ASSURANT INC
Form 10-Q
November 01, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2016
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.)

28 Liberty Street, 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 x 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 x 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 x	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 x

The number of shares of the registrant’s Common Stock outstanding at October 28, 2016 was 57,012,647.

ASSURANT, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2016
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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 September 30, 2016 and December 31, 2015

	September 30, 2016	December 31, 2015
	(in thousands except number of shares and per share amounts)	
Assets		
Investments:		
Fixed maturity securities available for sale, at fair value (amortized cost - $8,835,922 in 2016 and $9,470,795 in 2015)	$ 9,919,591	$ 10,215,328
Equity securities available for sale, at fair value (cost - $392,780 in 2016 and $450,563 in 2015)	450,617	500,057
Commercial mortgage loans on real estate, at amortized cost	595,067	1,151,256
Policy loans	40,113	43,858
Short-term investments	396,598	508,950
Other investments	631,104	575,323
Total investments	12,033,090	12,994,772
Cash and cash equivalents	1,116,623	1,288,305
Premiums and accounts receivable, net	1,312,738	1,260,717
Reinsurance recoverables	9,059,947	7,470,403
Accrued investment income	116,823	129,743
Deferred acquisition costs	3,034,091	3,150,934
Property and equipment, at cost less accumulated depreciation	337,100	298,414
Tax receivable	—	24,176
Goodwill	839,681	833,512
Value of business acquired	34,350	41,154
Other intangible assets, net	263,284	277,163
Other assets	397,169	469,005
Assets held in separate accounts	1,738,940	1,798,104
Total assets	$ 30,283,836	$ 30,036,402
Liabilities		
Future policy benefits and expenses	$ 10,042,896	$ 9,466,694
Unearned premiums	6,443,266	6,423,720
Claims and benefits payable	3,397,455	3,896,719
Commissions payable	382,778	393,260
Reinsurance balances payable	116,233	132,728
Funds held under reinsurance	106,924	94,417
Deferred gains on disposal of businesses	318,411	92,327
Accounts payable and other liabilities	2,009,379	2,049,810
Tax payable	57,083	—
Debt	1,165,557	1,164,656
Liabilities related to separate accounts	1,738,940	1,798,104
Total liabilities	25,778,922	25,512,435
Commitments and contingencies (Note 16)		

Stockholders' equity		
Common stock, par value $0.01 per share, 800,000,000 shares authorized, 58,010,506 and 65,850,386 shares outstanding at September 30, 2016 and December 31, 2015, respectively	1,503	1,497
Additional paid-in capital	3,168,267	3,148,409
Retained earnings	5,295,671	4,856,674
Accumulated other comprehensive income	328,106	118,549
Treasury stock, at cost; 91,954,392 and 83,523,031 shares at September 30, 2016 and December 31, 2015, respectively	(4,288,633)	(3,601,162)
Total stockholders' equity	4,504,914	4,523,967
Total liabilities and stockholders' equity	$ 30,283,836	$ 30,036,402

See the accompanying notes to the consolidated financial statements

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Assurant, Inc.
Consolidated Statements of Operations (unaudited)
Three and Nine Months Ended September 30, 2016 and 2015

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands except number of shares and per share amounts)			
Revenues				
Net earned premiums	$1,215,133	$2,058,421	$3,832,595	$6,356,241
Fees and other income	347,693	317,523	1,033,688	920,694
Net investment income	124,798	148,766	380,325	468,825
Net realized gains on investments, excluding other-than-temporary impairment losses	10,704	6,910	194,749	25,434
Total other-than-temporary impairment losses	—	(1,696)	(364)	(4,904)
Portion of net loss (gain) recognized in other comprehensive income, before taxes	—	989	(337)	1,627
Net other-than-temporary impairment losses recognized in earnings	—	(707)	(701)	(3,277)
Amortization of deferred gains and gains on disposal of businesses	135,840	3,243	309,254	9,743
Gain on pension plan curtailment	—	—	29,578	—
Total revenues	1,834,168	2,534,156	5,779,488	7,777,660
Benefits, losses and expenses				
Policyholder benefits	435,173	1,254,205	1,379,803	3,732,646
Amortization of deferred acquisition costs and value of business acquired	330,353	341,439	1,007,335	1,064,325
Underwriting, general and administrative expenses	833,778	956,984	2,554,732	2,848,387
Interest expense	14,006	13,779	43,741	41,335
Total benefits, losses and expenses	1,613,310	2,566,407	4,985,611	7,686,693
Income (loss) before provision (benefit) for income taxes	220,858	(32,251)	793,877	90,967
Provision (benefit) for income taxes	76,491	(25,229)	259,843	15,156
Net income (loss)	$144,367	$(7,022)	$534,034	$75,811
Earnings Per Share				
Basic	$2.40	$(0.10)	$8.54	$1.10
Diluted	$2.37	$(0.10)	$8.46	$1.09
Dividends per share	$0.50	$0.30	$1.50	$0.87
Share Data				
Weighted average shares outstanding used in basic per share calculations	60,262,073	67,632,920	62,522,980	68,646,043
Plus: Dilutive securities	566,268	—	570,340	695,843
Weighted average shares used in diluted per share calculations	60,828,341	67,632,920	63,093,320	69,341,886

See the accompanying notes to the consolidated financial statements

Assurant, Inc.
Consolidated Statements of Comprehensive Income (unaudited)
Three and Nine Months Ended September 30, 2016 and 2015

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(in thousands)			
Net income (loss)	$144,367	$(7,022)	$534,034	$75,811
Other comprehensive income (loss):				
Change in unrealized gains on securities, net of taxes of $(8,362), $15,262, $(85,700) and $103,490, respectively	16,334	(34,719)	162,146	(200,324)
Change in other-than-temporary impairment gains, net of taxes of $(165), $1,031, $405 and $1,663, respectively	306	(1,914)	(753)	(3,089)
Change in foreign currency translation, net of taxes of $498, $2,543, $(1,157) and $4,486, respectively	(15,966)	(68,499)	(18,630)	(114,299)
Pension plan curtailment and amortization of pension and postretirement unrecognized net periodic benefit cost, net of taxes of $(96), $(1,481), $(35,966) and $(4,299), respectively	178	2,751	66,794	7,983
Total other comprehensive income (loss)	852	(102,381)	209,557	(309,729)
Total comprehensive income (loss)	$145,219	$(109,403)	$743,591	$(233,918)

