ASSURANT INC
Form 10-Q
August 03, 2011
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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

# FORM 10-Q

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

**OR**

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

# Assurant, Inc.

**(Exact name of registrant as specified in its charter)**

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

**One Chase Manhattan Plaza, 41st Floor**

**New York, New York 10005**

**(212) 859-7000**

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

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

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

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

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

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

The number of shares of the registrant s Common Stock outstanding at July 29, 2011 was 94,467,970.

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**ASSURANT, INC.**

**QUARTERLY REPORT ON FORM 10-Q**

**FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2011**

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

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**Assurant, Inc.**

**Consolidated Balance Sheets (unaudited)**

**At June 30, 2011 and December 31, 2010**

| | June 30, 2011 | December 31, 2010 |
|---|---|---|
| | (in thousands except number of shares and per share amounts) | |
| **Assets** | | |
| Investments: | | |
| Fixed maturity securities available for sale, at fair value (amortized cost $9,942,019 in 2011 and $10,009,320 in 2010) | $ 10,637,406 | $ 10,612,552 |
| Equity securities available for sale, at fair value (cost $447,752 in 2011 and $452,648 in 2010) | 481,688 | 466,954 |
| Commercial mortgage loans on real estate, at amortized cost | 1,313,326 | 1,320,964 |
| Policy loans | 55,563 | 56,142 |
| Short-term investments | 447,013 | 358,702 |
| Collateral held/pledged under securities agreements | 92,633 | 136,589 |
| Other investments | 566,026 | 567,945 |
| Total investments | 13,593,655 | 13,519,848 |
| Cash and cash equivalents | 1,135,099 | 1,150,516 |
| Premiums and accounts receivable, net | 612,522 | 542,927 |
| Reinsurance recoverables | 5,151,407 | 4,997,316 |
| Accrued investment income | 148,310 | 147,069 |
| Deferred acquisition costs | 2,565,013 | 2,493,422 |
| Property and equipment, at cost less accumulated depreciation | 254,257 | 267,169 |
| Deferred income taxes, net | 88,592 | 76,430 |
| Goodwill | 640,638 | 619,779 |
| Value of business acquired | 75,864 | 82,208 |
| Other intangible assets, net | 348,683 | 311,509 |
| Other assets | 189,868 | 188,454 |
| Assets held in separate accounts | 1,975,847 | 2,000,371 |
| Total assets | $ 26,779,755 | $ 26,397,018 |

See the accompanying notes to the consolidated financial statements

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**Assurant, Inc.**

**Consolidated Balance Sheets (unaudited)**

**At June 30, 2011 and December 31, 2010**

| | June 30, 2011 | December 31, 2010 |
|---|---|---|
| | (in thousands except number of shares and per share amounts) | |
| **Liabilities** | | |
| Future policy benefits and expenses | $ 8,212,705 | $ 8,105,153 |
| Unearned premiums | 5,245,001 | 5,063,999 |
| Claims and benefits payable | 3,438,474 | 3,351,169 |
| Commissions payable | 260,235 | 275,409 |
| Reinsurance balances payable | 102,848 | 104,333 |
| Funds held under reinsurance | 61,768 | 65,894 |
| Deferred gain on disposal of businesses | 144,254 | 154,493 |
| Obligation under securities agreements | 93,125 | 137,212 |
| Accounts payable and other liabilities | 1,397,302 | 1,339,582 |
| Tax payable | | 41,702 |
| Debt | 972,220 | 972,164 |
| Mandatorily redeemable preferred stock | | 5,000 |
| Liabilities related to separate accounts | 1,975,847 | 2,000,371 |
| Total liabilities | 21,903,779 | 21,616,481 |
| Commitments and contingencies (Note 15) | | |
| **Stockholders equity** | | |
| Common stock, par value $0.01 per share, 800,000,000 shares authorized, 94,994,982 and 102,000,371 shares outstanding at June 30, 2011 and December 31, 2010, respectively | 1,457 | 1,453 |
| Additional paid-in capital | 3,003,524 | 2,993,957 |
| Retained earnings | 3,537,946 | 3,264,025 |
| Accumulated other comprehensive income | 381,273 | 285,524 |
| Treasury stock, at cost; 50,750,678 and 43,344,638 shares at June 30, 2011 and December 31, 2010, respectively | (2,048,224) | (1,764,422) |
| Total stockholders equity | 4,875,976 | 4,780,537 |
| Total liabilities and stockholders equity | $ 26,779,755 | $ 26,397,018 |

See the accompanying notes to the consolidated financial statements

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**Assurant, Inc.**

**Consolidated Statement of Operations (unaudited)**

**Three and Six Months Ended June 30, 2011 and 2010**

| | Three Months Ended June 30, 2011 | Three Months Ended June 30, 2010 | Six Months Ended June 30, 2011 | Six Months Ended June 30, 2010 |
|---|---|---|---|---|
| | (in thousands except number of shares and per share amounts) | | | |
| **Revenues** | | | | |
| Net earned premiums and other considerations | $ 1,768,308 | $ 1,849,895 | $ 3,530,320 | $ 3,756,538 |
| Net investment income | 173,844 | 175,196 | 345,717 | 349,210 |
| Net realized gains on investments, excluding other-than-temporary impairment losses | 17,502 | 21,107 | 22,858 | 26,425 |
| Total other-than-temporary impairment losses | (1,191) | (973) | (3,145) | (1,879) |
| Portion of net gain recognized in other comprehensive income, before taxes | (265) | (982) | 110 | (921) |
| Net other-than-temporary impairment losses recognized in earnings | (1,456) | (1,955) | (3,035) | (2,800) |
| Amortization of deferred gain on disposal of businesses | 5,105 | 6,024 | 10,239 | 12,105 |
| Fees and other income | 99,584 | 90,027 | 193,459 | 166,672 |
| Total revenues | 2,062,887 | 2,140,294 | 4,099,558 | 4,308,150 |
| **Benefits, losses and expenses** | | | | |
| Policyholder benefits | 988,197 | 905,316 | 1,882,707 | 1,833,312 |
| Amortization of deferred acquisition costs and value of business acquired | 362,013 | 362,117 | 716,613 | 767,301 |
| Underwriting, general and administrative expenses | 565,674 | 604,244 | 1,123,475 | 1,175,393 |
| Interest expense | 15,075 | 15,161 | 30,206 | 30,322 |
| Total benefits, losses and expenses | 1,930,959 | 1,886,838 | 3,753,001 | 3,806,328 |
| Income before (benefit) provision for income taxes | 131,928 | 253,456 | 346,557 | 501,822 |
| (Benefit) provision for income taxes | (33,932) | 88,781 | 38,956 | 179,924 |
| Net income | $ 165,860 | $ 164,675 | $ 307,601 | $ 321,898 |
| **Earnings Per Share** | | | | |
| Basic | $ 1.70 | $ 1.47 | $ 3.09 | $ 2.82 |
| Diluted | $ 1.68 | $ 1.46 | $ 3.06 | $ 2.80 |
| Dividends per share | $ 0.18 | $ 0.16 | $ 0.34 | $ 0.31 |
| **Share Data** | | | | |
| Weighted average shares outstanding used in basic per share calculations | 97,713,045 | 111,893,858 | 99,444,311 | 114,341,824 |
| Plus: Dilutive securities | 977,069 | 821,259 | 954,821 | 749,408 |
| Weighted average shares used in diluted per share calculations | 98,690,114 | 112,715,117 | 100,399,132 | 115,091,232 |

See the accompanying notes to the consolidated financial statements

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**Assurant, Inc.**

**Consolidated Statement of Stockholders Equity (unaudited)**

**From December 31, 2010 through June 30, 2011**

| | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income | Treasury Stock | Total |
|---|---|---|---|---|---|---|
| | (in thousands except number of shares and per share amounts) | | | | | |
| Balance, December 31, 2010 | $ 1,453 | $ 2,993,957 | $ 3,264,025 | $ 285,524 | $ (1,764,422) | $ 4,780,537 |
| Stock plan exercises | 4 | (2,388) | | | | (2,384) |
| Stock plan compensation expense | | 15,413 | | | | 15,413 |
| Change in tax benefit from share-based payment arrangements | | (3,458) | | | | (3,458) |
| Dividends | | | (33,680) | | | (33,680) |
| Acquisition of common stock | | | | | (283,802) | (283,802) |
| Comprehensive income: | | | | | | |
| Net income | | | 307,601 | | | 307,601 |
| Other comprehensive income: | | | | | | |
| Net change in unrealized gains on securities, net of taxes of $(35,757) | | | | 66,385 | | 66,385 |
| Net change in other-than-temporary impairment gains recognized in other comprehensive income, net of taxes of $(3,452) | | | | 6,411 | | 6,411 |
| Net change in foreign currency translation, net of taxes of $(3,298) | | | | 17,175 | | 17,175 |
| Amortization of pension and postretirement unrecognized net periodic benefit cost, net of taxes of $(3,122) | | | | 5,778 | | 5,778 |
| Total other comprehensive income | | | | | | 95,749 |
| Total comprehensive income | | | | | | 403,350 |
| Balance, June 30, 2011 | $ 1,457 | $ 3,003,524 | $ 3,537,946 | $ 381,273 | $ (2,048,224) | $ 4,875,976 |

See the accompanying notes to the consolidated financial statements

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**Assurant, Inc.**

**Consolidated Statement of Cash Flows (unaudited)**

**Six Months Ended June 30, 2011 and 2010**

| | Six Months Ended June 30, | |
|---|---|---|
| | 2011 | 2010 |
| | (in thousands) | |
| **Net cash provided by operating activities** | $ 323,751 | $ 318,284 |
| **Investing activities** | | |
| Sales of: | | |
| Fixed maturity securities available for sale | 898,199 | 903,107 |
| Equity securities available for sale | 32,586 | 52,130 |
| Property and equipment and other | 3,188 | 46 |
| Maturities, prepayments, and scheduled redemption of: | | |
| Fixed maturity securities available for sale | 548,565 | 338,003 |
| Purchases of: | | |
| Fixed maturity securities available for sale | (1,322,244) | (1,557,907) |
| Equity securities available for sale | (24,524) | (15,965) |
| Property and equipment and other | (17,041) | (27,832) |
| Subsidiary, net of cash transferred | (45,080) | (6,735) |
| Change in commercial mortgage loans on real estate | 8,265 | 45,053 |
| Change in short-term investments | (85,115) | 36,804 |
| Change in other invested assets | (10,446) | (40,318) |
| Change in policy loans | 647 | 240 |
| Change in collateral held under securities lending | 29,806 | 85,521 |
| Net cash provided by (used in) investing activities | 16,806 | (187,853) |
| **Financing activities** | | |
| Repayment of mandatorily redeemable preferred stock | (5,000) | |
| Change in tax benefit from share-based payment arrangements | (3,458) | (6,490) |
| Acquisition of common stock | (286,791) | (312,814) |
| Dividends paid | (33,680) | (35,464) |
| Change in obligation under securities lending | (29,806) | (85,521) |
| Change in receivables under securities loan agreements | 14,370 | |
| Change in obligations to return borrowed securities | (14,281) | |
| Net cash used in financing activities | (358,646) | (440,289) |
| Effect of exchange rate changes on cash and cash equivalents | 2,672 | (4,971) |
| Change in cash and cash equivalents | (15,417) | (314,829) |
| Cash and cash equivalents at beginning of period | 1,150,516 | 1,318,552 |
| Cash and cash equivalents at end of period | $ 1,135,099 | $ 1,003,723 |

See the accompanying notes to the consolidated financial statements

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**Assurant, Inc.**

**Notes to Consolidated Financial Statements (unaudited)**

**Six Months Ended June 30, 2011 and 2010**

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

**1. Nature of Operations**

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

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

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

**2. Basis of Presentation**

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

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

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

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

**3. Recent Accounting Pronouncements**

***Recent Accounting Pronouncements Adopted***

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

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**Assurant, Inc.**

**Notes to Consolidated Financial Statements (unaudited)**

**Six Months Ended June 30, 2011 and 2010**

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

***Recent Accounting Pronouncements   Not Yet Adopted***

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

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

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

In October 2010, the FASB issued amendments to existing guidance on accounting for costs associated with acquiring or renewing insurance contracts. The amendments modify the definition of the types of costs incurred by insurance entities that can be capitalized in the acquisition of new and renewal contracts. Under this amended guidance, acquisition costs are defined as costs that are directly related to the successful acquisition of new or renewal insurance contracts. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2011. Therefore, the Company is required to adopt this guidance on January 1, 2012. Prospective application as of the date of adoption is required, however, retrospective application to all prior periods presented upon the date of adoption is permitted, but not required. The Company is currently evaluating the requirements of the amendments and the potential impact on the Company s financial position and results of operations.

**4. Business Combinations**

On June 21, 2011, in an all cash transaction, the Company acquired the SureDeposit business, the leading provider of security deposit alternatives to the multifamily renters industry, for $45,080. In connection with the acquisition, the Company recorded $25,350 of intangible

assets, all of which are amortizable, and $19,608 of goodwill. The primary factor contributing to the recognition of goodwill is the future expected growth of this business. This acquisition expands the multifamily housing product offering and associated cross-selling opportunities with existing clients for the Assurant Specialty Property segment.

**Assurant, Inc.**

**Notes to Consolidated Financial Statements (unaudited)**

**Six Months Ended June 30, 2011 and 2010**

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

**5. Investments**

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

| | June 30, 2011 | | | | |
|---|---|---|---|---|---|
| | Cost or Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value | OTTI in AOCI (1) |
| **Fixed maturity securities:** | | | | | |
| United States Government and government agencies and authorities | $ 128,397 | $ 5,985 | $ (62) | $ 134,320 | $ |
| States, municipalities and political subdivisions | 833,509 | 59,741 | (1,903) | 891,347 | |
| Foreign governments | 644,070 | 34,908 | (1,752) | 677,226 | |
| Asset-backed | 34,430 | 2,361 | (77) | 36,714 | 1,041 |
| Commercial mortgage-backed | 94,152 | 5,364 | (228) | 99,288 | |
| Residential mortgage-backed | 874,765 | 44,397 | (2,353) | 916,809 | 9,350 |
| Corporate | 7,332,696 | 575,981 | (26,975) | 7,881,702 | 18,805 |
| Total fixed maturity securities | $ 9,942,019 | $ 728,737 | $ (33,350) | $ 10,637,406 | $ 29,196 |
| **Equity securities:** | | | | | |
| Common stocks | $ 8,707 | $ 1,565 | $ | $ 10,272 | $ |
| Non-redeemable preferred stocks | 439,045 | 44,191 | (11,820) | 471,416 | |
| Total equity securities | $ 447,752 | $ 45,756 | $ (11,820) | $ 481,688 | $ |

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**Assurant, Inc.**

**Notes to Consolidated Financial Statements (unaudited)**

**Six Months Ended June 30, 2011 and 2010**

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

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

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

Our states, municipalities and political subdivisions holdings are highly diversified across the United States and Puerto Rico, with no individual state s exposure (including both general obligation and revenue securities) exceeding 0.5% of the overall investment portfolio as of June 30, 2011 and December 31, 2010, respectively. At June 30, 2011 and December 31, 2010, the securities include general obligation and revenue bonds issued by states, cities, counties, school districts and similar issuers, including $156,537 and $154,742, respectively, of advance refunded or escrowed-to-maturity bonds (collectively referred to as pre-refunded bonds ), which are bonds for which an irrevocable trust has been established to fund the remaining payments of principal and interest. As of June 30, 2011 and December 31, 2010, revenue bonds account for 51% and 48% of the holdings, respectively. Excluding pre-refunded bonds, sales tax, highway, water, transit and miscellaneous (which includes bond banks, finance authorities and appropriations) provide for 79% and 80% of the revenue sources, as of June 30, 2011 and December 31, 2010, respectively.

