adminicle Limited. D&D Homecare Limited designs and distributes general insurance products, including mortgage payment protection and buildings and contents insurance. Adminicle Limited provides a range of insurance administration and outsourcing services.

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In addition, on October 1, 2007, we acquired 100% of the outstanding stock of Centrepoint Insurance Services Limited (Centrepoint), a privately held company in the U.K. Centrepoint is a leading insurance broker of building and contents and mortgage payment protection insurance.

Underwriting and Risk Management

We write a significant portion of our contracts on a retrospective commission basis. This allows us to adjust commissions based on claims experience. Under this commission arrangement, as permitted by law, compensation to the financial institutions and other clients is predicated upon the actual losses incurred compared to premiums earned after a specific net allowance to us. We believe that this aligns our clients interests with ours and helps us to better manage risk exposure. A distinct characteristic of our credit insurance programs is that the majority of these products have relatively low exposures per incident. This is because policy size is equal to the size of the installment loan or credit card balance. Thus, catastrophic loss severity for most of this business is low relative to insurance companies writing more traditional lines of property insurance.

Our claims processing is automated and combines the efficiency of centralized claims handling, customer service centers and the flexibility of field representatives. This flexibility adds savings and efficiencies to the claims-handling process. Our claims department also provides continuous automated feedback to the underwriting team to help with risk assessment and pricing.

We have extensive knowledge-based experience and risk management expertise in the ESC and warranty areas and utilize an integrated model to address the complexities of pricing, marketing, training, risk retention and client service.

Profitability generated through our preneed life insurance programs is generally earned from interest rate spreads the difference between the death benefit growth rates on underlying policies and the investment returns generated on the assets we hold related to those policies. To manage those spreads, we monitor the movement in new money yields and evaluate monthly our actual net new achievable yields among other techniques.

Assurant Specialty Property

	For the Years Ended	
	December 31, 2008	**December 31, 2007**
Net earned premiums and other considerations by major product grouping:		
Homeowners (creditor placed and voluntary)	$ 1,471,012	$ 1,188,090
Manufactured housing (creditor placed and voluntary)	225,209	209,104
Other (1)	352,017	285,072
Total	$ 2,048,238	$ 1,682,266
Segment net income	$ 405,203	$ 379,240
Loss ratio (2)	38.3%	32.6%
Expense ratio (3)	39.0%	40.5%
Combined ratio (4)	76.4%	72.2%
Equity (5)	$ 1,276,603	$ 1,158,074

(1) This primarily includes flood, miscellaneous specialty property and renters insurance products.
(2) The loss ratio is equal to policyholder benefits divided by net earned premiums and other considerations.
(3) The expense ratio is equal to selling, underwriting and general expenses divided by net earned premiums and other considerations and fees and other income. (Fees and other income is not included in the above table)

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(4) The combined ratio is equal to total benefits, losses and expenses divided by net earned premiums and other considerations and fees and other income. (Fees and other income is not included in the above table)
(5) Equity excludes accumulated other comprehensive (loss) income.

For additional information on Assurant Specialty Property, see Management s Discussion and Analysis and Note 22 to the Consolidated Financial Statements elsewhere in this report.

Products and Services

Assurant Specialty Property s business strategy is to pursue long-term growth in creditor-placed homeowners insurance and expand its strategy into two emerging markets, creditor-placed automobile and renters insurance. Assurant Specialty Property also writes other specialty products.

Creditor-placed and voluntary homeowners insurance: The largest product line within Assurant Specialty Property is homeowners insurance, consisting principally of fire and dwelling hazard insurance offered primarily through our creditor-placed programs. The creditor-placed program provides collateral protection to our mortgage lending and servicing clients in the event that a homeowner does not purchase or renew its homeowners insurance on a mortgaged dwelling. As a result of our efficiency in handling certain back-office functions, the vast majority of our mortgage lending and servicing clients outsource their insurance processing to us.

We use a proprietary insurance-tracking administration system to continuously monitor our client s mortgage portfolio in order to verify the existence of insurance on each mortgaged property. We earn fee based revenue for these administration services. In the event that a mortgagee is not maintaining adequate insurance coverage, they will be notified and, if the situation continues, we will issue an insurance certificate on the property on behalf of the creditor under a master policy. This process works through the integration of our proprietary loan-tracking system with the back offices and systems of our clients. We believe this proven business strategy will allow us to continue our growth due to integration with our clients and the inherent efficiencies of this integration.

Creditor-placed and voluntary manufactured housing insurance: The next largest product line within Assurant Specialty Property is manufactured housing insurance, offered on a creditor-placed and voluntary basis. Creditor-placed insurance is issued after an insurance tracking process similar to that described above. The tracking is performed by Assurant Specialty Property utilizing a proprietary insurance tracking administration system or by the lender themselves. Manufactured housing retailers in the U.S. use our proprietary premium rating technology which allows them to sell property coverages at the point of sale. We have successfully maintained the revenue contribution from this product line despite the continued decrease in manufactured home shipments.