See the accompanying notes to the consolidated financial statements

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Assurant, Inc.
Consolidated Statement of Stockholders' Equity (unaudited)
From December 31, 2015 through September 30, 2016

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
	(in thousands)					
Balance at December 31, 2015	$1,497	$3,148,409	$4,856,674	$ 118,549	$(3,601,162)	$4,523,967
Stock plan exercises	6	(18,702)	—	—	—	(18,696)
Stock plan compensation	—	29,198	—	—	—	29,198
Change in tax benefit from share-based payment arrangements	—	9,362	—	—	—	9,362
Dividends	—		(95,037)	—	—	(95,037)
Acquisition of common stock	—	—	—	—	(687,471)	(687,471)
Net income	—	—	534,034	—	—	534,034
Other comprehensive income	—	—	—	209,557	—	209,557
Balance, September 30, 2016	$1,503	$3,168,267	$5,295,671	$ 328,106	$(4,288,633)	$4,504,914

See the accompanying notes to the consolidated financial statements

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Assurant, Inc.
Consolidated Statements of Cash Flows (unaudited)
Nine Months Ended September 30, 2016 and 2015

	Nine Months Ended September 30,	
	2016	2015
	(in thousands)	
Net cash (used in) provided by operating activities	$(43,055)	$529,474
Investing activities		
Sales of:		
Fixed maturity securities available for sale	1,736,090	1,867,603
Equity securities available for sale	160,037	101,566
Other invested assets	51,907	45,902
Property and equipment and other	292	3,394
Subsidiary, net of cash transferred (1)	873,920	65,002
Commercial mortgage loans on real estate (2)	268,833	—
Maturities, calls, prepayments, and scheduled redemption of:		
Fixed maturity securities available for sale	589,352	533,834
Commercial mortgage loans on real estate	86,953	163,310
Purchases of:		
Fixed maturity securities available for sale	(2,832,399)	(1,924,070)
Equity securities available for sale	(150,482)	(133,662)
Commercial mortgage loans on real estate	(52,198)	(136,248)
Other invested assets	(79,176)	(25,772)
Property and equipment and other	(66,791)	(89,433)
Subsidiaries, net of cash transferred (3)	(63,243)	(16,844)
Change in short-term investments	106,025	(432,406)
Change in policy loans	2,145	3,246
Change in collateral held/pledged under securities agreements	—	44,952
Net cash provided by investing activities	631,265	70,374
Financing activities		
Issuance of debt	249,625	—
Repayment of debt	(250,000)	—
Change in tax benefit from share-based payment arrangements	9,362	(801)
Acquisition of common stock	(674,251)	(218,673)
Dividends paid	(95,037)	(60,906)
Change in obligation under securities agreements	—	(44,952)
Net cash used in financing activities	(760,301)	(325,332)
Effect of exchange rate changes on cash and cash equivalents	(5,449)	(35,459)
Adjustments for cash included in business classified as held for sale	5,858	(13,777)
Change in cash and cash equivalents	(171,682)	225,280
Cash and cash equivalents at beginning of period	1,288,305	1,318,656
Cash and cash equivalents at end of period	$1,116,623	$1,543,936

(1) Relates to the sale of Assurant's Employee Benefits segment mainly through reinsurance transactions and supplemental and small group self-funded business.

(2) For further information see Note 7.

(3) Relates primarily to the acquisition of Shipsurance, Mobile Defense and American Title and the purchase of renewal rights to the National Flood Insurance block of business of Nationwide Mutual Insurance Company.

See the accompanying notes to the consolidated financial statements

Assurant, Inc.
Notes to Consolidated Financial Statements (unaudited)
Three and Nine Months Ended September 30, 2016 and 2015
(In thousands, except number of shares and per share amounts)

1. Nature of Operations

Assurant, Inc. (the “Company”) is a holding company whose subsidiaries globally provide risk management solutions, protecting where consumers live and the goods they buy.

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

Through its operating subsidiaries, the Company provides mobile device protection and related services; extended service contracts; vehicle protection; pre-funded funeral insurance; credit insurance; renters insurance; lender-placed homeowners insurance; mortgage valuation and field services and manufactured housing insurance.

As previously announced, the Company will substantially exit the health insurance market by the end of 2016 and sold its Assurant Employee Benefits segment on March 1, 2016 mainly through a series of reinsurance transactions with Sun Life Assurance Company of Canada, a subsidiary of Sun Life Financial Inc. (“Sun Life”). See Notes 4 and 5, respectively, for more information.

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 notes required by GAAP for complete financial statements.

The interim financial data as of September 30, 2016 and for the three and nine months ended September 30, 2016 and 2015 is unaudited; in the opinion of management, the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for 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 2016 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”) introduced new and significant premium stabilization programs in 2014. These programs require the Company to record amounts to our consolidated financial statements based on assumptions and estimates that have materially changed in prior periods as experience develops until the Company exits the Health business and settles related receivables. However, given the significant reduction in recoverables under the programs and remaining reserves as of September 30, 2016, the Company believes that such changes will no longer be material to the consolidated financial statements.

Operating results for the three and nine months ended September 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016. 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, 2015.

3. Recent Accounting Pronouncements

Adopted

On January 1, 2016 the Company adopted the amended guidance on presentation of debt issuance costs. This amended guidance requires that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of the debt liabilities, consistent with debt discounts or premiums, as compared to previous guidance that required capitalization as a deferred asset. The recognition and measurement guidance for debt issuance costs is not affected by the amendments. The adoption of this new presentation guidance did not impact the Company’s financial position or results of operations.

On January 1, 2016, the Company adopted the new consolidation guidance that affects reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. The adoption of this new consolidation guidance did not have an impact on the Company's financial position and results of operations.

Not Yet Adopted

In August 2016, the Financial Accounting Standards Board ("FASB") issued amended guidance on presentation and classification in the statement of cash flows. The amendments address certain specific cash flow issues: debt prepayment or debt extinguishment costs; settlement of zero-coupon or insignificant coupon debt instruments; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies); distributions received from equity method investees; beneficial interests in securitization transactions; and guidance related to the identification of the primary source for separately identifiable cash flows. The amended guidance is effective in fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Therefore, the Company is required to adopt the guidance on January 1, 2018. Early adoption is permitted, provided that all of the amendments are adopted in the same period. The Company is evaluating the requirements of this amended presentation and classification guidance and the potential impact on the Company's statement of cash flows.