The Company s investments in foreign government fixed maturity securities are held mainly in countries and currencies where the Company has policyholder liabilities, which allow the assets and liabilities to be more appropriately matched. At June 30, 2011, approximately 61%, 13%, and 7% of the foreign government securities were held in the Canadian government/provincials and the governments of Brazil and Germany, respectively. At December 31, 2010, approximately 60%, 11%, 7%, and 6% of the foreign government securities were held in the Canadian government/provincials, and the governments of Brazil, Germany and the United Kingdom, respectively. No other country represented more than 5% of our foreign government securities as of June 30, 2011 and December 31, 2010.

The cost or amortized cost and fair value of fixed maturity securities at June 30, 2011 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because issuers of the securities may have the right to call or prepay obligations with or without call or prepayment penalties.

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**Assurant, Inc.**

**Notes to Consolidated Financial Statements (unaudited)**

**Six Months Ended June 30, 2011 and 2010**

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

| | Cost or Amortized Cost | Fair Value |
|---|---|---|
| Due in one year or less | $ 461,857 | $ 470,606 |
| Due after one year through five years | 1,931,594 | 2,059,526 |
| Due after five years through ten years | 2,358,475 | 2,520,765 |
| Due after ten years | 4,186,746 | 4,533,698 |
| Total | 8,938,672 | 9,584,595 |
| Asset-backed | 34,430 | 36,714 |
| Commercial mortgage-backed | 94,152 | 99,288 |
| Residential mortgage-backed | 874,765 | 916,809 |
| Total | $ 9,942,019 | $ 10,637,406 |

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

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Proceeds from sales | $ 625,903 | $ 546,559 | $ 948,492 | $ 985,134 |
| Gross realized gains | 20,192 | 17,738 | 28,435 | 31,412 |
| Gross realized losses | 5,455 | 1,900 | 9,307 | 4,406 |

We recorded net realized gains (losses), including other-than-temporary impairments, in the statement of operations as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| Net realized gains (losses) related to sales and other: | | | | |
| Fixed maturity securities | $ 14,573 | $ 14,730 | $ 20,905 | $ 25,629 |
| Equity securities | 166 | 1,577 | (89) | 2,741 |
| Commercial mortgage loans on real estate | | | | (6,772) |
| Other investments | 2,763 | 4,800 | 2,042 | 4,827 |
| Total net realized gains related to sales and other | 17,502 | 21,107 | 22,858 | 26,425 |
| Net realized losses related to other-than-temporary impairments: | | | | |
| Fixed maturity securities | (1,454) | (1,644) | (3,014) | (2,489) |

| | | | | |
|---|---|---|---|---|
| Equity securities | (2) | (311) | (21) | (311) |
| Total net realized losses related to other-than-temporary impairments | (1,456) | (1,955) | (3,035) | (2,800) |
| Total net realized gains | $ 16,046 | $ 19,152 | $ 19,823 | $ 23,625 |

***Other-Than-Temporary Impairments***

The Company adopted the OTTI guidance which requires entities to separate an OTTI of a debt security into two components when there are credit related losses associated with the impaired debt security for which the Company asserts that it does not have the intent to sell, and it is more likely than not that it will not be required to sell before recovery of its cost basis. Under the OTTI guidance, the amount of the OTTI related to a credit loss is recognized in earnings, and the amount of the OTTI related to other, non-credit, factors (*e.g.* interest rates and market conditions) is recorded as a component of other comprehensive income. In instances

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where no credit loss exists but the Company intends to sell the security or it is more likely than not that the Company will have to sell the debt security prior to the anticipated recovery, the decline in market value below amortized cost is recognized as an OTTI in earnings. In periods after the recognition of an OTTI on debt securities, the Company accounts for such securities as if they had been purchased on the measurement date of the OTTI at an amortized cost basis equal to the previous amortized cost basis less the OTTI recognized in earnings. For debt securities for which OTTI was recognized in earnings, the difference between the new amortized cost basis and the cash flows expected to be collected will be accreted or amortized into net investment income.

For the three and six months ended June 30, 2011, the Company recorded $1,191 and $3,145, respectively, of OTTI, of which $1,456 and $3,035 was related to credit losses and recorded as net OTTI losses recognized in earnings, with the remaining $(265) and $110, respectively, related to all other factors and recorded as an unrealized (gain) and loss component of AOCI. For the three and six months ended June 30, 2010, the Company recorded $973 and $1,879, respectively, of OTTI, of which $1,955 and $2,800 was related to credit losses and recorded as net OTTI losses recognized in earnings, with the remaining $(982) and $(921), respectively, related to all other factors and recorded as an unrealized gain component of AOCI.

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

| | 2011 | 2010 |
|---|---|---|
| Balance, March 31, | $ 104,973 | $ 106,244 |
| Additions for credit loss impairments recognized in the current period on securities not previously impaired | | 485 |
| Additions for credit loss impairments recognized in the current period on securities previously impaired | 1,454 | 1,159 |
| Reductions for increases in cash flows expected to be collected that are recognized over the remaining life of the security | (134) | (21) |
| Reductions for credit loss impairments previously recognized on securities which matured, paid down, prepaid or were sold during the period | (659) | (2,105) |
| Balance, June 30, | $ 105,634 | $ 105,762 |

| | | |
|---|---|---|
| Balance, January 1, | $ 105,245 | $ 108,053 |
| Additions for credit loss impairments recognized in the current period on securities not previously impaired | 1,455 | 485 |
| Additions for credit loss impairments recognized in the current period on securities previously impaired | 1,558 | 2,004 |
| Reductions for increases in cash flows expected to be collected that are recognized over the remaining life of the security | (268) | (284) |
| Reductions for credit loss impairments previously recognized on securities which matured, paid down, prepaid or were sold during the period | (2,356) | (4,496) |
| Balance, June 30, | $ 105,634 | $ 105,762 |

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

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criteria, the Company is required to analyze its ability to recover the amortized cost of the security by calculating the net present value of projected future cash flows. For these other-than-temporarily impaired fixed maturity securities, the net amount recognized in earnings is equal to the difference between the amortized cost of the fixed maturity security and its net present value.

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

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

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

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

| | June 30, 2011 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| **Fixed maturity securities:** | | | | | | |
| United States Government and government agencies and authorities | $ 9,178 | $ (62) | $ | $ | $ 9,178 | $ (62) |
| States, municipalities and political subdivisions | 40,527 | (1,227) | 11,196 | (676) | 51,723 | (1,903) |
| Foreign governments | 104,104 | (970) | 9,300 | (782) | 113,404 | (1,752) |
| Asset-backed | 2,978 | (77) | | | 2,978 | (77) |
| Commercial mortgage-backed | 12,378 | (228) | | | 12,378 | (228) |
| Residential mortgage-backed | 134,201 | (2,317) | 1,571 | (36) | 135,772 | (2,353) |
| Corporate | 648,610 | (11,538) | 205,299 | (15,437) | 853,909 | (26,975) |
| Total fixed maturity securities | $ 951,976 | $ (16,419) | $ 227,366 | $ (16,931) | $ 1,179,342 | $ (33,350) |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Equity securities:** | | | | | | |
| Non-redeemable preferred stocks | $ 46,913 | $ (863) | $ 114,124 | $ (10,957) | $ 161,037 | $ (11,820) |

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| | December 31, 2010 | | | | | |
|---|---|---|---|---|---|---|
| | Less than 12 months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| **Fixed maturity securities:** | | | | | | |
| United States Government and government agencies and authorities | $ 105,597 | $ (1,198) | $ | $ | $ 105,597 | $ (1,198) |
| States, municipalities and political subdivisions | 136,578 | (3,520) | 10,743 | (1,137) | 147,321 | (4,657) |
| Foreign governments | 97,725 | (538) | 9,902 | (880) | 107,627 | (1,418) |
| Asset-backed | 2,865 | (84) | | | 2,865 | (84) |
| Commercial mortgage-backed | 4,754 | (11) | | | 4,754 | (11) |
| Residential mortgage-backed | 168,942 | (4,907) | 1,982 | (91) | 170,924 | (4,998) |
| Corporate | 753,340 | (21,674) | 310,107 | (26,891) | 1,063,447 | (48,565) |
| Total fixed maturity securities | $ 1,269,801 | $ (31,932) | $ 332,734 | $ (28,999) | $ 1,602,535 | $ (60,931) |
| **Equity securities:** | | | | | | |
| Common stocks | $ 479 | $ (8) | $ | $ | $ 479 | $ (8) |
| Non-redeemable preferred stocks | 46,336 | (2,791) | 146,361 | (16,162) | 192,697 | (18,953) |
| Total equity securities | $ 46,815 | $ (2,799) | $ 146,361 | $ (16,162) | $ 193,176 | $ (18,961) |

Total gross unrealized losses represent less than 4% and 5% of the aggregate fair value of the related securities at June 30, 2011 and December 31, 2010, respectively. Approximately 38% and 43% of these gross unrealized losses have been in a continuous loss position for less than twelve months at June 30, 2011 and December 31, 2010, respectively. The total gross unrealized losses are comprised of 369 and 457 individual securities at June 30, 2011 and December 31, 2010, respectively. In accordance with its policy described above, the Company concluded that for these securities an adjustment to its results of operations for other-than-temporary impairments of the gross unrealized losses was not warranted at June 30, 2011 and December 31, 2010. These conclusions are based on a detailed analysis of the underlying credit and expected cash flows of each security. As of June 30, 2011, the gross unrealized losses that have been in a continuous loss position for twelve months or more were concentrated in non-redeemable preferred stocks and in the financial industry of the Company s corporate fixed maturity securities. For these concentrations, gross unrealized losses of twelve months or more were $21,642, or 78%, of the total. The non-redeemable preferred stocks are perpetual preferred securities that have characteristics of both debt and equity securities. To evaluate these securities, we apply an impairment model similar to that used for our fixed maturity securities. As of June 30, 2011, the Company did not intend to sell these securities and it was not more likely than not that the Company would be required to sell them and no underlying cash flow issues were noted. Therefore, we did not recognize an OTTI on those perpetual preferred securities that had been in a continuous unrealized loss position for twelve months or more. As of June 30, 2011, the Company did not intend to sell the corporate fixed maturity securities and it was not more likely than not that the Company would be required to sell the securities before the anticipated recovery of their amortized cost basis. The gross unrealized losses are primarily attributable to widening credit spreads associated with an underlying shift in overall credit risk premium.

The Company has made commercial mortgage loans, collateralized by the underlying real estate, on properties located throughout the U.S. and Canada. At June 30, 2011, approximately 40% of the outstanding principal balance of commercial mortgage loans was concentrated in the states of California, New York, and Washington. Although the Company has a diversified loan portfolio, an economic downturn could have an adverse impact on the ability of its debtors to repay their loans. The outstanding balance of commercial mortgage loans range in size from $3 to $16,451 at June 30, 2011 and from $5 to $16,614 at December 31, 2010.

Credit quality indicators for commercial mortgage loans are loan-to-value and debt-service coverage ratios. Loan-to-value and debt-service coverage ratios are measures commonly used to assess the credit quality of commercial mortgage loans. The loan-to-value ratio compares the principal amount of the loan to the fair value of the underlying property collateralizing the loan, and is

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commonly expressed as a percentage. The debt-service coverage ratio compares a property s net operating income to its debt-service payments and is commonly expressed as a ratio of one. The loan-to-value and debt-service coverage ratios are generally updated annually in the third quarter. The following summarizes our loan-to value and average debt-service coverage ratios as of the dates indicated:

| | June 30, 2011 | | |
|---|---|---|---|
| **Loan-to-Value** | **Carrying Value** | **% of Gross Mortgage Loans** | **Debt-Service Coverage ratio** |
| 70% and less | $ 918,022 | 69.3% | 2.00 |
| 71 80% | 223,811 | 16.9% | 1.40 |
| 81 95% | 126,451 | 9.6% | 1.24 |
| Greater than 95% | 55,788 | 4.2% | 0.88 |
| Gross commercial mortgage loans | 1,324,072 | 100.0% | 1.78 |
| Less valuation allowance | (10,746) | | |
| Net commercial mortgage loans | $ 1,313,326 | | |

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

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

coverage ratio. Where warranted, we have established or increased a valuation allowance based upon this analysis.

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

*Collateralized Transactions*

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

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fair value of securities loaned and the collateral received, with additional collateral obtained, as necessary. The Company is subject to the risk of loss to the extent there is a loss on the re-investment of cash collateral.

As of June 30, 2011 and December 31, 2010, our collateral held under securities lending, of which its use is unrestricted, was $92,633 and $122,219, respectively, and is included in the consolidated balance sheets under the collateral held/pledged under securities agreements caption. Our liability to the borrower for collateral received was $93,125 and $122,931, respectively, and is included in the consolidated balance sheets under the obligation under securities agreements caption. The difference between the collateral held and obligations under securities lending is recorded as an unrealized loss and is included as part of AOCI. All securities with unrealized losses have been in a continuous loss position for twelve months or longer as of June 30, 2011 and December 31, 2010. The Company has actively reduced the size of its securities lending to mitigate counter-party exposure. The Company includes the available-for-sale investments purchased with the cash collateral in its evaluation of other-than-temporary impairments.

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

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

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

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

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**6. Fair Value Disclosures**

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

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

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

The levels of the fair value hierarchy are described below:

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

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

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

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

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

of the associated levels presented for Other investments and Assets held in separate accounts are received directly from third parties.