Other insurance: We believe there are opportunities before us to expand our creditor-placed business model with the addition of new clients, new products for existing clients, adjacent products and services and the potential acquisition of new businesses. We have developed products using our creditor-placed business model to meet similar needs in adjacent and emerging markets, such as the creditor-placed automobile and mandatory insurance rental markets. Both of these markets have been expanding in recent years. The creditor-placed automobile market has benefited from technology improvements and more advanced product offerings thus making this a more attractive market. The mandatory insurance rental market continues to expand as more property management companies mandate tenant liability coverage. We also act as an administrator for the U.S. Government under the voluntary National Flood Insurance Program for which we earn an expense reimbursement for collecting premiums and processing claims. This is a public flood insurance program and is restricted as to rates, underwriting, coverages and claims management procedures. The business is 100% reinsured to the Federal Government and we do not assume any underwriting risk with respect to this program. Separately, we do underwrite a creditor-placed flood insurance program.

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Marketing and Distribution

Assurant Specialty Property focuses on establishing long-term relationships with institutions that are leaders in their chosen markets. Our creditor-placed homeowners program is marketed through financial institutions and other mortgage lenders. Our clients in this program consist of a majority of the top mortgage servicers. The majority of our creditor-placed agreements are exclusive. Typically these agreements have terms of three to five years and allow us to integrate our systems with our clients.

We offer our manufactured housing insurance programs primarily through three channels: manufactured housing lenders; manufactured housing retailers and independent specialty agents. The independent specialty agents distribute flood products and miscellaneous specialty property products. Renters insurance is distributed primarily through property management companies.

Underwriting and Risk Management

We maintain a disciplined approach to the management of our product lines. Our creditor-placed homeowners insurance program and certain of our manufactured home products are not underwritten on an individual basis. Contracts with our clients require us to automatically issue these policies, after notice, when a borrower s policy lapses or is terminated. These products are priced after factoring in this inherent underwriting risk.

We monitor pricing adequacy on a product by region, state, risk and producer. We proactively seek to make timely commission, premium and coverage modifications, subject to regulatory constraints, where we determine them to be appropriate. In addition, we maintain a risk management practice that concentrates on catastrophe exposure management, the adequacy and pricing of reinsurance coverage and continuous analytical review of risk retention and profitability in the property lines. For the lines where there is exposure to catastrophes (e.g. homeowners, manufactured home, and other property policies), we monitor and manage our aggregate risk exposure by geographic area and, when appropriate, enter into reinsurance contracts to manage our exposure to catastrophe events. We purchase coverage to protect the capital of Assurant Specialty Property and to mitigate earnings volatility. Additionally, in the event of a catastrophe loss, we have a mechanism in place to reinstate reinsurance coverages for protection from potential subsequent catastrophe events within the policy year.

Assurant Health

	For the Years Ended	
	December 31, 2008	**December 31, 2007**
Net earned premiums and other considerations:		
Individual markets:		
Individual medical	$ 1,276,743	$ 1,283,321
Short-term medical and student health	101,435	96,837
Subtotal	1,378,178	1,380,158
Small employer group medical	573,777	670,122
Total	$ 1,951,955	$ 2,050,280

Segment net income	$ 120,254	$ 151,743
Loss ratio (1)	64.5%	63.2%
Expense ratio (2)	30.4%	30.0%
Combined ratio (3)	93.6%	92.0%
Equity (4)	$ 337,475	$ 410,897

(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. (Fees and other income is not included in the above table)
(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. (Fees and other income is not included in the above table)
(4) Equity excludes accumulated other comprehensive (loss) income.

For additional information on Assurant Health, see Management s Discussion and Analysis and Note 22 to the Consolidated Financial Statements elsewhere in this report.

Product and Services

In business since 1892, Assurant Health is focused on pursuing long-term profitable growth opportunities in the individual medical market by offering medical insurance, short-term medical insurance and student medical plans to individuals and families. Products are offered with different plan options to meet a broad range of customer needs. Assurant Health also offers medical insurance to small employer groups.

Individual Medical: Our medical insurance products are sold to individuals, primarily between the ages of 18 and 64, and their families, who do not have employer-sponsored coverage. We emphasize the sale of individual products through associations and trusts that act as the master policyholder for such products. Products marketed and sold through associations and trusts offer flexibility in pricing and product design which increase our ability to respond to market changes.