In June 2016, the FASB issued amended guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. For assets held at amortized cost basis, the amended guidance eliminates the probable recognition threshold, and, instead requires an entity to reflect the current estimate of all expected credit losses. For available for sale debt securities, credit losses are measured in a manner similar to current GAAP, however the amended guidance requires that credit losses be presented as an allowance rather than as a permanent impairment. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amended guidance is effective in fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Therefore, the Company is required to adopt the guidance on January 1, 2020. Early adoption is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is evaluating the requirements of this amended credit losses guidance and the potential impact on the Company's financial position and results of operations.

In March 2016, the FASB issued amended guidance on accounting for employee share-based stock compensation. The updated guidance requires the excess tax benefit or deficiency on vesting or settlement of awards to be recognized in earnings as income tax benefit or expense, respectively. This recognition of excess tax benefits and deficiencies will result in earnings volatility as current accounting guidance recognizes these amounts as an adjustment to additional paid-in capital. The excess tax benefits or deficiencies are discrete items in the reporting period in which they occur, and thus will not be considered in determining the annual estimated effective tax rate. The excess tax benefits or deficiencies will be presented as a cash flow within operating activities instead of within financing activities as is the case under current accounting. The Company will adopt the updated guidance on January 1, 2017 and will recognize excess tax benefits or deficiencies in net income, as well as the related cash flows in operating activities, on a prospective basis. The earnings impact of the adoption will depend on the excess tax benefits or deficiencies realized on vesting or settlement of awards resulting from the difference between the market value of awards at vesting or settlement and the grant date fair value.

In February 2016, the FASB issued new guidance on leases. The new guidance will replace the current lease guidance. The new guidance requires that entities recognize the assets and liabilities associated with leases on the balance sheet and to disclose key information about leasing arrangements. The new guidance is effective in fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Therefore, the Company is required to adopt the guidance on January 1, 2019. Early adoption is permitted. The Company is evaluating the requirements of this new lease guidance and the potential impact on the Company’s financial position and results of operations.

In January 2016, the FASB issued amended guidance on the measurement and classification of financial instruments. This amended guidance requires that all equity investments be measured at fair value with changes in fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The amendments also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the fair value option has been elected for financial liabilities. The amendments eliminate the requirement to disclose the methods and significant assumptions used to estimate the fair value for financial instruments measured at amortized cost, however public business entities will be required to use the exit price when measuring the fair value of financial instruments measured at amortized cost for disclosure purposes. In addition, the new guidance requires financial assets and financial liabilities to be presented separately in the notes to the financial statements, grouped by measurement category and form of financial asset. The amended guidance is effective in fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Therefore, the Company is required to adopt the guidance on January 1, 2018. For the provision related to presentation of financial liabilities, early adoption is permitted for financial statements that have not been previously issued. The Company is evaluating the requirements of this amended measurement and classification of financial instruments guidance and the potential impact on the Company’s financial position and results of operations.

In May 2014, the FASB issued amended guidance on revenue recognition. In March, April and May 2016, the FASB issued implementation amendments to the May 2014 amended revenue recognition guidance. The amended guidance, including the implementation amendments (together, the “amended guidance”), affects any entity that either enters into contracts with customers to transfer goods or services or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. Insurance contracts are within the scope of other standards and therefore are specifically excluded from the scope of the amended revenue recognition guidance. The core principle of the amended guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve the core principle, the entity applies a five step process outlined in the amended guidance. The amended guidance also includes a cohesive set of disclosure requirements. In August 2015, the FASB issued guidance to defer the effective date of the revenue recognition guidance. The amended guidance is effective for interim and annual periods beginning after December 15, 2017 and earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. Therefore, the Company is required to adopt the guidance on January 1, 2018. An entity can choose to apply the amended guidance using either the full retrospective approach or a modified retrospective approach. The Company is evaluating the requirements of the revenue recognition guidance as it relates to its non-insurance contract revenue and the potential impact on the Company’s financial position and results of operations.

4. Reorganization

As previously announced, the Company expects to substantially complete its exit from the health insurance market by the end of 2016. As part of this process, Assurant reinsured its supplemental and small-group self-funded lines of business and sold certain legal entities to National General Holdings Corp. ("National General"), effective October 1, 2015.

Assurant, Inc.
Notes to Consolidated Financial Statements (unaudited)
Three and Nine Months Ended September 30, 2016 and 2015
(In thousands, except number of shares and per share amounts)

The following table presents information regarding exit-related charges, commencing with those taken in the second quarter of 2015:

	Severance and retention	Long-lived asset impairments and contract and lease terminations	Other transaction costs	Total
Balance at January 1, 2015	$—	$ —	$ —	$—
Charges	—	—	—	—
Cash payments	—	—	—	—
Balance at March 31, 2015	$—	$ —	$ —	$—
Charges	14,435	22,307	4,996	41,738
Non-cash adjustment	—	(21,247)	(2,947)	(24,194)
Cash payments	—	—	—	—
Balance at June 30, 2015	$14,435	$ 1,060	$ 2,049	$17,544
Charges	20,927	13	5,795	26,735
Cash payments	(10,728)	(168)	(4,338)	(15,234)
Balance at September 30, 2015	$24,634	$ 905	$ 3,506	$29,045
Charges	16,344	17	795	17,156
Cash payments	(4,413)	(152)	(3,808)	(8,373)
Balance at December 31, 2015	$36,565	$ 770	$ 493	$37,828
Charges	14,561	4,903	(47)	19,417
Cash payments	(16,181)	(136)	(436)	(16,753)
Balance at March 31, 2016	$34,945	$ 5,537	$ 10	$40,492
Charges	6,383	(32)	7	6,358
Cash payments	(15,489)	(214)	(17)	(15,720)
Balance at June 30, 2016	$25,839	$ 5,291	$ —	$31,130
Charges	3,340	(333)	7	3,014
Cash payments	(8,615)	(113)	(7)	(8,735)
Balance at September 30, 2016	20,564	4,845	—	25,409
Amount expected to be incurred, including charges to date	$82,145	$ 26,876	$ 11,553	$120,574
Premium deficiency charges				$182,627
Total amount expected to be incurred, including charges to date				$303,201

Amounts in the above table are primarily included in underwriting, general and administrative expenses on the Consolidated Statements of Operations.
The total amount expected to be incurred is an estimate that is subject to change as facts and circumstances evolve. For instance, severance and retention estimates could change if employees previously identified for separation resign

from the Company before the date through which they are required to be employed in order to receive severance and retention benefits.