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| | June 30, 2011 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Financial Assets** | **Total** | **Level 1** | | **Level 2** | | **Level 3** | |
| Fixed maturity securities: | | | | | | | |
| United States Government and government agencies and authorities | $ 134,320 | $ | | $ 122,097 | | $ 12,223 | |
| State, municipalities and political subdivisions | 891,347 | | | 891,347 | | | |
| Foreign governments | 677,226 | 3,063 | | 652,216 | | 21,947 | |
| Asset-backed | 36,714 | | | 36,714 | | | |
| Commercial mortgage-backed | 99,288 | | | 98,293 | | 995 | |
| Residential mortgage-backed | 916,809 | | | 916,809 | | | |
| Corporate | 7,881,702 | | | 7,754,145 | | 127,557 | |
| Equity securities: | | | | | | | |
| Common stocks | 10,272 | 9,589 | | 683 | | | |
| Non-redeemable preferred stocks | 471,416 | | | 471,381 | | 35 | |
| Short-term investments | 447,013 | 327,145 | b | 119,868 | c | | |
| Collateral held /pledged under securities agreements | 67,633 | 49,962 | b | 17,671 | c | | |
| Other investments | 257,587 | 76,602 | a | 172,286 | c | 8,699 | d |
| Cash equivalents | 847,814 | 842,533 | b | 5,281 | c | | |
| Other assets | 9,893 | | | 1,270 | | 8,623 | e |
| Assets held in separate accounts | 1,912,321 | 1,690,049 | a | 222,272 | c | | |
| **Total financial assets** | $ 14,661,355 | $ 2,998,943 | | $ 11,482,333 | | $ 180,079 | |
| **Financial Liabilities** | | | | | | | |
| Other liabilities | $ 55,603 | $ 55,373 | | $ 230 | | $ | |
| Liabilities related to separate accounts | 1,912,321 | 1,690,049 | a | 222,272 | c | | |
| **Total financial liabilities** | $ 1,967,924 | $ 1,745,422 | | $ 222,502 | | $ | |

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

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

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

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

| | Three Months Ended June 30, 2011 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Fixed Maturity Securities | | | | Equity Securities | | |
| | Total level 3 assets | United States Government and government agencies and authorities | Foreign governments | Commercial mortgage-backed | Corporate | Non-redeemable preferred stocks | Other Investments | Other Assets |
| Balance, beginning of period | $ 185,265 | $ 13,075 | $ 21,401 | $ 3,147 | $ 131,637 | $ 22 | $ 7,772 | $ 8,211 |
| Total gains (losses) (realized/unrealized) included in earnings | 1,427 | (114) | (1) | | (52) | (2) | 1,184 | 412 |
| Net unrealized gains (losses) included in stockholders equity | 782 | (25) | 547 | (6) | 273 | 15 | (22) | |
| Purchases | 6,130 | | | | 6,130 | | | |
| Sales | (8,860) | (713) | | (36) | (7,876) | | (235) | |
| Net transfers (1) | (4,665) | | | (2,110) | (2,555) | | | |
| Balance, end of period | $ 180,079 | $ 12,223 | $ 21,947 | $ 995 | $ 127,557 | $ 35 | $ 8,699 | $ 8,623 |

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

| | | **authorities** | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Balance, beginning of period | $ 186,951 | $ 17,642 | $ 3,138 | $ 603 | $ 21,754 | $ 124,008 | $ 6,126 | $ 4,522 | $ 9,158 |
| Total (losses) gains (realized/unrealized) included in earnings | (1,277) | (160) | 1 | 1 | 22 | (175) | | 2 | (968) |
| Net unrealized gains (losses) included in stockholders equity | 1,080 | 89 | (8) | (1) | (370) | 2,622 | (1,324) | 72 | |
| Purchases | 8,116 | | | | | | 8,116 | | |
| Sales | (14,288) | (1,046) | | | (10,385) | (1,997) | | (389) | (471) |
| Net transfers (1) | (348) | 690 | | (594) | (1,024) | (5,309) | 5,889 | | |
| Balance, end of period | $ 180,234 | $ 17,215 | $ 3,131 | $ 9 | $ 9,997 | $ 119,149 | $ 18,807 | $ 4,207 | $ 7,719 |

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**Assurant, Inc.**

**Notes to Consolidated Financial Statements (unaudited)**

**Six Months Ended June 30, 2011 and 2010**

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

| | Six Months Ended June 30, 2011 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Fixed Maturity Securities | | | | Equity Securities | | |
| | Total level 3 assets | United States Government and government agencies and authorities | Foreign governments | Commercial mortgage-backed | Corporate | Non-redeemable preferred stocks | Other Investments | Other Assets |
| Balance, beginning of period | $ 189,046 | $ 14,506 | $ 25,621 | $ 4,542 | $ 125,685 | $ 558 | $ 8,309 | $ 9,825 |
| Total (losses) gains (realized/unrealized) included in earnings | (1,149) | (247) | (2) | | (399) | (28) | 729 | (1,202) |
| Net unrealized gains (losses) included in stockholders equity | 5,251 | (37) | 448 | 27 | 4,466 | 80 | 267 | |
| Purchases | 13,626 | | | | 13,626 | | | |
| Sales | (24,118) | (1,999) | | (72) | (20,867) | (574) | (606) | |
| Net transfers (1) | (2,577) | | (4,120) | (3,502) | 5,046 | (1) | | |
| Balance, end of period | $ 180,079 | $ 12,223 | $ 21,947 | $ 995 | $ 127,557 | $ 35 | $ 8,699 | $ 8,623 |

| | Six Months Ended June 30, 2010 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Fixed Maturity Securities | | | | | Equity Securities | | |
| | Total level 3 assets | United States Government and government agencies and authorities | Foreign governments | Asset-backed | Commercial mortgage-backed | Corporate | Non-redeemable preferred stocks | Other Investments | Other Assets |
| Balance, beginning of period | $ 196,131 | $ | $ 3,088 | $ 9 | $ 32,288 | $ 136,726 | $ 5,735 | $ 4,275 | $ 14,010 |
| Total (losses) gains (realized/unrealized) included in earnings | (5,761) | (328) | 1 | 1 | 47 | (212) | | 4 | (5,274) |
| Net unrealized gains (losses) included in stockholders equity | 6,763 | 66 | 42 | 5 | 514 | 6,809 | (933) | 260 | |
| Purchases | 31,436 | 19,521 | | 588 | | 2,658 | 8,116 | 553 | |
| Sales | (47,277) | (2,734) | | | (21,828) | (20,813) | | (885) | (1,017) |
| Net transfers (1) | (1,058) | 690 | | (594) | (1,024) | (6,019) | 5,889 | | |

| Balance, end of period | $ 180,234 | $ 17,215 | $ 3,131 | $ 9 | $ 9,997 | $ 119,149 | $ 18,807 | $ 4,207 | $ 7,719 |
|---|---|---|---|---|---|---|---|---|---|

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

Three different valuation techniques can be used in determining fair value for financial assets and liabilities: the market, income or cost approaches. The three valuation techniques described in the fair value measurements and disclosures guidance are consistent with generally accepted valuation methodologies. The market approach valuation techniques use prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. When possible, quoted prices (unadjusted) in active markets are used as of the period-end date (such as for mutual funds and money market funds). Otherwise, valuation techniques consistent with the market approach including matrix pricing and comparables are used. Matrix pricing is a mathematical technique employed principally to value debt securities without relying exclusively on quoted prices for those securities but rather by relying on the securities relationship to other benchmark quoted securities. Market approach valuation techniques often use market multiples derived from a set of comparables. Multiples might lie in ranges with a different multiple for each comparable. The selection of where

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**Assurant, Inc.**

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within the range the appropriate multiple falls requires judgment, considering both qualitative and quantitative factors specific to the measurement.

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

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

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

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

A non-pricing service source prices certain privately placed corporate bonds using a model with observable inputs including, but not limited to, the credit rating, credit spreads, sector add-ons, and issuer specific add-ons. A non-pricing service source prices our CPI Caps using a model with inputs including, but not limited to, the time to expiration, the notional amount, the strike price, the forward rate, implied volatility and the discount rate.

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

- There are few recent transactions,
- Little information is released publicly,
- The available prices vary significantly over time or among market participants,
- The prices are stale (i.e., not current), and

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The magnitude of the bid-ask spread.

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

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

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

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

The Company carried a loan valuation allowance of $22,092 as of June 30, 2011 and December 31, 2010, on one individually impaired commercial mortgage loan with a principal balance of $22,092 for both periods. Due to the continued decline in the regional commercial real estate market, the value of the loan was determined to be zero at December 31, 2010. In 2011, the loan was written down and the valuation allowance was released, resulting in no impact to realized capital gains and losses on commercial mortgage loans. The fair value measurement was classified as Level 3 (unobservable) inputs in the fair value hierarchy at December 31, 2010.

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

*Fair Value of Financial Instruments Disclosures*

The financial instruments guidance requires disclosure of fair value information about financial instruments, as defined therein, for which it is practicable to estimate such fair value. Therefore, it requires fair value disclosure for financial instruments that are not recognized or are not

carried at fair value in the consolidated balance sheets. However, this guidance excludes certain financial instruments, including those related to insurance contracts and those accounted for under the equity method and joint ventures guidance (such as real estate joint ventures).

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

Cash and cash equivalents

Fixed maturity securities

Equity securities

Short-term investments

Collateral held/pledged under securities agreements

Other investments

Other assets

Assets held in separate accounts

Obligation under securities agreements

Other liabilities

Liabilities related to separate accounts

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

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

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

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

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

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

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

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

| | June 30, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | **Carrying Value** | **Fair Value** | **Carrying Value** | **Fair Value** |
| **Financial assets** | | | | |
| Commercial mortgage loans on real estate | $ 1,313,326 | $ 1,426,122 | $ 1,320,964 | $ 1,400,553 |
| Policy loans | 55,563 | 55,563 | 56,142 | 56,142 |
| **Financial liabilities** | | | | |
| Policy reserves under investment products (Individual and group annuities, subject to discretionary withdrawal) | $ 818,556 | $ 781,767 | $ 815,769 | $ 788,258 |
| Funds held under reinsurance | 61,768 | 61,768 | 65,894 | 65,894 |
| Debt | 972,220 | 1,010,888 | 972,164 | 992,340 |
| Mandatorily redeemable preferred stocks | | | 5,000 | 5,000 |
| Obligations under securities agreements | 93,125 | 93,125 | 122,931 | 122,931 |

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

*Reinsurance Recoverables Credit Disclosures*

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

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

| | |
|---|---|
| Balance as of beginning-of-year | $ 15,635 |
| Provision | 424 |
| Other additions | |
| Direct write-downs charged against the allowance | (1,755) |
| Balance as of the end-of-period | $ 14,304 |

**7. Income Taxes**

As of December 31, 2010, the Company had a cumulative valuation allowance of $90,738 against deferred tax assets. During the three months ended June 30, 2011, the Company recognized a cumulative income tax benefit of $80,118 related to the release of a portion of the valuation allowance due to sufficient taxable income of the appropriate character during the period from new planning strategies. The $80,118 consists of $80,000 of capital losses and $118 of operating losses. It is management s assessment that it is more likely than not that $10,620 of deferred tax assets will not be realized.

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

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**8. Debt**

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

The interest expense incurred related to the Senior Notes was $15,047 for the three months ended June 30, 2011 and 2010, respectively, and $30,094 for the six months ended June 30, 2011 and 2010, respectively. There was $22,570 of accrued interest at June 30, 2011 and 2010, respectively. The Company made interest payments of $30,094 on February 15, 2011 and 2010.

**Credit Facility**

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

On December 18, 2009, the Company entered into a three-year unsecured revolving credit agreement ( 2009 Credit Facility ) with a syndicate of banks arranged by JP Morgan Chase Bank, Inc. and Bank of America, Inc. The 2009 Credit Facility provides for revolving loans and the issuance of multi-bank, syndicated letters of credit and/or letters of credit from a sole issuing bank in an aggregate amount of $350,000 and is available until December 2012, provided the Company is in compliance with all covenants. The 2009 Credit Facility has a sublimit for letters of credit issued thereunder of $50,000. The proceeds of these loans may be used for the Company s commercial paper program or for general corporate purposes.

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

The 2009 Credit Facility contains restrictive covenants and requires that the Company maintain certain specified minimum ratios and thresholds. Among others, these covenants include maintaining a maximum debt to capitalization ratio and a minimum consolidated adjusted net worth. At June 30, 2011 the Company was in compliance with all covenants, minimum ratios and thresholds.

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**9. Accumulated Other Comprehensive Income**

The components of accumulated other comprehensive income, net of tax, at June 30, 2011 are as follows:

| | Foreign currency translation adjustment | Unrealized gains on securities | OTTI | Pension under-funding | Accumulated other comprehensive income |
|---|---|---|---|---|---|
| Balance at December 31, 2010 | $ 32,098 | $ 413,255 | $ 12,567 | $ (172,396) | $ 285,524 |
| Activity in 2011 | 17,175 | 66,385 | 6,411 | 5,778 | 95,749 |
| Balance at June 30, 2011 | $ 49,273 | $ 479,640 | $ 18,978 | $ (166,618) | $ 381,273 |

The amounts in the unrealized gains on securities column are net of reclassification adjustments of $9,851, net of tax, for the six months ended June 30, 2011, for net realized gains on sales of securities included in net income. The amounts in the OTTI column are net of reclassification adjustments of $(978), net of tax, for the six months ended June 30, 2011, for net realized losses on sales of securities included in net income.

**10. Stock Based Compensation**

**Long-Term Equity Incentive Plan**

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

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

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

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

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

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

***Restricted Stock Units***

RSUs granted to employees and to non-employee directors were 33,380 and 80,288 for the three months ended June 30, 2011 and 2010, respectively, and 492,565 and 526,255 for the six months ended June 30, 2011 and 2010, respectively. The compensation expense recorded related to RSUs was $5,072 and $3,698 for the three months ended June 30, 2011 and 2010, respectively, and $9,765 and $6,393 for the six months ended June 30, 2011 and 2010, respectively. The related total income tax benefit was $1,771 and $1,294 for the three months ended June 30, 2011 and 2010, respectively, and $3,409 and $2,237 for the six months ended June 30, 2011 and 2010, respectively. The weighted average grant date fair value for RSUs granted during the six months ended June 30, 2011 and 2010 was $38.22 and $33.28, respectively.

As of June 30, 2011, there was $27,008 of unrecognized compensation cost related to outstanding RSUs. That cost is expected to be recognized over a weighted-average period of 1.52 years. The total fair value of RSUs vested during the three months ended June 30, 2011 and 2010 was $1,861 and $887, respectively, and $14,443 and $7,984 for the six months ended June 30, 2011 and 2010, respectively.