Substantially all of the individual health insurance products we sell are Preferred Provider Organization (PPO) plans, which offer members the ability to select from a wide range of health care providers. Coverage is typically available with a variety of co-payment, deductible and coinsurance options, with the total benefit for covered services limited by certain policy maximums. Members who participate in a qualifying high deductible health plan can also add a Health Savings Account (HSA) option. We offer extensive HSA training to our independent agents and offer internet-based HSA tools making it easier for our customers to integrate their HSA into the plan of their choice and better manage their health care spending. These products are individually underwritten, taking into account the applicant s medical history and other factors. The remaining products we sell are indemnity, or fee-for-service plans. Indemnity plans offer a member the ability to select any health care provider for covered services.

Short-term Medical Insurance and Student Health Insurance: Our short-term medical insurance product is designed for individuals who are between jobs or seeking interim coverage before their major medical coverage becomes effective. Short-term medical insurance products are generally sold to individuals in order to fill gaps in coverage of twelve months or less. Student health coverage plans are medical insurance plans sold to full-time college students who are not covered by their parents health insurance, are no longer eligible for dependant coverage, or are seeking a more comprehensive alternative to a college-sponsored plan.

Small Employer Group Medical: Our group medical insurance sold to small employers focuses primarily on companies with two to fifty employees, although larger employer coverage is available. As of December 31, 2008, our average group size was approximately four employees. In the case of our small employer group health insurance, we underwrite the entire group and examine the medical risk factors of the individual groups for pricing purposes only. Substantially all of the small employer health insurance products that we sell are PPO products. We also offer HSA and Health Reimbursement Account (HRA) options and a variety of ancillary products to meet the demands of small employers for life insurance, short-term disability insurance and dental insurance.

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Marketing and Distribution

Breadth and depth of distribution is a key competitive advantage for Assurant Health. Our health insurance products are principally marketed through a network of independent agents by our distributors. We also market our products to individuals through a variety of exclusive and non-exclusive national account relationships and direct distribution channels. In addition, we market our products through NorthStar Marketing, a wholly-owned affiliate that proactively seeks business directly from independent agents. Since 2000, we have had an exclusive national marketing agreement with a major mutual insurance company, pursuant to which their captive agents market our individual health products. Captive agents are representatives of a single insurer or group of insurers who are obligated to submit business only to that insurer, or at a minimum, give that insurer first refusal rights on a sale. The term of this agreement will expire in September 2018 with the option for either company to exit the agreement after September 2013. Through an agreement with a well-known association s administrator, we provide many of our individual health insurance products. This agreement automatically renewed for a two-year term in September 2008**.** We also have a long-term relationship with a national marketing organization with more than 50 offices. We, and our direct writing agents, also sell short-term medical insurance plans through the internet.

In 2006, we launched Advantage Agent, an array of new products, tools and capabilities designed to make it easy for agents to do business with Assurant Health. These capabilities resulted in an easier policy application process and shortened approval periods, while maintaining the integrity of our disciplined risk management requirements. In 2007, we enhanced this platform so that we are able to issue coverage to qualified individual applicants immediately while they are still in the agent s office, complete with medical identification card. Our state of the art application and underwriting technology now allows us to fully underwrite healthy applicants instantly.

Underwriting and Risk Management

Our underwriting and risk management capabilities include pricing discipline, policy underwriting and renewal optimization, development and retention of provider networks, product development and claims processing. In establishing premium rates for our health care plans, we use underwriting criteria based upon our accumulated actuarial data, with adjustments for factors such as claims experience and member demographics to evaluate anticipated health care costs. Our pricing considers the expected frequency and severity of claims and the costs of providing the necessary coverage, including the cost of administering policy benefits, sales and other administrative costs.

We also utilize a broad range of focused traditional cost containment and care management processes across our various product lines to manage risk and to lower costs. These include case management, disease management and pharmacy benefits management programs. We retain provider networks through a variety of relationships. These relationships generally include leased networks, such as Private Health Care Systems, Inc. (PHCS), which contract directly with individual health care providers. Assurant Health was a co-founder of PHCS. Although we sold our equity interest in PHCS during 2006, we continue to have access to the PHCS network. Pharmacy benefits management is provided by Medco Health Solutions (Medco). Medco has established itself as a leader in its industry with almost 60,000 participating retail pharmacies nationwide and its extensive mail-order service. Through Medco s advanced technology platforms, Assurant Health is able to access information about customer utilization patterns on a timely basis to improve its risk management capabilities. In addition to the technology-based advantages, Medco allows us to purchase our pharmacy benefits at competitive prices. Our agreement with Medco expires June 30, 2010, but will be automatically extended for additional one-year terms unless prior notice of a party s intent to terminate is given to the other party.

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Assurant Employee Benefits

	For the Years Ended	
	December 31, 2008	December 31, 2007
Net Earned Premiums and Other Considerations:		
Group dental	$ 435,115	$ 412,810
Group disability single premiums for closed blocks (1)	11,447	49,456