The premium deficiency reserve liability decreased from $79,422 at June 30, 2016 to $57,860 at September 30, 2016. The decrease is consistent with the estimate of third quarter utilization expected at June 30, 2016.

Future cash payments, for these exit-related charges, are expected to be substantially complete by December 31, 2016, with remaining payments extending into 2018 as all final wind-down activities are completed.

Assurant, Inc.
Notes to Consolidated Financial Statements (unaudited)
Three and Nine Months Ended September 30, 2016 and 2015
(In thousands, except number of shares and per share amounts)

5. Dispositions

On March 1, 2016, the Company completed the sale of its Assurant Employee Benefits segment through a series of transactions with Sun Life, for net cash consideration of $926,174 and contingent consideration of $16,000 related to specified account renewals. The transaction was primarily structured as a reinsurance arrangement, as well as the sale of certain legal entities that included ceding commission and other consideration. The reinsurance transaction does not extinguish the Company's primary liability on the policies issued or assumed by subsidiaries that are parties to the reinsurance agreements, thus any gains associated with the prospective component of the reinsurance transaction are deferred and amortized over the contract period, including contractual renewal periods, in proportion to the amount of insurance coverage provided. The Company also has an obligation to continue to write and renew certain policies for a period of time until Sun Life commences policy writing and renewal.

The Company was required to allocate the proceeds considering the relative fair value of the transaction components, including the sale of certain legal entities, the reinsurance for existing claims (accounted for as retroactive reinsurance) and reinsurance for inforce policies with remaining terms and future business (primarily accounted for as prospective reinsurance). As of the close date, the Company originally estimated a gain of $638,517 (which was subsequently increased to $640,497 in the second quarter 2016 due to closing adjustments) based on proceeds compared to the relative net assets transferred and other expenses incurred along with realized gains on invested assets transferred. Of this amount, $120,077 was recognized at the close of the transaction and $518,440 (which was subsequently increased to $520,420 in the second quarter due to closing adjustments) was required to be deferred. During the third quarter 2016, the condition for recognition of the $16,000 contingent consideration was met and the Company received this additional cash consideration from Sun Life. The additional consideration was recognized as a realized gain, increasing the total adjusted gain to $656,497.

The total deferred gain amount will primarily be recognized as revenue over the contract period in proportion to the amount of insurance coverage provided, including estimated contractual renewals pursuant to rate guarantees. The Company recognized $116,856 and $284,284 of amortization of the deferred gains for the three and nine months ended September 30, 2016, respectively. The total pre-tax gain recognized during the nine months ended September 30, 2016 was $420,361.

Approximately 70% of the $520,420 deferred gain related to this transaction (including the $284,284 amortized through September 30, 2016) is expected to be earned in 2016 and over 90% is expected to be earned by the end of 2018. The ultimate amortization pattern will be dependent on a number of factors including the exact timing of when Sun Life commences directly writing and renewing policies and the sales and persistency on business the Company is obligated to write and renew in the interim.

Assurant, Inc.
Notes to Consolidated Financial Statements (unaudited)
Three and Nine Months Ended September 30, 2016 and 2015
(In thousands, except number of shares and per share amounts)

The following represents a summary of the pre-tax gain recognized in 2016 by transaction component, as well as the related classification within the financial statements:

Total expected gains, after adjustment and contingent consideration	$	656,497		
Transaction closing gains on March 1, 2016:				
Gain on sale of entities, net of transaction costs	41,098			
Novations, resulting in recognized gains	60,913			(b)
Loss on retroactive reinsurance component, before realized gains	(128,661		)	(c)
Net loss prior to realized gains on transferred securities supporting retroactive component	(26,650		)	(a)
Realized gains on transferred securities supporting retroactive component	146,727			(c)
Net gains realized as of March 1, 2016	120,077			
Realized gains related to contingent consideration	16,000			(d)
Deferred gains as of March 1, 2016, after adjustment	520,420			
Amortization of deferred gains for the three months ended March 31, 2016	44,593			(d)
Amortization of deferred gains for the three months ended June 30, 2016	122,835			(d)
Amortization of deferred gains for the three months ended September 30, 2016	116,856			(d)
Subtotal amortization of deferred gains for the nine	284,284			(d)

months ended September 30, 2016			
Deferred gains as of September 30, 2016	236,136		(e)
Total net gains realized for 2016	$	420,361	

(a) Amount classified within underwriting, general and administrative expenses within the Consolidated Statements of Operations.
(b) Novations of certain insurance policies directly to Sun Life allowed for immediate gain recognition.
(c) Reinsurance of existing claims liabilities requires retroactive accounting necessitating losses to be recognized immediately. However, upon transfer of the associated assets supporting the liabilities, the Company recognized realized gains which more than offset the retroactive losses. The Company was required to classify the realized gains as part of net realized gains on investments, within the Consolidated Statements of Operations.
(d) Amount classified as amortization of deferred gains and gains on disposal of businesses within the Consolidated Statements of Operations.
(e) Amount classified as a component of the deferred gains on disposal of businesses within the Consolidated Balance Sheets.

The Company will review and evaluate the estimates affecting the deferred gain each period or when significant information affecting the estimates becomes known, and will adjust the prospective revenue to be recognized accordingly.

The Assurant Employee Benefits segment pretax income was $16,747 and $49,754 for the nine month periods ending September 30, 2016 and 2015, respectively (excluding the aforementioned gains realized in 2016 which are included in the Corporate & Other segment).

6. Acquisitions

On July 1, 2016, the Company acquired 100% of American Title, Inc., a leader in title and valuation services for home equity lenders. The acquisition-date fair value of the initial cash consideration totaled $44,961, with a possible earn-out payment based on future expected revenue and gross profits. The contingent payment was determined to have no initial value based on the Company's assessment that the underlying conditions would not be met. However, this may change over time, with any resulting adjustments recorded in earnings when a change in estimated payment is determined. In connection with the acquisition, the Company recorded $32,356 of customer and technology-based intangible assets, all of which are amortizable over periods ranging from 1 to 12.5 years, and $8,534 of goodwill, none of which is tax-deductible. The primary factor contributing to the recognition of goodwill is future expected growth of this business within Assurant Specialty Property.

On March 14, 2016, the Company acquired certain renewal rights to the National Flood Insurance Program block of business of Nationwide Mutual Insurance Company. The estimated acquisition-date fair value of the consideration transferred totaled $20,329, which consists of an initial cash payment of $1,000 and an expected contingent payment of $19,329. The contingent consideration arrangement is based on future expected revenue. In connection with this asset acquisition, the Company recorded $20,329 of renewal rights intangible assets which are amortizable over a five-year period. The contingent payment may change over time, with any resulting adjustments recorded in earnings when a change in estimated payment is determined.