***Performance Share Units***

No PSUs were granted during the three months ended June 30, 2011 and 2010. PSUs granted to employees were 401,735 and 437,882 for the six months ended June 30, 2011 and 2010, respectively. The compensation expense recorded related to PSUs was $4,178 and $5,642 for the three months ended June 30, 2011 and 2010, respectively, and $3,872 and $4,335 for the six months ended June 30, 2011 and 2010, respectively. Portions of the compensation expense recorded during 2010 and 2009 were reversed during the first quarters of 2011 and 2010, since the Company s level of actual performance as measured against pre-established performance goals had declined. The related total income tax benefit was $1,459 and $1,975 for the three months ended June 30, 2011 and 2010, respectively. The related total income tax benefit was $1,350 and $1,517 for the six months ended June 30, 2011 and 2010, respectively. The weighted average grant date fair value for PSUs granted during the six months ended June 30, 2011 and 2010 was $37.83 and $33.12, respectively.

As of June 30, 2011, there was $18,798 of unrecognized compensation cost related to outstanding PSUs. That cost is expected to be recognized over a weighted-average period of 1.08 years.

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

**Long-Term Incentive Plan**

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

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

***Restricted Stock***

There was no restricted stock granted during the three and six months ended June 30, 2011 and 2010. The compensation expense recorded related to restricted stock was $94 and $404 for the three months ended June 30, 2011 and 2010, respectively, and $272 and $1,108 for the six months ended June 30, 2011 and 2010, respectively. The related total income tax benefit recognized was

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$33 and $141 for the three months ended June 30, 2011 and 2010, respectively, and $95 and $388 for the six months ended June 30, 2011 and 2010, respectively.

As of June 30, 2011, there was $123 of unrecognized compensation cost related to outstanding restricted stock. That cost is expected to be recognized over a weighted-average period of 0.43 years. The total fair value of restricted stock vested was $311 and $421 during the three months ended June 30, 2011 and 2010, respectively, and $1,288 and $2,091 for the six months ended June 30, 2011 and 2010, respectively.

***Stock Appreciation Rights***

There were no SARs granted during the three and six months ended June 30, 2011 and 2010. Currently there are no plans to award SARs in the future. The compensation expense recorded related to SARs was $1,500 for the three months ended June 30, 2010, and $880 and $4,245 for the six months ended June 30, 2011 and 2010, respectively. The related total income tax benefit was $525 for the three months ended June 30, 2010, and $308 and $1,486 for the six months ended June 30, 2011 and 2010, respectively. As of March 31, 2011, all outstanding SARs are fully vested and expensed, so there is no expense for the three months ended June 30, 2011 and no unrecognized compensation cost related to these awards.

The total intrinsic value of SARs exercised during the three months ended June 30, 2010 was $153, and was $1,174 and $793 for the six months ended June 30, 2011 and 2010, respectively. There were no SARs exercised during the three months ended June 30, 2011.

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

**Directors Compensation Plan**

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

**Employee Stock Purchase Plan**

Under the Employee Stock Purchase Plan ( ESPP ), the Company is authorized to issue up to 5,000,000 new shares to employees who are participants in the ESPP. Eligible employees can purchase shares at a 10% discount applied to the lower of the closing price of the common stock on the first or last day of the offering period. The compensation expense recorded related to the ESPP was $332 and $456 for the three months ended June 30, 2011 and 2010, respectively, and $664 and $913 for the six months ended June 30, 2011 and 2010, respectively.

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

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

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

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**Assurant, Inc.**

**Notes to Consolidated Financial Statements (unaudited)**

**Six Months Ended June 30, 2011 and 2010**

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

**11. Stock Repurchase**

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

| Period in 2011 | Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Programs |
|---|---|---|---|
| January | 1,695,000 | $ 38.76 | 1,695,000 |
| February | 1,097,940 | 40.27 | 1,097,940 |
| March | 1,629,100 | 39.00 | 1,629,100 |
| April | 1,469,000 | 38.21 | 1,469,000 |
| May | 213,000 | 39.68 | 213,000 |
| June | 1,302,000 | 35.16 | 1,302,000 |
| Total | 7,406,040 | $ 38.32 | 7,406,040 |

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

During the six months ended June 30, 2011, the Company repurchased 7,406,040 shares of the Company s outstanding common stock at a cost of $283,654, exclusive of commissions, leaving $554,385 remaining at June 30, 2011 under the total repurchase authorization.

**Assurant, Inc.**

**Notes to Consolidated Financial Statements (unaudited)**

**Six Months Ended June 30, 2011 and 2010**

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

### 12. Earnings Per Common Share

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

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| **Numerator** | | | | |
| Net income | $ 165,860 | $ 164,675 | $ 307,601 | $ 321,898 |
| Deduct dividends paid | (17,558) | (17,876) | (33,680) | (35,464) |
| Undistributed earnings | $ 148,302 | $ 146,799 | $ 273,921 | $ 286,434 |
| **Denominator** | | | | |
| Weighted average shares outstanding used in basic earnings per share calculations | 97,713,045 | 111,893,858 | 99,444,311 | 114,341,824 |
| Incremental common shares from : | | | | |
| SARs | 194,678 | 202,393 | 205,192 | 181,428 |
| PSUs | 676,129 | 452,577 | 643,367 | 401,691 |
| ESPP | 106,262 | 166,289 | 106,262 | 166,289 |
| Weighted average shares used in diluted earnings per share calculations | 98,690,114 | 112,715,117 | 100,399,132 | 115,091,232 |
| **Earnings per common share - Basic** | | | | |
| Distributed earnings | $ 0.18 | $ 0.16 | $ 0.34 | $ 0.31 |
| Undistributed earnings | 1.52 | 1.31 | 2.75 | 2.51 |
| Net income | $ 1.70 | $ 1.47 | $ 3.09 | $ 2.82 |
| **Earnings per common share - Diluted** | | | | |
| Distributed earnings | $ 0.18 | $ 0.16 | $ 0.33 | $ 0.31 |
| Undistributed earnings | 1.50 | 1.30 | 2.73 | 2.49 |
| Net income | $ 1.68 | $ 1.46 | $ 3.06 | $ 2.80 |

Average SARs totaling 1,926,809 and 3,416,912 for the three months ended June 30, 2011 and 2010, respectively, and 2,365,748 and 3,554,346 for the six months ended June 30, 2011 and 2010, respectively, were outstanding but were anti-dilutive and thus not included in the computation of diluted EPS under the treasury stock method.

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**Assurant, Inc.**

**Notes to Consolidated Financial Statements (unaudited)**

**Six Months Ended June 30, 2011 and 2010**

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

**13. Retirement and Other Employee Benefits**

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

| | Qualified Pension Benefits For the Three Months Ended June 30, | | Nonqualified Pension Benefits (1) For the Three Months Ended June 30, | | Retirement Health Benefits For the Three Months Ended June 30, | |
|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Service cost | $ 7,750 | $ 6,225 | $ 725 | $ 550 | $ 1,050 | $ 950 |
| Interest cost | 8,375 | 7,875 | 1,450 | 1,550 | 1,125 | 1,150 |
| Expected return on plan assets | (10,275) | (9,250) | | | (725) | (625) |
| Amortization of prior service cost | 25 | 25 | 150 | 225 | 375 | 375 |
| Amortization of net loss | 3,200 | 2,400 | 700 | 475 | | |
| Curtailment credit / special termination benefits | | | 125 | | | |
| Net periodic benefit cost | $ 9,075 | $ 7,275 | $ 3,150 | $ 2,800 | $ 1,825 | $ 1,850 |

| | Qualified Pension Benefits For the Six Months Ended June 30, | | Nonqualified Pension Benefits (1) For the Six Months Ended June 30, | | Retirement Health Benefits For the Six Months Ended June 30, | |
|---|---|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| Service cost | $ 15,500 | $ 12,450 | $ 1,450 | $ 1,100 | $ 2,100 | $ 1,900 |
| Interest cost | 16,750 | 15,750 | 2,900 | 3,100 | 2,250 | 2,300 |
| Expected return on plan assets | (20,550) | (18,500) | | | (1,450) | (1,250) |
| Amortization of prior service cost | 50 | 50 | 300 | 450 | 750 | 750 |
| Amortization of net loss | 6,400 | 4,800 | 1,400 | 950 | | |
| Curtailment credit / special termination benefits | | | 250 | | | |
| Net periodic benefit cost | $ 18,150 | $ 14,550 | $ 6,300 | $ 5,600 | $ 3,650 | $ 3,700 |

(1) The Company s nonqualified plan is unfunded.

Our qualified pension benefits plan (the Plan ) was under-funded by $76,738 and $96,278 (based on the fair value of Plan assets compared to the projected benefit obligation) on a GAAP basis at June 30, 2011 and December 31, 2010, respectively. This equates to an 88% and 85% funded status at June 30, 2011 and December 31, 2010, respectively. The change in under-funded status is mainly due to an increase in the discount rate used to determine the projected benefit obligation. During the first six months of 2011, $20,000 in cash was contributed to the Plan. An additional $20,000 in cash is expected to be contributed to the Plan over the remainder of 2011.

**Assurant, Inc.**

**Notes to Consolidated Financial Statements (unaudited)**

**Six Months Ended June 30, 2011 and 2010**

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

**14. Segment Information**

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

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

The following tables summarize selected financial information by segment:

| | Three Months Ended June 30, 2011 | | | | | |
|---|---|---|---|---|---|---|
| | Solutions | Specialty Property | Health | Employee Benefits | Corporate & Other | Consolidated |
| **Revenues** | | | | | | |
| Net earned premiums and other considerations | $ 613,304 | $ 465,095 | $ 425,439 | $ 264,470 | $ | $ 1,768,308 |
| Net investment income | 99,330 | 26,209 | 11,405 | 32,572 | 4,328 | 173,844 |
| Net realized gains on investments | | | | | 16,046 | 16,046 |
| Amortization of deferred gain on disposal of businesses | | | | | 5,105 | 5,105 |
| Fees and other income | 66,164 | 18,250 | 8,891 | 6,170 | 109 | 99,584 |
| Total revenues | 778,798 | 509,554 | 445,735 | 303,212 | 25,588 | 2,062,887 |
| **Benefits, losses and expenses** | | | | | | |
| Policyholder benefits | 214,382 | 254,575 | 323,832 | 195,408 | | 988,197 |
| Amortization of deferred acquisition costs and value of business acquired | 264,123 | 88,767 | | 9,123 | | 362,013 |
| Underwriting, general and administrative expenses | 240,301 | 101,264 | 115,039 | 85,807 | 23,263 | 565,674 |
| Interest expense | | | | | 15,075 | 15,075 |
| Total benefits, losses and expenses | 718,806 | 444,606 | 438,871 | 290,338 | 38,338 | 1,930,959 |
| **Segment income (loss) before provision (benefit) for income tax** | 59,992 | 64,948 | 6,864 | 12,874 | (12,750) | 131,928 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Provision (benefit) for income taxes | 20,299 | 22,304 | 1,670 | 4,342 | (82,547) | (33,932) |
| **Segment income after tax** | $ 39,693 | $ 42,644 | $ 5,194 | $ 8,532 | $ 69,797 | |
| **Net income** | | | | | | $ 165,860 |

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**Assurant, Inc.**

**Notes to Consolidated Financial Statements (unaudited)**

**Six Months Ended June 30, 2011 and 2010**

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

| | Three Months Ended June 30, 2010 | | | | | |
|---|---|---|---|---|---|---|
| | Solutions | Specialty Property | Health | Employee Benefits | Corporate & Other | Consolidated |
| **Revenues** | | | | | | |
| Net earned premiums and other considerations | $ 629,682 | $ 477,122 | $ 467,705 | $ 275,386 | $ | $ 1,849,895 |
| Net investment income | 98,956 | 27,022 | 12,078 | 32,599 | 4,541 | 175,196 |
| Net realized gains on investments | | | | | 19,152 | 19,152 |
| Amortization of deferred gain on disposal of businesses | | | | | 6,024 | 6,024 |
| Fees and other income | 54,580 | 18,848 | 10,248 | 6,252 | 99 | 90,027 |
| Total revenues | 783,218 | 522,992 | 490,031 | 314,237 | 29,816 | 2,140,294 |
| **Benefits, losses and expenses** | | | | | | |
| Policyholder benefits | 228,776 | 175,206 | 312,767 | 190,555 | (1,988) | 905,316 |
| Amortization of deferred acquisition costs and value of business acquired | 261,426 | 90,531 | 1,015 | 9,145 | | 362,117 |
| Underwriting, general and administrative expenses | 241,746 | 99,315 | 137,786 | 95,522 | 29,875 | 604,244 |
| Interest expense | | | | | 15,161 | 15,161 |
| Total benefits, losses and expenses | 731,948 | 365,052 | 451,568 | 295,222 | 43,048 | 1,886,838 |
| **Segment income (loss) before provision (benefit) for income tax** | 51,270 | 157,940 | 38,463 | 19,015 | (13,232) | 253,456 |
| Provision (benefit) for income taxes | 20,947 | 54,223 | 13,163 | 6,622 | (6,174) | 88,781 |
| **Segment income (loss) after tax** | $ 30,323 | $ 103,717 | $ 25,300 | $ 12,393 | $ (7,058) | |
| **Net income** | | | | | | $ 164,675 |

**Assurant, Inc.**

**Notes to Consolidated Financial Statements (unaudited)**

**Six Months Ended June 30, 2011 and 2010**

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

| | Six Months Ended June 30, 2011 | | | | | |
|---|---|---|---|---|---|---|
| | Solutions | Specialty Property | Health | Employee Benefits | Corporate & Other | Consolidated |
| **Revenues** | | | | | | |
| Net earned premiums and other considerations | $ 1,214,626 | $ 932,753 | $ 851,601 | $ 531,340 | $ | $ 3,530,320 |
| Net investment income | 197,055 | 52,390 | 22,707 | 65,039 | 8,526 | 345,717 |
| Net realized gains on investments | | | | | 19,823 | 19,823 |
| Amortization of deferred gain on disposal of businesses | | | | | 10,239 | 10,239 |
| Fees and other income | 126,850 | 35,549 | 17,839 | 12,938 | 283 | 193,459 |
| Total revenues | 1,538,531 | 1,020,692 | 892,147 | 609,317 | 38,871 | 4,099,558 |
| **Benefits, losses and expenses** | | | | | | |
| Policyholder benefits | 430,558 | 421,528 | 633,994 | 396,627 | | 1,882,707 |
| Amortization of deferred acquisition costs and value of business acquired | 520,968 | 177,606 | | 18,039 | | 716,613 |
| Underwriting, general and administrative expenses | 471,250 | 200,898 | 236,764 | 171,888 | 42,675 | 1,123,475 |
| Interest expense | | | | | 30,206 | 30,206 |
| Total benefits, losses and expenses | 1,422,776 | 800,032 | 870,758 | 586,554 | 72,881 | 3,753,001 |
| **Segment income (loss) before provision (benefit) for income tax** | 115,755 | 220,660 | 21,389 | 22,763 | (34,010) | 346,557 |
| Provision (benefit) for income taxes | 38,045 | 75,397 | 9,005 | 7,745 | (91,236) | 38,956 |
| **Segment income after tax** | $ 77,710 | $ 145,263 | $ 12,384 | $ 15,018 | $ 57,226 | |
| **Net income** | | | | | | $ 307,601 |
| | As of June 30, 2011 | | | | | |
| **Segment assets:** | | | | | | |
| Segment assets, excluding goodwill | $ 11,174,883 | $ 3,372,975 | $ 1,084,161 | $ 2,447,185 | $ 8,059,913 | $ 26,139,117 |
| Goodwill | | | | | | 640,638 |
| Total assets | | | | | | $ 26,779,755 |

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**Assurant, Inc.**

**Notes to Consolidated Financial Statements (unaudited)**

**Six Months Ended June 30, 2011 and 2010**

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

| | Six Months Ended June 30, 2010 | | | | | |
|---|---|---|---|---|---|---|
| | Solutions | Specialty Property | Health | Employee Benefits | Corporate & Other | Consolidated |
| **Revenues** | | | | | | |
| Net earned premiums and other considerations | $ 1,275,046 | $ 985,944 | $ 935,147 | $ 560,401 | $ | $ 3,756,538 |
| Net investment income | 197,409 | 53,943 | 23,643 | 65,409 | 8,806 | 349,210 |
| Net realized gains on investments | | | | | 23,625 | 23,625 |
| Amortization of deferred gain on disposal of businesses | | | | | 12,105 | 12,105 |
| Fees and other income | 100,292 | 31,948 | 20,656 | 13,563 | 213 | 166,672 |
| Total revenues | 1,572,747 | 1,071,835 | 979,446 | 639,373 | 44,749 | 4,308,150 |
| **Benefits, losses and expenses** | | | | | | |
| Policyholder benefits | 456,407 | 337,739 | 646,407 | 394,797 | (2,038) | 1,833,312 |
| Amortization of deferred acquisition costs and value of business acquired | 555,129 | 191,062 | 2,650 | 18,460 | | 767,301 |
| Underwriting, general and administrative expenses | 459,133 | 205,801 | 279,270 | 182,129 | 49,060 | 1,175,393 |
| Interest expense | | | | | 30,322 | 30,322 |
| Total benefits, losses and expenses | 1,470,669 | 734,602 | 928,327 | 595,386 | 77,344 | 3,806,328 |
| **Segment income (loss) before provision (benefit) for income tax** | 102,078 | 337,233 | 51,119 | 43,987 | (32,595) | 501,822 |
| Provision (benefit) for income taxes | 42,889 | 115,038 | 17,450 | 15,127 | (10,580) | 179,924 |
| **Segment income (loss) after tax** | $ 59,189 | $ 222,195 | $ 33,669 | $ 28,860 | $ (22,015) | |
| **Net income** | | | | | | $ 321,898 |

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

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**Assurant, Inc.**

**Notes to Consolidated Financial Statements (unaudited)**

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

**15. Commitments and Contingencies**

In the normal course of business, letters of credit are issued primarily to support reinsurance arrangements in which the Company is the reinsurer. These letters of credit are supported by commitments under which the Company is required to indemnify the financial institution issuing the letter of credit if the letter of credit is drawn. The Company had $24,846 and $24,946 of letters of credit outstanding as of June 30, 2011 and December 31, 2010, respectively.

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

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

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

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

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

**16. Catastrophe Bond Program**

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

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

On April 27, 2010, the Subsidiaries entered into two additional reinsurance agreements with Ibis Re providing up to $150,000 of reinsurance coverage for protection against losses over a three-year period from individual hurricane events in Hawaii and along the

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Gulf and Eastern Coasts of the United States. The agreements expire in May 2013. Ibis Re financed the property catastrophe reinsurance coverage by issuing catastrophe bonds in an aggregate amount of $150,000 to unrelated investors (the Series 2010-1 Notes ).

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

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

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

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

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

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

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

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

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

*(Dollar amounts in thousands)*

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

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

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

**Executive Summary**

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

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

The following discussion is for the three and six months ended June 30, 2011 ( Second Quarter 2011 and Six Months 2011, respectively) and the three and six months ended June 30, 2010 ( Second Quarter 2010 and Six Months 2010, respectively).

During Second Quarter 2011, we continued to execute on initiatives designed to build a stronger business for the long term and create value for our shareholders. Consolidated net income increased $1,185 to $165,860 in Second Quarter 2011, compared with $164,675 for Second Quarter 2010, while Six Months 2011 net income declined to $307,601 compared with $321,898 for Six Months 2010.

Assurant Solutions Second Quarter 2011 net income improved compared with Second Quarter 2010. Despite challenging global economic conditions, we added new clients in this segment, demonstrating that our products and services are meeting customer needs, which we expect will help foster long-term profitable growth.

Combined ratios for both our domestic and international businesses improved, a trend we expect to continue. Our sales pipeline for service contracts, including in the wireless business, and funeral insurance policy face sales in the Preneed business, remained solid. New sales growth helped offset the reduced premiums from certain domestic lines of business that are in run-off (mainly Circuit City) and the continuing decline in the domestic credit insurance business.

We expect that Assurant Solutions overall 2011 premiums will be similar to 2010, but we expect premiums to grow in 2012.

At Assurant Specialty Property, Second Quarter 2011 results reflected the impact of unprecedented weather-related claims. During the quarter, we helped our customers affected by the severe storms, and will continue to do so as they rebuild and repair their properties. We believe that our sophisticated tracking system, which ensures homeowner properties are covered for damage, helps us retain and attract mortgage servicers. During Second Quarter 2011, one of our clients acquired a portfolio of 200,000 loans that we will begin tracking in late 2011, with premium production scheduled to begin in 2012.

In June 2011, we acquired SureDeposit, the market leader in rental security deposit alternatives. We believe that this acquisition will help build our niche renters business which is focused on distribution through property managers.

For the remainder of 2011, we expect premiums in this segment to be consistent with year-to-date results, but earnings will be dependent upon the occurrence of catastrophes, particularly hurricanes.

Assurant Health Second Quarter 2011 results reflect continued progress in implementing our strategy to adapt to the Affordable Care Act. We believe that both consumers and distribution partners are recognizing the value and affordability of our Health Access and supplemental product offerings, which is evidenced by increased sales over the prior year periods. In addition, our selling, underwriting and general expenses in this segment have declined $23,762 and $45,156 for the Second Quarter 2011 and Six Months 2011, respectively, versus comparable periods in 2010, primarily due to organizational and operational changes made in the recent past to adapt to the changing marketplace.

We believe that we are achieving early success in adopting our post-Affordable Care Act strategy, but we must continue to generate sales and drive further expense efficiencies to achieve long-term shareholder value. We believe that providing a better customer experience and a simplified business model will help us achieve these goals.

Results at Assurant Employee Benefits continue to be challenged by a higher level of unemployment in the United States. During Second Quarter 2011 overall sales increased compared with Second Quarter 2010, led by growth in our voluntary products, whose demand has increased in the wake of the Affordable Care Act. We believe that the continued growth of our voluntary products will be an important driver of long-term

growth. Overall, we expect modest profit improvement sequentially, primarily driven by our dental business.

During Second Quarter 2011, we repurchased 2,984,000 shares of our stock, increased our quarterly dividend to $0.18 per share from $0.16 per share and acquired SureDeposit for $45,080 in cash. We expect to take dividends from our operating entities equal to their earnings over the remaining course of the year. We expect to continue repurchasing shares of our common stock during the remainder of 2011, subject to market conditions and applicable legal and regulatory constraints.

**Critical Factors Affecting Results and Liquidity**

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

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

For the six months ended June 30, 2011, net cash provided by operating activities, including the effect of exchange rate changes on cash and cash equivalents, totaled $326,423; net cash provided by investing activities totaled $16,806 and net cash used in financing activities totaled $358,646. We had $1,135,099 in cash and cash equivalents as of June 30, 2011. Please see Liquidity and Capital Resources, below for further details.

**Critical Accounting Policies and Estimates**

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

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

The Assurant Health loss ratio reported on page 48 (the GAAP loss ratio ) differs from the loss ratio calculated under the MLR rules ( MLR loss ratio ) specified under the Affordable Care Act. The more noteworthy differences include the fact that the MLR loss ratio is calculated separately by state and legal entity; the MLR loss ratio calculation includes credibility adjustments for each entity, which are not applicable to the GAAP loss ratio; the MLR loss ratio calculation applies only to some of our health insurance products, while the GAAP loss ratio applies to the entire portfolio, including products not governed by the Affordable Care Act; the MLR loss ratio includes quality improvement expenses, taxes and fees; changes in reserves are treated differently in the MLR loss ratio calculation; and the MLR rebate amounts are considered adjustments to premiums for GAAP reporting whereas they are reported as additions to incurred claims in the MLR rebate estimate calculations.

Assurant Health has estimated its second quarter 2011 impact of this regulation and recorded a premium rebate accrual of $16,735 and $39,179 for the three and six months ended June 30, 2011, respectively. The accruals were based on definitions and calculation methodologies outlined in the Interim Final Regulation from HHS released December 1, 2010 with Technical Corrections released December 29, 2010. The MLR rebate accrual was based on separate projection models for individual medical and small group business using projections of expected premiums, claims, and enrollment by state, legal entity and market for medical business subject to MLR requirements for the MLR reporting year. In addition, the projection models include quality improvement expenses, state assessments and taxes.

We have estimated the 2011 full-year premium rebate accrual to be in a range of $70,000 and $80,000; however, emerging regulations and interpretations from HHS could cause the actual rebate (and the provisions we establish during the balance of the year) to differ. We will not know the actual rebate amount with certainty until mid-2012; it will be based on actual premium and claim experience for all of 2011. The estimated liability may also need to be adjusted for any further regulatory clarifications or transition relief granted for states in which we do business. The rebate is presented as a reduction of net earned premiums in the consolidated statement of operations and included in unearned premiums in the consolidated balance sheets.

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***Assurant Consolidated***

*Overview*

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

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| **Revenues:** | | | | |
| Net earned premiums and other considerations | $ 1,768,308 | $ 1,849,895 | $ 3,530,320 | $ 3,756,538 |
| Net investment income | 173,844 | 175,196 | 345,717 | 349,210 |
| Net realized gains on investments | 16,046 | 19,152 | 19,823 | 23,625 |
| Amortization of deferred gain on disposal of businesses | 5,105 | 6,024 | 10,239 | 12,105 |
| Fees and other income | 99,584 | 90,027 | 193,459 | 166,672 |
| Total revenues | 2,062,887 | 2,140,294 | 4,099,558 | 4,308,150 |
| **Benefits, losses and expenses:** | | | | |
| Policyholder benefits | 988,197 | 905,316 | 1,882,707 | 1,833,312 |
| Selling, underwriting and general expenses (1) | 927,687 | 966,361 | 1,840,088 | 1,942,694 |
| Interest expense | 15,075 | 15,161 | 30,206 | 30,322 |
| Total benefits, losses and expenses | 1,930,959 | 1,886,838 | 3,753,001 | 3,806,328 |
| Income before (benefit) provision for income taxes | 131,928 | 253,456 | 346,557 | 501,822 |
| (Benefit) provision for income taxes | (33,932) | 88,781 | 38,956 | 179,924 |
| Net income | $ 165,860 | $ 164,675 | $ 307,601 | $ 321,898 |

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

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

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

*Net Income*

The Company reported net income of $165,860 in Second Quarter 2011, an increase of $1,185, or 1%, compared with $164,675 of net income for Second Quarter 2010. The increase was mainly due to an $80,000 release of a capital loss valuation allowance related to deferred tax assets, which was primarily offset by a $37,744 (after-tax) increase in reportable catastrophe losses and increased loss frequency primarily due to non-catastrophe weather-related activity in our Assurant Specialty Property segment and reduced earnings in our Assurant Health Segment. Please see Note 7 in the Notes to Consolidated Financial Statements for further information about the valuation allowance release.

***For The Six Months Ended June 30, 2011 Compared to The Six Months Ended June 30, 2010.***

*Net Income*

Net income decreased $14,297, or 4%, to $307,601 for Six Months 2011 from $321,898 for Six Months 2010. The decrease was primarily attributable to lower underwriting results in three of our four operating segments. This was largely offset by improved underwriting results in our Assurant Solutions segment and the $80,000 deferred tax asset valuation allowance release mentioned above.