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7. Investments

The following tables show the cost or amortized cost, gross unrealized gains and losses, fair value and other-than-temporary impairment ("OTTI") included within accumulated other comprehensive income of the Company's fixed maturity and equity securities as of the dates indicated:

	September 30, 2016				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	OTTI in AOCI (a)
Fixed maturity securities:					
U.S. government and government agencies and authorities	$175,388	$6,130	$(20)	$181,498	$—
States, municipalities and political subdivisions	477,381	43,385	(53)	520,713	—
Foreign governments	524,483	98,714	(46)	623,151	—
Asset-backed	2,782	1,203	(167)	3,818	1,158
Commercial mortgage-backed	40,872	576	(41)	41,407	—
Residential mortgage-backed	893,167	63,020	(57)	956,130	13,840
U.S. corporate	5,110,983	659,093	(5,118)	5,764,958	16,232
Foreign corporate	1,610,866	219,242	(2,192)	1,827,916	2,125
Total fixed maturity securities	$8,835,922	$1,091,363	$(7,694)	$9,919,591	$33,355
Equity securities:					
Common stocks	$12,255	$8,561	$(1)	$20,815	$—
Non-redeemable preferred stocks	380,525	50,022	(745)	429,802	—
Total equity securities	$392,780	$58,583	$(746)	$450,617	$—

	December 31, 2015				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	OTTI in AOCI (a)
Fixed maturity securities:					
U.S. government and government agencies and authorities	$150,681	$3,891	$(537)	$154,035	$—
States, municipalities and political subdivisions	647,335	48,389	(94)	695,630	—
Foreign governments	497,785	65,188	(723)	562,250	—
Asset-backed	3,499	1,367	(204)	4,662	1,285
Commercial mortgage-backed	22,169	352	—	22,521	—
Residential mortgage-backed	953,247	48,676	(3,409)	998,514	15,343
U.S. corporate	5,429,783	513,254	(73,344)	5,869,693	15,705
Foreign corporate	1,766,296	164,295	(22,568)	1,908,023	2,180
Total fixed maturity securities	$9,470,795	$845,412	$(100,879)	$10,215,328	$34,513

Equity securities:					
Common stocks	$13,048	$6,623	$(7)	$19,664	$—
Non-redeemable preferred stocks	437,515	45,495	(2,617)	480,393	—
Total equity securities	$450,563	$52,118	$(2,624)	$500,057	$—

(a) Represents the amount of OTTI recognized in accumulated other comprehensive income ("AOCI"). Amount includes unrealized gains and losses on impaired securities relating to changes in the value of such securities subsequent to the impairment measurement date.

The Company's states, municipalities and political subdivisions holdings are highly diversified across the U.S. 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 September 30, 2016 and December 31, 2015. At September 30, 2016 and December 31, 2015, the securities include general obligation and revenue bonds issued by states, cities, counties, school districts and similar issuers, including $224,255 and $319,654, 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 September 30, 2016 and December 31, 2015, revenue bonds account for 47% and 50% of the holdings, respectively. Excluding pre-refunded revenue bonds, the activities supporting the income streams of the Company's revenue bonds are across a broad range of sectors, primarily highway, water, airport and marina, higher education, specifically pledged tax revenues, and other miscellaneous sources such as bond banks, finance authorities and appropriations.

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 September 30, 2016, approximately 78%, 11% and 4% of the foreign government securities were held in the Canadian government/provincials and the governments of Brazil and Germany, respectively. At December 31, 2015, approximately 79%, 8% and 5% of the foreign government securities were held in the Canadian government/provincials and the governments of Brazil and Germany, respectively. No other country represented more than 3% of the Company's foreign government securities as of September 30, 2016 and December 31, 2015.

The Company has European investment exposure in its corporate fixed maturity and equity securities of $735,779 with a net unrealized gain of $81,256 at September 30, 2016 and $888,923 with a net unrealized gain of $67,957 at December 31, 2015. Approximately 23% and 25% of the corporate European exposure is held in the financial industry at September 30, 2016 and December 31, 2015, respectively. The Company's largest European country exposure (the United Kingdom) represented approximately 4% and 5% of the fair value of the Company's corporate securities as of September 30, 2016 and December 31, 2015, respectively. Approximately 7% of the fair value of the corporate European securities are pound and euro-denominated and are not hedged to U.S. dollars, but held to support those foreign-denominated liabilities. The Company's international investments are managed as part of the overall portfolio with the same approach to risk management and focus on diversification.

The Company has exposure to the energy sector in its corporate fixed maturity securities of $670,295 with a net unrealized gain of $60,856 at September 30, 2016 and $779,720 with a net unrealized loss of $6,985 at December 31, 2015. Approximately 85% and 89% of the energy exposure is rated as investment grade as of September 30, 2016 and December 31, 2015, respectively.

The cost or amortized cost and fair value of fixed maturity securities at September 30, 2016 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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	Cost or Amortized Cost	Fair Value
Due in one year or less	$426,548	$431,700
Due after one year through five years	1,730,460	1,820,154
Due after five years through ten years	2,150,767	2,279,393
Due after ten years	3,591,326	4,386,989
Total	7,899,101	8,918,236
Asset-backed	2,782	3,818
Commercial mortgage-backed	40,872	41,407
Residential mortgage-backed	893,167	956,130
Total	$8,835,922	$9,919,591

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 recognized in the statement of operations as a result of those sales:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Proceeds from sales	$480,593	$621,194	$3,354,841	$1,978,183
Gross realized gains (a)	10,298	15,097	201,282	41,352
Gross realized losses (b)	1,432	6,707	33,003	18,150

(a) Nine months ended September 30, 2016 gross realized gains includes $150,701 related to the sale of Assurant Employee Benefits as described in Note 5.

(b) Nine months ended September 30, 2016 gross realized losses includes $16,427 related to the sale of Assurant Employee Benefits as described in Note 5.