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***Assurant Solutions***

*Overview*

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

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| **Revenues:** | | | | |
| Net earned premiums and other considerations | $ 613,304 | $ 629,682 | $ 1,214,626 | $ 1,275,046 |
| Net investment income | 99,330 | 98,956 | 197,055 | 197,409 |
| Fees and other income | 66,164 | 54,580 | 126,850 | 100,292 |
| Total revenues | 778,798 | 783,218 | 1,538,531 | 1,572,747 |
| **Benefits, losses and expenses:** | | | | |
| Policyholder benefits | 214,382 | 228,776 | 430,558 | 456,407 |
| Selling, underwriting and general expenses | 504,424 | 503,172 | 992,218 | 1,014,262 |
| Total benefits, losses and expenses | 718,806 | 731,948 | 1,422,776 | 1,470,669 |
| **Segment income before provision for income taxes** | 59,992 | 51,270 | 115,755 | 102,078 |
| Provision for income taxes | 20,299 | 20,947 | 38,045 | 42,889 |
| **Segment net income** | $ 39,693 | $ 30,323 | $ 77,710 | $ 59,189 |
| **Net earned premiums and other considerations:** | | | | |
| *Domestic:* | | | | |
| Credit | $ 43,163 | $ 47,343 | $ 87,488 | $ 98,271 |
| Service contracts | 301,131 | 336,043 | 599,482 | 675,139 |
| Other (1) | 13,068 | 12,723 | 25,057 | 24,936 |
| Total domestic | 357,362 | 396,109 | 712,027 | 798,346 |
| *International:* | | | | |
| Credit | 99,976 | 83,360 | 191,935 | 170,099 |
| Service contracts | 124,034 | 109,275 | 244,282 | 226,464 |
| Other (1) | 5,703 | 5,260 | 11,722 | 9,366 |
| Total international | 229,713 | 197,895 | 447,939 | 405,929 |
| Preneed | 26,229 | 35,678 | 54,660 | 70,771 |
| Total | $ 613,304 | $ 629,682 | $ 1,214,626 | $ 1,275,046 |
| **Fees and other income:** | | | | |
| *Domestic:* | | | | |
| Debt protection | $ 7,284 | $ 8,434 | $ 14,449 | $ 18,070 |
| Service contracts | 30,951 | 27,509 | 60,053 | 50,665 |
| Other (1) | 651 | 2,108 | 2,323 | 4,663 |

| | | | | |
|---|---|---|---|---|
| Total domestic | 38,886 | 38,051 | 76,825 | 73,398 |
| *International* | 6,927 | 6,920 | 14,339 | 13,315 |
| Preneed | 20,351 | 9,609 | 35,686 | 13,579 |
| Total | $ 66,164 | $ 54,580 | $ 126,850 | $ 100,292 |
| **Gross written premiums (2):** | | | | |
| *Domestic:* | | | | |
| Credit | $ 97,205 | $ 107,259 | $ 191,686 | $ 211,129 |
| Service contracts | 379,433 | 291,426 | 714,833 | 569,155 |
| Other (1) | 20,915 | 15,293 | 39,403 | 30,211 |
| Total domestic | 497,553 | 413,978 | 945,922 | 810,495 |
| *International:* | | | | |
| Credit | 254,046 | 240,348 | 501,255 | 486,880 |
| Service contracts | 137,473 | 110,116 | 262,233 | 231,408 |
| Other (1) | 10,968 | 6,330 | 23,023 | 11,546 |
| Total international | 402,487 | 356,794 | 786,511 | 729,834 |
| Total | $ 900,040 | $ 770,772 | $ 1,732,433 | $ 1,540,329 |
| Preneed (face sales) | $ 202,408 | $ 216,681 | $ 371,883 | $ 367,755 |
| **Combined ratios (3):** | | | | |
| Domestic | 96.6% | 97.8% | 96.3% | 97.0% |
| International | 104.1% | 107.3% | 104.6% | 107.5% |

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

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

*Net Income*

Segment net income increased $9,370, or 31%, to $39,693 for Second Quarter 2011 from $30,323 for Second Quarter 2010. The increase was primarily attributable to improved underwriting experience across our international and domestic service contract businesses. Our preneed business also contributed favorably as higher invested assets led to a corresponding increase in net investment income. These items were partially offset by reduced earnings from certain domestic lines of business that are in run-off.

*Total Revenues*

Total revenues decreased $4,420, or 1%, to $778,798 for Second Quarter 2011 from $783,218 for Second Quarter 2010. Net earned premiums declined $16,378, primarily attributable to the continued run-off of certain domestic service contract business from former clients that are no longer in business (mainly Circuit City) and the continued run-off of our domestic credit insurance business. We anticipate full year 2011 net earned premiums to decline approximately $170,000 from these two sources compared with 2010. Partially offsetting these decreases were new domestic service contract business growth and increases in both our international credit and service contracts businesses, which also benefited from the favorable impact of foreign exchange rates. Fees and other income increased $11,584 primarily as a result of increases in preneed business.

Gross written premiums increased $129,268, or 17%, to $900,040 for Second Quarter 2011 from $770,772 for Second Quarter 2010. Gross written premiums from our domestic service contract business increased $88,007 primarily due to the addition of a large new client in 2010 and organic growth in our automobile vehicle service contract sales. Our international service contract business increased $27,357 and our international credit business increased $13,698, primarily due to growth from new and existing clients, mostly in Latin America, and the favorable impact of foreign exchange rates. Partially offsetting these increases was a $10,054 decrease in our domestic credit insurance business, due to the continued run-off of this product line.

Preneed face sales decreased $14,273, to $202,408 for Second Quarter 2011, from $216,681 for Second Quarter 2010. This decrease was primarily attributable to increased consumer buying in 2010 in advance of a consumer tax rate change that took effect July 1, 2010 in certain Canadian provinces. This was partially offset by domestic growth from our exclusive distribution partnership with SCI, the largest funeral provider in North America. This exclusive distribution partnership is effective through September 29, 2014. Second Quarter 2011 face sales benefited from recent acquisitions made by SCI.

*Total Benefits, Losses and Expenses*

Total benefits, losses and expenses decreased $13,142, or 2%, to $718,806 for Second Quarter 2011 from $731,948 for Second Quarter 2010. Policyholder benefits decreased $14,394 primarily due to improved loss experience across our international and domestic service contract businesses and a decrease associated with certain domestic lines of business that are in run-off. Selling, underwriting and general expenses increased $1,252. Commissions, taxes, licenses and fees, of which amortization of DAC is a component, increased $2,188 due to increased commissions in our international business resulting from growth of the business coupled with the unfavorable impact of foreign exchange rates, partially offset by lower earnings in our domestic service contract business. General expenses decreased $936 due to expense management efforts in our domestic businesses, partially offset by growth in our international businesses.

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***For The Six Months Ended June 30, 2011 Compared to The Six Months Ended June 30, 2010.***

*Net Income*

Segment net income increased $18,521, or 31%, to $77,710 for Six Months 2011 from $59,189 for Six Months 2010. The increase was partially attributable to improved underwriting experience across our international businesses and continued favorable preneed results. Preneed results increased primarily due to the relative change in the value of our CPI Caps and increased net investment income from higher invested assets. In addition, Six Months 2010 included a $2,800 tax valuation allowance increase against deferred tax assets related to our European business restructuring. These items were partially offset by reduced earnings from certain domestic lines of business that are in run-off.

*Total Revenues*

Total revenues decreased $34,216, or 2%, to $1,538,531 for Six Months 2011 from $1,572,747 for Six Months 2010. The decrease was mainly the result of lower net earned premiums of $60,420, which is primarily attributable to the continued run-off of certain domestic service contract business from former clients that are no longer in business (mainly Circuit City) and the continued run-off of our domestic credit insurance business. Net earned premiums for full year 2011 are expected to decline approximately $170,000 from these two sources compared with 2010. Partially offsetting these decreases was new domestic service contract business growth and increases in both our international credit and service contract businesses, which also benefited from the favorable impact of foreign exchange rates. Fees and other income increased $26,558 as a result of increases in our preneed business and the relative change in the value of our CPI Caps.

Gross written premiums increased $192,104, or 12%, to $1,732,433 for Six Months 2011 from $1,540,329 for Six Months 2010. Gross written premiums from our domestic service contract business increased $145,678 primarily due to the 2010 addition of a large new client and an increase in automobile vehicle service contract sales. Our international service contract business increased $30,825 and our international credit business increased $14,375, primarily due to growth from new and existing clients, mostly in Latin America and the favorable impact of foreign exchange rates. Partially offsetting these increases was a $19,443 decrease in our domestic credit insurance business, due to the continued run-off of this product line.

Preneed face sales increased $4,128, to $371,883 for Six Months 2011, from $367,755 for Six Months 2010. This increase was primarily due to domestic growth from our exclusive distribution partnership with SCI, the largest funeral provider in North America. Six Months 2011 face sales benefited from recent acquisitions made by SCI. This was offset by decreases in our Canadian business resulting from increased consumer buying in advance of a consumer tax rate change that took effect July 1, 2010 in certain Canadian provinces.

*Total Benefits, Losses and Expenses*

Total benefits, losses and expenses decreased $47,893, or 3%, to $1,422,776 for Six Months 2011 from $1,470,669 for Six Months 2010. Policyholder benefits decreased $25,849 primarily due to improved loss experience across our international and domestic service contract businesses and a decrease associated with certain domestic lines of business that are in run-off. Selling, underwriting and general expenses decreased $22,044. Commissions, taxes, licenses and fees, of which amortization of DAC is a component, decreased $25,332 directly related to lower premiums in our domestic service contract business, partially offset by increased commissions in our international business due to higher premiums coupled with the unfavorable impact of foreign exchange rates. General expenses increased $3,288 driven by growth in our international businesses, offset by expense management efforts in our domestic businesses.

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***Assurant Specialty Property***

*Overview*

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

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| **Revenues:** | | | | |
| Net earned premiums and other considerations | $ 465,095 | $ 477,122 | $ 932,753 | $ 985,944 |
| Net investment income | 26,209 | 27,022 | 52,390 | 53,943 |
| Fees and other income | 18,250 | 18,848 | 35,549 | 31,948 |
| Total revenues | 509,554 | 522,992 | 1,020,692 | 1,071,835 |
| **Benefits, losses and expenses:** | | | | |
| Policyholder benefits | 254,575 | 175,206 | 421,528 | 337,739 |
| Selling, underwriting and general expenses | 190,031 | 189,846 | 378,504 | 396,863 |
| Total benefits, losses and expenses | 444,606 | 365,052 | 800,032 | 734,602 |
| **Segment income before provision for income taxes** | 64,948 | 157,940 | 220,660 | 337,233 |
| Provision for income taxes | 22,304 | 54,223 | 75,397 | 115,038 |
| **Segment net income** | $ 42,644 | $ 103,717 | $ 145,263 | $ 222,195 |
| **Net earned premiums and other considerations:** | | | | |
| *By major product groupings* | | | | |
| Homeowners (lender placed and voluntary) | $ 311,833 | $ 325,735 | $ 622,782 | $ 680,144 |
| Manufactured housing (lender placed and voluntary) | 55,886 | 53,686 | 110,522 | 111,186 |
| Other (1) | 97,376 | 97,701 | 199,449 | 194,614 |
| Total | $ 465,095 | $ 477,122 | $ 932,753 | $ 985,944 |
| Ratios: | | | | |
| Loss ratio (2) | 54.7% | 36.7% | 45.2% | 34.3% |
| Expense ratio (3) | 39.3% | 38.3% | 39.1% | 39.0% |
| Combined ratio (4) | 92.0% | 73.6% | 82.6% | 72.2% |

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

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

*Net Income*

Segment net income decreased $61,073, or 59%, to $42,644 for Second Quarter 2011 from $103,717 for Second Quarter 2010. The decline is primarily due to an increase in reportable catastrophe losses of $37,744 (after-tax) and an increase in loss frequency primarily due to

non-catastrophe weather-related activity during Second Quarter 2011.

*Total Revenues*

Total revenues decreased $13,438, or 3%, to $509,554 for Second Quarter 2011 from $522,992 for Second Quarter 2010. Growth in lender-placed homeowners, due to new clients and loan portfolios added in 2010, and renters insurance gross earned premiums were offset by increased ceding of lender-placed homeowners premiums to clients and $6,187 of increased catastrophe reinsurance premiums.

*Total Benefits, Losses and Expenses*

Total benefits, losses and expenses increased $79,554, or 22%, to $444,606 for Second Quarter 2011 from $365,052 for Second Quarter 2010. The loss ratio increased 1800 basis points primarily attributable to $65,736 of reportable catastrophe losses in Second Quarter 2011 compared to $7,670 of reportable catastrophe losses in Second Quarter 2010. Assurant Specialty Property defines a reportable catastrophe loss as an Insurance Services Office designated event that results in a loss greater than $5,000. Commissions,

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taxes, licenses, and fees decreased $6,710 primarily due to client contract changes which resulted in lower commission expense. General expenses increased $6,893 due to costs related to the SureDeposit acquisition and increased employee related expenses.

***For The Six Months Ended June 30, 2011 Compared to The Six Months Ended June 30, 2010.***

*Net Income*

Segment net income decreased $76,932, or 35%, to $145,263 for Six Months 2011 from $222,195 for Six Months 2010. The decline is primarily due to an increase in reportable catastrophe losses of $45,161 (after-tax). In addition, Six Months 2010 included a $7,629 (after-tax) favorable adjustment from an unearned premium reserve review. The increased frequency of non-catastrophe weather-related losses during Six Months 2011 also contributed to the decline.

*Total Revenues*

Total revenues decreased $51,143, or 5%, to $1,020,692 for Six Months 2011 from $1,071,835 for Six Months 2010. Growth in lender-placed homeowners, due to new clients and loan portfolios added in 2010, and renters insurance gross earned premiums were offset by increased ceding of lender-placed homeowners premiums to clients and $14,266 of increased catastrophe reinsurance premiums. In addition, Six Months 2010 included a $13,595 favorable adjustment from an unearned premium reserve review.

*Total Benefits, Losses and Expenses*

Total benefits, losses and expenses increased $65,430, or 9%, to $800,032 for Six Months 2011 from $734,602 for Six Months 2010. The loss ratio increased 1090 basis points due primarily to $77,146 of catastrophe losses in Six Months 2011 compared to $7,670 of catastrophe losses in Second Quarter 2010. Commissions, taxes, licenses, and fees decreased $24,759 primarily due to client contract changes which resulted in lower commission expense. General expenses increased $6,400 due to costs related to the SureDeposit acquisition in Second Quarter 2011 and increased employee related expenses.

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***Assurant Health***

*Overview*

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

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2011* | 2010 | 2011* | 2010 |
| **Revenues:** | | | | |
| Net earned premiums and other considerations | $ 425,439 | $ 467,705 | $ 851,601 | $ 935,147 |
| Net investment income | 11,405 | 12,078 | 22,707 | 23,643 |
| Fees and other income | 8,891 | 10,248 | 17,839 | 20,656 |
| Total revenues | 445,735 | 490,031 | 892,147 | 979,446 |
| **Benefits, losses and expenses:** | | | | |
| Policyholder benefits | 323,832 | 312,767 | 633,994 | 646,407 |
| Selling, underwriting and general expenses | 115,039 | 138,801 | 236,764 | 281,920 |
| Total benefits, losses and expenses | 438,871 | 451,568 | 870,758 | 928,327 |
| **Segment income before provision for income taxes** | 6,864 | 38,463 | 21,389 | 51,119 |
| Provision for income taxes | 1,670 | 13,163 | 9,005 | 17,450 |
| **Segment net income** | $ 5,194 | $ 25,300 | $ 12,384 | $ 33,669 |
| **Net earned premiums and other considerations:** | | | | |
| *Individual markets:* | | | | |
| Individual markets | $ 323,049 | $ 345,513 | $ 651,003 | $ 689,414 |
| Group markets | 119,125 | 122,192 | 239,777 | 245,733 |
| Gross earned premiums | 442,174 | 467,705 | 890,780 | 935,147 |
| Premium rebates (4) | (16,735) | | (39,179) | |
| Total | $ 425,439 | $ 467,705 | $ 851,601 | $ 935,147 |
| **Covered lives by product line (5):** | | | | |
| Individual markets | | | 582 | 631 |
| Group markets | | | 135 | 116 |
| Total | | | 717 | 747 |
| **Ratios:** | | | | |
| Loss ratio (1) | 76.1% | 66.9% | 74.4% | 69.1% |
| Expense ratio (2) | 26.5% | 29.0% | 27.2% | 29.5% |
| Combined ratio (3) | 101.0% | 94.5% | 100.2% | 97.1% |

* 2011 period results are not fully comparable to prior periods due to regulatory changes associated with the Affordable Care Act.
(1) The loss ratio is equal to policyholder benefits divided by net earned premiums and other considerations.
(2)

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

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

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

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

*The Affordable Care Act*

Some provisions of the Affordable Care Act took effect in the past year, and other provisions will become effective at various dates over the next several years. In November 2010, HHS issued a number of interim final regulations with respect to the Affordable Care Act. HHS has issued additional technical corrections and Q&As since then. As of this filing, final regulations have not yet been issued under many Affordable Care Act provisions. As a result, the impact of the Affordable Care Act is clearer but not yet fully known. Management continues to modify its business model to adapt to these new regulations and will continue to monitor HHS and state regulatory activity for clarification and additional regulations. Given the sweeping nature of the changes represented by the Affordable Care Act, our results of operations and financial position could be materially adversely affected. For more information,

see Item 1A, Risk Factors Risk related to our industry Recently enacted legislation reforming the U.S. health care system may have a material adverse effect on our financial condition and results of operations in our 2010 Annual Report on Form 10-K.