The following table sets forth the net realized gains (losses), including OTTI, recognized in the statement of operations as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net realized gains (losses) related to sales and other:				
Fixed maturity securities	$8,737	$5,638	$154,511	$17,897
Equity securities	(203)	1,449	12,940	3,403
Commercial mortgage loans on real estate	62	—	21,607	—
Other investments	2,108	(177)	5,691	4,134
Total net realized gains related to sales and other (a)	10,704	6,910	194,749	25,434
Net realized losses related to other-than-temporary impairments:				
Fixed maturity securities	—	(707)	(701)	(3,277)

Total net realized losses related to other-than-temporary impairments	—	(707)	(701)	(3,277)
Total net realized gains	$10,704	$6,203	$194,048	$22,157

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(a) Nine months ended September 30, 2016 net gains includes $146,727 related to the sale of Assurant Employee Benefits as described in Note 5.

Other-Than-Temporary Impairments

The Company follows 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, market conditions, etc.) is recorded as a component of other comprehensive income. In instances 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.

There was no OTTI recorded for the three months ended September 30, 2016. For the nine months ended September 30, 2016, the Company recorded $364 of OTTI, of which $701 was related to both credit losses and securities the Company intends to sell and recorded as net OTTI losses recognized in earnings, with the remaining $337 related to all other factors and was recorded as an unrealized gain component of AOCI. For the three and nine months ended September 30, 2015, the Company recorded $1,696 and $4,904, respectively, of OTTI, of which $707 and $3,277, respectively, was related to both credit losses and securities the Company intends to sell and recorded as net OTTI losses recognized in earnings, with the remaining $989 and $1,627, respectively, related to all other factors and was recorded as an unrealized loss component of AOCI.

The following table sets 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.

	Three Months Ended September 30,	
	2016	2015
Balance, June 30,	$29,104	$34,308
Additions for credit loss impairments recognized in the current period on securities not previously impaired	—	51
Reductions for increases in cash flows expected to be collected that are recognized over the remaining life of the security	(851)	(656)
Reductions for credit loss impairments previously recognized on securities which matured, paid down, prepaid or were sold during the period	(597)	(90)
Balance, September 30,	$27,656	$33,613

	Nine Months Ended September 30, 2016	2015
Balance, January 1,	$32,377	$35,424
Additions for credit loss impairments recognized in the current period on securities previously impaired	554	—
Additions for credit loss impairments recognized in the current period on securities not previously impaired	—	2,621
Reductions for increases in cash flows expected to be collected that are recognized over the remaining life of the security	(2,169)	(1,731)
Reductions for credit loss impairments previously recognized on securities which matured, paid down, prepaid or were sold during the period	(3,106)	(2,701)
Balance, September 30,	$27,656	$33,613

The Company regularly monitors its investment portfolio to ensure investments that may be other-than-temporarily impaired are timely identified, 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 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 OTTI, 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.

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The investment category and duration of the Company's gross unrealized losses on fixed maturity securities and equity securities at September 30, 2016 and December 31, 2015 were as follows:

	September 30, 2016					
	Less than 12 months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturity securities:						
U.S. government and government agencies and authorities	$12,003	$(20)	$—	$—	$12,003	$(20)
States, municipalities and political subdivisions	3,947	(53)	—	—	3,947	(53)
Foreign governments	58,031	(2)	6,919	(44)	64,950	(46)
Asset-backed	—	—	1,014	(167)	1,014	(167)
Commercial mortgage-backed	16,784	(41)	—	—	16,784	(41)
Residential mortgage-backed	34,177	(50)	780	(7)	34,957	(57)
U.S. corporate	299,506	(2,279)	70,774	(2,839)	370,280	(5,118)
Foreign corporate	70,303	(449)	20,221	(1,743)	90,524	(2,192)
Total fixed maturity securities	$494,751	$(2,894)	$99,708	$(4,800)	$594,459	$(7,694)
Equity securities:						
Common stock	$339	$(1)	$—	$—	$339	$(1)
Non-redeemable preferred stocks	11,499	(105)	13,762	(640)	25,261	(745)
Total equity securities	$11,838	$(106)	$13,762	$(640)	$25,600	$(746)

	December 31, 2015					
	Less than 12 months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturity securities:						
U.S. government and government agencies and authorities	$90,008	$(465)	$5,564	$(72)	$95,572	$(537)
States, municipalities and political subdivisions	6,881	(94)	—	—	6,881	(94)
Foreign governments	24,071	(347)	22,239	(376)	46,310	(723)
Asset-backed	—	—	1,136	(204)	1,136	(204)
Residential mortgage-backed	260,620	(3,179)	11,147	(230)	271,767	(3,409)
U.S. corporate	1,287,545	(65,631)	38,224	(7,713)	1,325,769	(73,344)
Foreign corporate	348,912	(19,616)	15,805	(2,952)	364,717	(22,568)
Total fixed maturity securities	$2,018,037	$(89,332)	$94,115	$(11,547)	$2,112,152	$(100,879)
Equity securities:						
Common stock	$623	$(7)	$—	$—	$623	$(7)
Non-redeemable preferred stocks	63,665	(1,632)	13,806	(985)	77,471	(2,617)

Total equity securities	$64,288	$(1,639)	$13,806	$(985)	$78,094	$(2,624)

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Total gross unrealized losses represent approximately 1% and 5% of the aggregate fair value of the related securities at September 30, 2016 and December 31, 2015, respectively. Approximately 36% and 88% of these gross unrealized losses have been in a continuous loss position for less than twelve months at September 30, 2016 and December 31, 2015, respectively. The total gross unrealized losses are comprised of 239 and 884 individual securities at September 30, 2016 and December 31, 2015, 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 September 30, 2016 and December 31, 2015. These conclusions were based on a detailed analysis of the underlying credit and expected cash flows of each security. As of September 30, 2016, the gross unrealized losses that have been in a continuous loss position for twelve months or more were concentrated in the Company's U.S. and foreign corporate fixed maturity securities and in non-redeemable preferred stocks. The non-redeemable preferred stocks are perpetual preferred securities that have characteristics of both debt and equity securities. To evaluate these securities, the Company applies an impairment model similar to that used for the Company's fixed maturity securities. As of September 30, 2016, 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, the Company 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 September 30, 2016, the Company did not intend to sell the 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 entered into commercial mortgage loans, collateralized by the underlying real estate, on properties located throughout the U.S. and Canada. At September 30, 2016, approximately 34% of the outstanding principal balance of commercial mortgage loans was concentrated in the states of California, Texas, and Oregon. 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 $7 to $12,671 at September 30, 2016 and from $17 to $14,625 at December 31, 2015.

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 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. The loan-to-value and debt-service coverage ratios are generally updated annually in the third quarter.

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The following summarizes the Company's loan-to-value and average debt-service coverage ratios as of the dates indicated:

	September 30, 2016		
Loan-to-Value	Carrying Value	% of Gross Mortgage Loans	Debt-Service Coverage Ratio
70% and less	$557,398	93.3 %	1.94
71 – 80%	15,876	2.6 %	1.17
81 – 95%	19,497	3.3 %	1.23
Greater than 95%	4,816	0.8 %	3.86
Gross commercial mortgage loans	597,587	100 %	1.91
Less valuation allowance	(2,520)		
Net commercial mortgage loans	$595,067		

	December 31, 2015		
Loan-to-Value	Carrying Value	% of Gross Mortgage Loans	Debt-Service Coverage Ratio
70% and less	$1,101,572	95.5 %	2.01
71 – 80%	39,080	3.4 %	1.19
81 – 95%	8,370	0.7 %	1.05
Greater than 95%	4,816	0.4 %	3.52
Gross commercial mortgage loans	1,153,838	100 %	1.98
Less valuation allowance	(2,582)		
Net commercial mortgage loans	$1,151,256		

All commercial mortgage loans that are individually impaired have an established mortgage loan valuation allowance for losses. An additional valuation allowance is established for incurred, but not specifically identified impairments. Changing economic conditions affect the Company's valuation of commercial mortgage loans. Changing vacancies and rents are incorporated into the discounted cash flow analysis that the Company performs 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, the Company continues to monitor the entire commercial mortgage loan portfolio to identify risk. Areas of emphasis are properties that have exposure to specific geographic events, have deteriorating credits or have experienced a reduction in debt-service coverage ratio.

Commercial Mortgage Loan Securitization

On May 31, 2016, the Company transferred $259,741 of certain commercial mortgage loans on real estate into a trust. Upon transfer, the loans were securitized as a source of funding for the Company and as a means of transferring the economic risk of the loans to third parties. The securitized assets are legally isolated from the creditors of the Company and are not available to satisfy its obligations. The securitization of the assets was accounted for as a sale. The securitized assets can only be used to settle obligations of the trust. The Company does not have the power to direct the activities of the trust, nor does it provide guarantees or recourse to the trust other than standard representations and warranties. The Company retained an interest in the trust in the form of subordinate securities issued by the trust. The trust is a variable interest entity ("VIE") that the Company does not consolidate.

The cash proceeds, including accrued investment income, from the securitization were $269,828, with a corresponding realized gain of $9,092. At closing, the Company purchased $30,822 of securities at fair value from the trust. As of September 30, 2016, the maximum loss exposure the Company has to the trust is $29,709. The Company calculates its maximum loss exposure based on the unlikely event that all the assets in the trust become worthless and the effect it would have on the Company's consolidated balance sheets based upon its retained interest in the trust. The securities purchased from the trust are included within fixed maturity securities available for sale at fair value on the consolidated balance sheet and are part of the

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Company’s ongoing other-than-temporary impairment review. See Note 8, Fair Values, Inputs, and Valuation Techniques for Financial Assets and Liabilities Disclosures for further description of the Company’s fair value inputs and valuation techniques.

Variable Interest Entities

A VIE is a legal entity which does 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. The Company's investments in VIEs include private equity limited partnerships and real estate joint ventures. These investments are generally accounted for under the equity method and included in the consolidated balance sheets in other investments. The Company's maximum exposure to loss with respect to these investments is limited to the investment carrying amounts reported in the Company's consolidated balance sheet in addition to any required unfunded commitments. As of September 30, 2016, the Company's maximum exposure to loss is $284,379 in recorded carrying value and $67,438 in unfunded commitments. See Commercial Mortgage Loan Securitization section above for the disclosures relating to the commercial mortgage loan securitization trust.

8. 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 takes into account 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 can 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.

The Company reviews fair value hierarchy classifications on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy.

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The following tables present the Company’s fair value hierarchy for assets and liabilities measured at fair value on a recurring basis as of September 30, 2016 and December 31, 2015. The amounts presented below for Other investments, Cash equivalents, Other assets, Assets and Liabilities held in separate accounts 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, modified coinsurance arrangements and other derivatives. Other liabilities are comprised of investments in the Assurant Investment Plan and other derivatives. The fair value amount and the majority of the associated levels presented for Other investments and Assets and Liabilities held in separate accounts are received directly from third parties.

	September 30, 2016						
	Total	Level 1		Level 2		Level 3	
Financial Assets							
Fixed maturity securities:							
U.S. government and government agencies and authorities	$181,498	$—		$181,498		$—	
State, municipalities and political subdivisions	520,713	—		520,713		—	
Foreign governments	623,151	1,023		622,128		—	
Asset-backed	3,818	—		3,818		—	
Commercial mortgage-backed	41,407	—		11,647		29,760	
Residential mortgage-backed	956,130	—		956,130		—	
U.S. corporate	5,764,958	—		5,719,004		45,954	
Foreign corporate	1,827,916	—		1,793,114		34,802	
Equity securities:							
Common stocks	20,815	20,132		683		—	
Non-redeemable preferred stocks	429,802	—		427,502		2,300	
Short-term investments	396,598	189,759	b	206,839	c	—	
Other investments	287,751	64,122	a	221,822	c	1,807	d
Cash equivalents	732,808	730,923	b	1,885	c	—	
Other assets	9,745	—		9,453	e	292	e
Assets held in separate accounts	1,695,591	1,519,566	a	176,025	c	—	
Total financial assets	$13,492,701	$2,525,525		$10,852,261		$114,915	
Financial Liabilities							
Other liabilities	$88,406	$64,122	a	$22	e	$24,262	e
Liabilities related to separate accounts	1,695,591	1,519,566	a	176,025	c	—	
Total financial liabilities	$1,783,997	$1,583,688		$176,047		$24,262	

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	December 31, 2015						
	Total	Level 1		Level 2		Level 3	
Financial Assets							
Fixed maturity securities:							
U.S. government and government agencies and authorities	$154,035	$—		$154,035		$—	
State, municipalities and political subdivisions	695,630	—		695,630		—	
Foreign governments	562,250	944		561,306		—	
Asset-backed	4,662	—		4,662		—	
Commercial mortgage-backed	22,521	—		22,317		204	
Residential mortgage-backed	998,514	—		998,514		—	
U.S. corporate	5,869,693	—		5,835,189		34,504	
Foreign corporate	1,908,023	—		1,879,381		28,642	
Equity securities:							
Common stocks	19,664	18,981		683		—	
Non-redeemable preferred stocks	480,393	—		478,143		2,250	
Short-term investments	508,950	453,335	b	55,615	c	—	
Other investments	253,708	62,076	a	189,407	c	2,225	d
Cash equivalents	908,936	907,248	b	1,688	c	—	
Other assets	1,320	—		886	e	434	e
Assets held in separate accounts	1,750,556	1,570,000	a	180,556	c	—	
Total financial assets	$14,138,855	$3,012,584		$11,058,012		$68,259	
Financial Liabilities							
Other liabilities	$89,765	$62,076	a	$6	e	$27,683	e
Liabilities related to separate accounts	1,750,556	1,570,000	a	180,556	c	—	
Total financial liabilities	$1,840,321	$1,632,076		$180,562		$27,683	

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 other derivatives.