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

*Net Income*

Segment results decreased $20,106 to $5,194 for Second Quarter 2011 from $25,300 for Second Quarter 2010. The decrease is partly attributable to accrued premium rebates of $10,878 (after-tax) established to comply with the MLR requirement included in the Affordable Care Act for our comprehensive health coverage business. This item was partially offset by reduced expenses associated with organizational and operational expense initiatives and lower commissions due to agent compensation changes and lower sales of new policies. Second Quarter 2010 results included a $17,421 (after-tax) benefit from a reserve release related to a legal settlement.

*Total Revenues*

Total revenues decreased $44,296, or 9%, to $445,735 for Second Quarter 2011 from $490,031 for Second Quarter 2010. Net earned premiums and other considerations before premium rebates from our individual markets business decreased $22,464, or 6%, due to lower sales of new policies caused by the transition to new products and changes to agent commissions, both resulting from the Affordable Care Act. These decreases were partially offset by premium rate increases. Net earned premiums and other considerations before premium rebates from our small employer group business decreased $3,067, or 3%, due to a continued high level of policy lapses, partially offset by premium rate increases. Second Quarter 2011 included a premium rebate accrual of $16,735 to comply with the MLR requirement included in the Affordable Care Act for our comprehensive health coverage business. There was no premium rebate accrual in Second Quarter 2010 as the MLR requirement was not yet in effect.

*Total Benefits, Losses and Expenses*

Total benefits, losses and expenses decreased $12,697, or 3%, to $438,871 for Second Quarter 2011 from $451,568 for Second Quarter 2010. Policyholder benefits increased $11,065, or 4%, and the benefit loss ratio increased to 76.1% from 66.9%. The increase in policyholder benefits was primarily attributable to a $26,802 benefit from a reserve release related to a legal settlement in Second Quarter 2010, partially offset by a decrease in benefits related to the decline in business volume. The increase in the benefit loss ratio was also attributable to the inclusion of premium rebates in net earned premiums and other considerations in Second Quarter 2011, and a disproportionate decline in benefits in relation to the decrease in net earned premiums and other considerations. Selling, underwriting and general expenses decreased $23,762, or 17%, primarily due to reduced employee-related and advertising expenses, lower amortization of deferred acquisition costs, and reduced commissions due to agent compensation changes and lower sales of new policies.

***For the Six Months Ended June 30, 2011 Compared to The Six Months Ended June 30, 2010.***

*Net Income*

Segment results decreased $21,285 to $12,384 for Six Months 2011 from $33,669 for Six Months 2010. The decrease was partly attributable to accrued premium rebates of $25,466 (after-tax) established to comply with the MLR requirement included in the Affordable Care Act for our comprehensive health coverage business. This item was partially offset by corrective pricing actions and plan design changes that began in late 2009, a $4,780 (after-tax) reimbursement from a pharmacy services provider related to 2009 and 2010 activity, reduced expenses associated with organizational and operational expense initiatives, and lower commissions due to agent compensation changes and lower sales of new policies. Six Months 2010 results included a $17,421 (after-tax) benefit from a reserve release related to a legal settlement.

*Total Revenues*

Total revenues decreased $87,299, or 9%, to $892,147 for Six Months 2011 from $979,446 for Six Months 2010. Net earned premiums and other considerations before premium rebates from our individual markets business decreased $38,411, or 6%, due to lower sales of new policies caused by the transition to new products and changes in agent commissions, both resulting from the Affordable Care Act. These decreases were partially offset by premium rate increases. Net earned premiums and other considerations before premium rebates from our small employer group business decreased $5,956, or 2%, due to a continued high level of policy lapses, partially offset by premium rate increases. Six Months 2011 included a premium rebate accrual of $39,179 to comply with the MLR requirement included in the Affordable Care Act for our comprehensive health coverage business. There was no premium

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rebate accrual in Six Months 2010 as the MLR requirement was not yet in effect.

*Total Benefits, Losses and Expenses*

Total benefits, losses and expenses decreased $57,569, or 6%, to $870,758 for Six Months 2011 from $928,327 for Six Months 2010. Policyholder benefits decreased $12,413, or 2%, however, the benefit loss ratio increased to 74.4% from 69.1%. The decrease in policyholder benefits was primarily attributable to improved claims experience as a result of corrective pricing actions and plan design changes that began in late 2009 and a decrease in benefits related to the decline in business volume, partially offset by a $26,802 benefit from a reserve release related to a legal settlement in Six Months 2010. The increase in the benefit loss ratio was primarily attributable to the inclusion of premium rebates in net earned premiums and other considerations in Six Months 2011, and a disproportionate decline in benefits in relation to the decrease in net earned premiums and other considerations. Selling, underwriting and general expenses decreased $45,156, or 16%, primarily due to reduced employee-related and advertising expenses, lower amortization of deferred acquisition costs, and reduced commissions due to agent compensation changes and lower sales of new policies.

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***Assurant Employee Benefits***

*Overview*

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

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| **Revenues:** | | | | |
| Net earned premiums and other considerations | $ 264,470 | $ 275,386 | $ 531,340 | $ 560,401 |
| Net investment income | 32,572 | 32,599 | 65,039 | 65,409 |
| Fees and other income | 6,170 | 6,252 | 12,938 | 13,563 |
| Total revenues | 303,212 | 314,237 | 609,317 | 639,373 |
| **Benefits, losses and expenses:** | | | | |
| Policyholder benefits | 195,408 | 190,555 | 396,627 | 394,797 |
| Selling, underwriting and general expenses | 94,930 | 104,667 | 189,927 | 200,589 |
| Total benefits, losses and expenses | 290,338 | 295,222 | 586,554 | 595,386 |
| **Segment income before provision for income taxes** | 12,874 | 19,015 | 22,763 | 43,987 |
| Provision for income taxes | 4,342 | 6,622 | 7,745 | 15,127 |
| **Segment net income** | $ 8,532 | $ 12,393 | $ 15,018 | $ 28,860 |
| **Net earned premiums and other considerations:** | | | | |
| *By major product grouping:* | | | | |
| Group dental | $ 105,241 | $ 104,778 | $ 209,891 | $ 212,359 |
| Group disability | 110,022 | 121,880 | 224,428 | 251,807 |
| Group life | 49,207 | 48,728 | 97,021 | 96,235 |
| Total | $ 264,470 | $ 275,386 | $ 531,340 | $ 560,401 |
| **Ratios:** | | | | |
| Loss ratio (1) | 73.9% | 69.2% | 74.6% | 70.4% |
| Expense ratio (2) | 35.1% | 37.2% | 34.9% | 34.9% |

(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.

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

*Net Income*

Segment net income decreased 31% to $8,532 for Second Quarter 2011 from $12,393 for Second Quarter 2010. Lower results in Second Quarter 2011 were primarily attributable to less favorable disability and life loss experience, partially offset by improved dental experience. Disability experience reflects slower claimant recovery rates over most of the business. Life loss experience returned to relatively normal levels in Second Quarter 2011 after unusually favorable experience in Second Quarter 2010. Second Quarter 2011 results include a previously disclosed decrease in the reserve interest rate primarily for new long-term disability claims. Restructuring charges of $4,349 (after-tax) were recorded in Second Quarter 2010 which did not recur in Second Quarter 2011.

*Total Revenues*

Total revenues decreased 4% to $303,212 for Second Quarter 2011 from $314,237 for Second Quarter 2010, primarily related to a $10,916 decrease in net earned premiums and other considerations. The decrease in net earned premiums and other considerations was primarily due to pricing actions on a block of previously assumed disability reinsurance business and lower prior year sales.

*Total Benefits, Losses and Expenses*

Total benefits, losses and expenses decreased 2% to $290,338 for Second Quarter 2011 from $295,222 for Second Quarter 2010. The loss ratio increased to 73.9% from 69.2%, primarily driven by less favorable life and disability loss experience. Excluding the impact of restructuring costs in Second Quarter 2010, the expense ratio increased to 35.1% from 34.8% as a result of lower net earned premiums.

***For The Six Months Ended June 30, 2011 Compared to The Six Months Ended June 30, 2010.***

*Net Income*

Segment net income decreased 48% to $15,018 for Six Months 2011 from $28,860 for Six Months 2010. Lower results were primarily attributable to less favorable disability and life loss experience, partially offset by improved dental experience. In Six Months 2011, disability experience was challenged by slower recovery rates over most of the business as well as unfavorable experience on a block of previously assumed reinsurance business. Life loss experience returned to relatively normal levels in Six Months 2011 compared with Six Months 2010. Six Months 2011 results include a previously disclosed decrease in the reserve discount rate primarily for new long-term disability claims. Restructuring charges of $4,349 (after-tax) were recorded in Six Months 2010 which did not recur in Six Months 2011.

*Total Revenues*

Total revenues decreased 5% to $609,317 for Six Months 2011 from $639,373 for Six Months 2010, primarily related to a $29,061 decrease in net earned premiums and other considerations. The decrease in net earned premiums and other considerations was primarily due to pricing actions on a block of previously assumed disability reinsurance business and lower prior year sales.

*Total Benefits, Losses and Expenses*

Total benefits, losses and expenses decreased 1% to $586,554 for Six Months 2011 from $595,386 for Six Months 2010. The loss ratio increased to 74.6% from 70.4%, primarily driven by less favorable life and disability loss experience. Excluding the impact of restructuring costs in Six Months 2010, the expense ratio increased to 34.9% from 33.8% as a result of lower net earned premiums.

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***Assurant Corporate & Other***

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

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| **Revenues:** | | | | |
| Net investment income | $ 4,328 | $ 4,541 | $ 8,526 | $ 8,806 |
| Net realized gains on investments | 16,046 | 19,152 | 19,823 | 23,625 |
| Amortization of deferred gain on disposal of businesses | 5,105 | 6,024 | 10,239 | 12,105 |
| Fees and other income | 109 | 99 | 283 | 213 |
| Total revenues | 25,588 | 29,816 | 38,871 | 44,749 |
| **Benefits, losses and expenses:** | | | | |
| Policyholder benefits | | (1,988) | | (2,038) |
| Selling, underwriting and general expenses | 23,263 | 29,875 | 42,675 | 49,060 |
| Interest expense | 15,075 | 15,161 | 30,206 | 30,322 |
| Total benefits, losses and expenses | 38,338 | 43,048 | 72,881 | 77,344 |
| **Segment loss before benefit for income taxes** | (12,750) | (13,232) | (34,010) | (32,595) |
| Benefit for income taxes | (82,547) | (6,174) | (91,236) | (10,580) |
| **Segment net income (loss)** | $ 69,797 | $ (7,058) | $ 57,226 | $ (22,015) |

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

*Net Income (Loss)*

Segment results improved $76,855 to net income of $69,797 for Second Quarter 2011 compared with a net loss of $(7,058) for Second Quarter 2010. The improvement is primarily related to an $80,000 release of a capital loss valuation allowance related to deferred tax assets. Please see Note 7 in the Notes to Consolidated Financial Statements for further detail on the valuation allowance release.

*Total Revenues*

Total revenues decreased $4,228, to $25,588 for Second Quarter 2011 compared with $29,816 for Second Quarter 2010. The decrease in revenues is primarily due to a $3,106 decline in net realized gains on investments.

*Total Benefits, Losses and Expenses*

Total expenses decreased $4,710, to $38,338 for Second Quarter 2011 compared with $43,048 for Second Quarter 2010. The decrease in expenses is primarily due to $4,537 of restructuring charges included in Second Quarter 2010 that did not recur in Second Quarter 2011.

***For The Six Months Ended June 30, 2011 Compared to The Six Months Ended June 30, 2010.***

*Net Income (Loss)*

Segment results improved $79,241, to net income of $57,226 for Six Months 2011 compared with a net loss of $(22,015) for Six Months 2010. Segment results increased mainly due to a $80,000 release of a capital loss valuation allowance related to deferred tax assets.

*Total Revenues*

Total revenues decreased $5,878, to $38,871 for Six Months 2011 compared with $44,749 for Six Months 2010. The decrease in revenues is mainly due to a $3,802 decline in net realized gains on investments.

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*Total Benefits, Losses and Expenses*

Total expenses decreased $4,463, to $72,881 in Six Months 2011 compared with $77,344 in Six Months 2010. The decrease in expenses is mainly due to a $4,537 restructuring charge included in Six Months 2010 that did not recur in Six Months 2011.

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**Investments**

The Company had total investments of $13,593,655 and $13,519,848 as of June 30, 2011 and December 31, 2010, respectively. For more information on our investments see Note 5 to the Notes to Consolidated Financial Statements included elsewhere in this report.

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

| | As of | | | |
|---|---|---|---|---|
| **Fixed Maturity Securities by Credit Quality (Fair Value)** | **June 30, 2011** | | **December 31, 2010** | |
| Aaa / Aa / A | $ 6,378,097 | 59.9% | $ 6,488,208 | 61.2% |
| Baa | 3,338,769 | 31.4% | 3,227,216 | 30.4% |
| Ba | 614,433 | 5.8% | 618,465 | 5.8% |
| B and lower | 306,107 | 2.9% | 278,663 | 2.6% |
| Total | $ 10,637,406 | 100.0% | $ 10,612,552 | 100.0% |

Major categories of net investment income were as follows:

| | **Three Months Ended June 30,** | | **Six Months Ended June 30,** | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| Fixed maturity securities | $ 142,967 | $ 144,119 | $ 285,019 | $ 286,537 |
| Equity securities | 7,911 | 8,589 | 15,963 | 17,551 |
| Commercial mortgage loans on real estate | 20,325 | 21,515 | 40,558 | 43,609 |
| Policy loans | 741 | 732 | 1,476 | 1,454 |
| Short-term investments | 1,659 | 1,328 | 2,933 | 2,198 |
| Other investments | 4,946 | 4,029 | 8,677 | 8,524 |
| Cash and cash equivalents | 1,701 | 1,280 | 3,443 | 2,396 |
| Total investment income | 180,250 | 181,592 | 358,069 | 362,269 |
| Investment expenses | (6,406) | (6,396) | (12,352) | (13,059) |
| Net investment income | $ 173,844 | $ 175,196 | $ 345,717 | $ 349,210 |

Net investment income remained relatively consistent for Second Quarter 2011 compared with Second Quarter 2010. Net investment income decreased $3,493, or 1%, to $345,717 for Six Months 2011 from $349,210 for Six Months 2010 primarily due to lower investment yields in 2011.

As of June 30, 2011, the Company owned $216,121 of securities guaranteed by financial guarantee insurance companies. Included in this amount was $191,165 of municipal securities, whose credit rating was A+ both with and without the guarantee.

The Company has exposure to sub-prime and related mortgages within our fixed maturity security portfolio. At June 30, 2011 approximately 2.5% of the residential mortgage-backed holdings had exposure to sub-prime mortgage collateral. This represented approximately 0.2% of the total fixed income portfolio and 1.3% of the total unrealized gain position. Of the securities with sub-prime exposure, approximately 19% are rated as investment grade. All residential mortgage-backed securities, including those with sub-prime exposure, are reviewed as part of the ongoing other-than-temporary impairment monitoring process.

*Collateralized Transactions*

The Company engages in transactions in which fixed maturity securities, especially bonds issued by the U.S. government, government agencies and authorities, and U.S. corporations, are loaned to selected broker/dealers. Collateral, greater than or equal to

102% of the fair value of the securities lent, plus accrued interest, is received in the form of cash and cash equivalents held by a custodian bank for the benefit of the Company. The use of cash collateral received is unrestricted. The Company reinvests the cash collateral received, generally in investments of high credit quality that are designated as available-for-sale. The Company monitors the fair value of securities loaned and the collateral received, with additional collateral obtained, as necessary. The Company is subject to the risk of loss to the extent there is a loss on the re-investment of cash collateral.

As of June 30, 2011 and December 31, 2010, our collateral held under securities lending, of which its use is unrestricted, was $92,633 and $122,219, respectively, and is included in the consolidated balance sheets under the collateral held/pledged under securities agreements. Our liability to the borrower for collateral received was $93,125 and $122,931, respectively and is included in the consolidated balance sheets under the obligation under securities agreements. The difference between the collateral held and obligations under securities lending is recorded as an unrealized loss and is included as part of AOCI. All securities with unrealized losses have been in a continuous loss position for twelve months or longer as of June 30, 2011 and December 31, 2010. The Company has actively reduced the size of its securities lending to mitigate counter-party exposure. The Company includes the available-for-sale investments purchased with the cash collateral in its evaluation of other-than-temporary impairments.

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

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

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

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

**Liquidity and Capital Resources**

*Regulatory Requirements*

Assurant, Inc. is a holding company, and as such, has limited direct operations of its own. Our holding company s assets consist primarily of the capital stock of our subsidiaries. Accordingly, our future cash flows depend upon the availability of dividends and other statutorily permissible payments from our subsidiaries, such as payments under our tax allocation agreement and under management agreements with our subsidiaries. The ability to pay such dividends and to make such other payments will be limited by applicable laws and regulations of the states in which our subsidiaries are domiciled, which subject our subsidiaries to significant regulatory restrictions. The dividend requirements and regulations vary from state to state and by type of insurance provided by the applicable subsidiary. These laws and regulations require, among other things, our insurance subsidiaries to maintain minimum solvency requirements and limit the amount of dividends these subsidiaries can pay to the holding company. Along with solvency regulations, the primary driver in determining the amount of capital used for dividends is the level of capital needed to maintain desired financial strength ratings from A.M. Best. Given recent economic events that have affected the insurance industry, both regulators and rating agencies could become more conservative in their methodology and criteria, including increasing capital requirements for our insurance subsidiaries which, in turn, could negatively affect our capital resources. On March 1, 2011, Moody s Investor Services ( Moody s ) affirmed Assurant, Inc. s Senior Debt rating of Baa2 but changed the outlook on this rating to negative from stable. In addition, Moody s affirmed the financial strength ratings of Assurant s primary life and health insurance subsidiaries at A3 but changed the outlook on such ratings to negative from stable. For further information on our ratings and the risks of ratings downgrades, see Item 1 Business and Item 1A Risk Factors A.M. Best, Moody s and S&P rate the financial strength of our insurance company subsidiaries, and a decline in these ratings could affect our standing in the insurance industry and cause our sales and earnings to decrease in our 2010 Annual Report on Form 10-K. For 2011, the

maximum amount of distributions our U.S. domiciled insurance subsidiaries could pay, under applicable laws and regulations without prior regulatory approval, is approximately $614,362. During Six Months 2011, we have taken dividends, net of infusions, of $158,381

from our operating companies. We anticipate that we will be able to take dividends in 2011 of amounts equal to operating company earnings.

*Liquidity*

As of June 30, 2011, we had approximately $648,517 in holding company capital. The Company uses the term holding company capital to represent cash and other liquid marketable securities held at Assurant, Inc., out of a total of $866,010, that we are not otherwise holding for a specific purpose as of the balance sheet date, but can be used for stock repurchases, stockholder dividends, acquisitions, and other corporate purposes. $250,000 of the $648,517 of holding company capital is intended to serve as a buffer against remote risks (such as large-scale hurricanes). Dividends or returns of capital made to the holding Company from its operating companies were $163,381 and $886,200 for Six Months 2011 and the year ended December 31, 2010, respectively. We use these cash inflows primarily to pay expenses, to make interest payments on indebtedness, to make dividend payments to our stockholders, to make subsidiary capital contributions, to fund acquisitions and to repurchase our outstanding shares.

In addition to paying expenses and making interest payments on indebtedness, our capital management strategy provides for several uses of the cash generated by our subsidiaries, including without limitation, returning capital to stockholders through share repurchases and dividends; investing in our businesses to support growth in targeted areas; and making prudent and opportunistic acquisitions. We made share repurchases and paid dividends to our stockholders of $317,482 and $602,568 during Six Months 2011 and the year ended December 31, 2010, respectively. During Second Quarter 2011 we acquired SureDeposit for $45,080. See Note 4 to the Notes to Consolidated Financial Statements for more information on the SureDeposit acquisition.

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

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

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

On January 18, 2011, our Board of Directors authorized the Company to repurchase up to an additional $600,000 of its outstanding common stock, making its total authorization $805,587 at that date. During the six months ended June 30, 2011, we repurchased 7,406,040 shares of our outstanding common stock at a cost of $283,645, exclusive of commissions. As of June 30, 2011, $554,385 remained under the total repurchase authorization. The timing and the amount of future repurchases will depend on market conditions and other factors.

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

*Retirement and Other Employee Benefits*

Our qualified pension benefits plan (the Plan ) was under-funded by $76,738 and $96,278 (based on the fair value of Plan assets compared to the projected benefit obligation) on a GAAP basis at June 30, 2011 and December 31, 2010, respectively. This equates to an 88% and 85% funded status at June 30, 2011 and December 31, 2010, respectively. The change in under-funded status is mainly due to an increase in the discount rate used to determine the projected benefit obligation, which is partially offset by better than expected asset performance.

In prior years we established a funding policy in which service cost plus 15% of Plan deficit will be contributed annually. During Six Months 2011, we contributed $20,000 in cash to the Plan. We expect to contribute an additional $20,000 in cash to the Plan over the remainder of 2011.

*Commercial Paper Program*

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

On December 18, 2009, we entered into a three-year unsecured revolving credit agreement ( 2009 Credit Facility ) with a syndicate of banks arranged by JP Morgan Chase Bank, Inc. and Bank of America, Inc. The 2009 Credit Facility provides for revolving loans and the issuance of multi-bank, syndicated letters of credit and/or letters of credit from a sole issuing bank in an aggregate amount of $350,000 and is available until December 2012, provided we are in compliance with all covenants. The 2009 Credit Facility has a sublimit for letters of credit issued thereunder of $50,000. The proceeds of these loans may be used for our commercial paper program or for general corporate purposes.

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

The 2009 Credit Facility contains restrictive covenants. The terms of the 2009 Credit Facility also require that the Company maintain certain specified minimum ratios and thresholds. Among others, these covenants include maintaining a maximum debt to capitalization ratio and a minimum consolidated adjusted net worth. At June 30, 2011, we were in compliance with all covenants, minimum ratios and thresholds, and there have been no material changes to the financial ratios presented in our 2010 Annual Report on Form 10-K.

*Senior Notes*

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

Interest on our Senior Notes is payable semi-annually on February 15 and August 15 of each year. The interest expense incurred related to the Senior Notes was $15,047 for the three months ended June 30, 2011 and 2010, respectively, and $30,094 for the six months ended June 30, 2011 and 2010, respectively. There was $22,570 of accrued interest at June 30, 2011 and 2010, respectively. The Senior Notes are unsecured obligations and rank equally with all of our other senior unsecured indebtedness. The Senior Notes are not redeemable prior to maturity.

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

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*Cash Flows*

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

The table below shows our recent net cash flows:

| | For the Six Months Ended June 30, | |
|---|---|---|
| **Net cash provided by (used in):** | **2011** | **2010** |
| Operating activities (1) | $ 326,423 | $ 313,313 |
| Investing activities | 16,806 | (187,853) |
| Financing activities | (358,646) | (440,289) |
| Net change in cash | $ (15,417) | $ (314,829) |

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

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

Net cash provided by operating activities was $326,423 and $313,313 for Six Months 2011 and Six Months 2010, respectively. The increased operating activity cash flow was primarily due to the favorable impact of foreign exchange rates on cash and cash equivalents. Excluding this item, net cash provided by operating activities was relatively flat.

Net cash provided by investing activities was $16,806 for Six Months 2011 and net cash used in investing activities was $187,853 for Six Months 2010. The increase in cash provided by investing activities was mainly due to a greater amount of fixed maturity security maturities and prepayments coupled with less purchases of fixed maturity securities.

Net cash used in financing activities was $358,646 and $440,289 for Six Months 2011 and Six Months 2010, respectively. The decrease in financing activities was primarily due to a decrease in share repurchases and the change in obligation under securities lending.

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

| | For the Six Months Ended June 30, | |
|---|---|---|
| | **2011** | **2010** |
| Interest paid on mandatorily redeemable preferred stock and debt | $ 30,150 | $ 30,269 |
| Common stock dividends | 33,680 | 35,464 |
| Total | $ 63,830 | $ 65,733 |

*Letters of Credit*

In the normal course of business, we issue letters of credit primarily to support reinsurance arrangements. These letters of credit are supported by commitments with financial institutions. We had $24,846 and $24,946 of letters of credit outstanding as of June 30, 2011 and December 31,

2010, respectively.

**Recent Accounting Pronouncements**

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

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**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Our 2010 Annual Report on Form 10-K described our Quantitative and Qualitative Disclosures About Market Risk. There were no material changes to the assumptions or risks during the six months ended June 30, 2011.

**Item 4. Controls and Procedures.**

**Evaluation of Disclosure Controls and Procedures**

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

**Internal Control over Financial Reporting**

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

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## PART II

## OTHER INFORMATION

### Item 1. Legal Proceedings.

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

### Item 1A. Risk Factors.

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

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

| Period in 2011 | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Programs(1) | Approximate Dollar Value of Shares that May Yet be Purchased Under the Programs(1) |
|---|---|---|---|---|
| January 1-31 | 1,695,000 | $ 38.76 | 1,695,000 | $ 772,382,494 |
| February 1-28 | 1,097,940 | 40.27 | 1,097,940 | 728,194,428 |
| March 1-31 | 1,629,100 | 39.00 | 1,629,100 | 664,690,944 |
| April 1-30 | 1,469,000 | 38.21 | 1,469,000 | 608,587,380 |
| May 1-31 | 213,000 | 39.68 | 213,000 | 600,140,396 |
| June 1-30 | 1,302,000 | 35.16 | 1,302,000 | 554,385,476 |
| Total | 7,406,040 | $ 38.32 | 7,406,040 | $ 554,385,476 |

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

**Item 5. Other Information.**

On May 17, 2011, the Company reported in a Current Report on Form 8-K the voting results from its Annual Meeting of Stockholders held on May 13, 2011 (the Annual Meeting ), including, without limitation, the voting results for a non-binding advisory vote regarding the frequency of future advisory votes on executive compensation. At the Annual Meeting, a majority of the votes cast by stockholders were in favor of an annual advisory vote on executive compensation.

Consistent with the recommendation of the Company s Board of Directors and the preference of stockholders, the Company determined that it will hold future non-binding advisory votes on an annual basis.

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**Item 6. Exhibits.**

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

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

| | |
|---|---|
| 3.1 | Amended and Restated By-laws of the Company, effective as of May 13, 2011 (incorporated by reference from Exhibit 3.1 to the Registrant s Form 8-K, originally filed on May 17, 2011). |
| 10.1 | Form of Assurant, Inc. Restricted Stock Unit Award Agreement for Time-Based Awards for Directors (incorporated by reference from Exhibit 10.1 to the Registrant s Form 8-K, originally filed on June 14, 2011).* |
| 10.2 | Form of Assurant, Inc. Restricted Stock Unit Award Agreement for Time-Based Awards for Directors.* |
| 10.3 | Form of Amendment, dated April 4, 2011, to Assurant, Inc. Restricted Stock Unit Award Agreement for Time-Based Awards for Directors.* |
| 12.1 | Computation of Ratio of Consolidated Earnings to Fixed Charges. |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer. |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer. |
| 32.1 | Certification of Chief Executive Officer of Assurant, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Chief Financial Officer of Assurant, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101 | The following materials from the Company s Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statement of Operations, (iii) the Consolidated Statement of Changes in Stockholders Equity, (iv) the Consolidated Statement of Cash Flows, and (v) Notes to Consolidated Financial Statements. |

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

* Management contract or compensatory plan.

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**SIGNATURES**

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

| | ASSURANT, INC. | |
|---|---|---|
| Date: August 3, 2011 | By: | /s/ ROBERT B. POLLOCK |
| | Name: | **Robert B. Pollock** |
| | Title: | ***President and Chief Executive Officer*** |
| Date: August 3, 2011 | By: | /s/ MICHAEL J. PENINGER |
| | Name: | **Michael J. Peninger** |
| | Title: | ***Executive Vice President and Chief Financial Officer*** |