There were no transfers between Level 1 and Level 2 financial assets during either period. However, there were transfers between Level 2 and Level 3 financial assets during the periods, which are reflected in the “Transfers in” and “Transfers out” columns below. Transfers between Level 2 and Level 3 most commonly occur from changes in the availability of observable market information and re-evaluation of the observability of pricing inputs. Any remaining unpriced securities are submitted to independent brokers who provide non-binding broker quotes or are priced by other qualified sources.

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The following tables summarize the change in balance sheet carrying value associated with Level 3 financial assets and liabilities carried at fair value during the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30, 2016							
	Balance, beginning of period	Total (losses) gains (realized/ unrealized) included in earnings (1)	Net unrealized (losses) gains included in other comprehensive income (2)	Purchases	Sales	Transfers in (3)	Transfers out (3)	Balance, end of period
Financial Assets								
Fixed Maturity Securities								
States, municipalities and political subdivisions	$3,000	$ —	$ —	$—	$(3,000)	$ —	$—	$—
Commercial mortgage-backed	31,009	(995)	(203)	—	(51)	—	—	29,760
U.S. corporate	64,707	149	(59)	5,121	(339)	—	(23,625)	45,954
Foreign corporate	28,643	11	502	885	(58)	4,819	—	34,802
Equity Securities								
Non-redeemable preferred stocks	2,300	—	—	—	—	—	—	2,300
Other investments	857	984	(14)	—	(20)	—	—	1,807
Other assets	297	(5)	—	—	—	—	—	292
Financial Liabilities								
Other liabilities	(25,978)	1,811	—	(95)	—	—	—	(24,262)
Total level 3 assets and liabilities	$104,835	$ 1,955	$ 226	$ 5,911	$(3,468)	$ 4,819	$(23,625)	$90,653

	Three Months Ended September 30, 2015						
	Balance, beginning of period	Total gains (losses) (realized/ unrealized) included in earnings (1)	Net unrealized (losses) gains included in other comprehensive income (2)	Purchases	Sales	Transfers out (3)	Balance, end of period
Financial Assets							
Fixed Maturity Securities							
Commercial mortgage-backed	$304	$ —	$ (2)	$ —	$(47)	$—	$255

Residential mortgage-backed	—	1	(104)	9,721	—	—	9,618
U.S. corporate	46,516	(1)	296	—	(613)	(10,819)	35,379
Foreign corporate	3,294	19	(18)	—	(7)	—	3,288
Equity Securities							
Non-redeemable preferred stocks	2,120	—	(40)	—	—	—	2,080
Other investments	2,381	58	(12)	—	(24)	—	2,403
Other assets	788	(187)	—	—	—	—	601
Financial Liabilities							
Other liabilities	(28,577)	845	—	—	(77)	—	(27,809)
Total level 3 assets and liabilities	$26,826	$ 735	$ 120	$ 9,721	$(768)	$(10,819)	$25,815

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	Nine Months Ended September 30, 2016							
	Balance, beginning of period	Total (losses) gains (realized/ unrealized) included in earnings (1)	Net unrealized gains (losses) included in other comprehensive income (2)	Purchases	Sales	Transfers in (3)	Transfers out (3)	Balance, end of period
Financial Assets								
Fixed Maturity Securities								
States, municipalities and political subdivisions	$—	$ —	$ —	$ 3,600	$ (3,600)	$ —	$—	$—
Commercial mortgage-backed	204	(1,286)	170	30,822	(150)	—	—	29,760
U.S. corporate	34,504	427	1,321	27,737	(1,985)	12,406	(28,456)	45,954
Foreign corporate	28,642	42	1,196	885	(782)	4,819	—	34,802
Equity Securities								
Non-redeemable preferred stocks	2,250	—	50	—	—	—	—	2,300
Other investments	2,225	(315)	(34)	—	(69)	—	—	1,807
Other assets	434	(142)	—	—	—	—	—	292
Financial Liabilities								
Other liabilities	(27,683)	3,516	—	(95)	—	—	—	(24,262)
Total level 3 assets and liabilities	$ 40,576	$ 2,242	$ 2,703	$ 62,949	$ (6,586)	$ 17,225	$ (28,456)	$ 90,653

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	Nine Months Ended September 30, 2015							
	Balance, beginning of period	Total gains (losses) (realized/ unrealized) included in earnings (1)	Net unrealized (losses) gains included in other comprehensive income (2)	Purchases	Sales	Transfers in (3)	Transfers out (3)	Balance, end of period
Financial Assets								
Fixed Maturity Securities								
Commercial mortgage-backed	$403	$—	$ (8)	$—	$(140)	$—	$—	$255
Residential mortgage-backed	4,645	1	(104)	9,721	—	—	(4,645)	9,618
U.S. corporate	100,133	(113)	(359)	6,523	(5,207)	2,130	(67,728)	35,379
Foreign corporate	4,142	699	(509)	—	(1,044)	—	—	3,288
Equity Securities								
Non-redeemable preferred stocks	2,000	—	80	—	—	—	—	2,080
Other investments	2,121	153	(27)	—	(80)	236	—	2,403
Other assets	807	(206)	—	—	—	—	—	601
Financial Liabilities								
Other liabilities	(25,233)	(2,576)	—	77	(77)	—	—	(27,809)
Total level 3 assets and liabilities	$89,018	$ (2,042)	$ (927)	$ 16,321	$(6,548)	$ 2,366	$(72,373)	$25,815

(1) Included as part of net realized gains on investments in the consolidated statement of operations.
(2) Included as part of change in unrealized gains on securities in the consolidated statement of comprehensive income.
(3) Transfers are primarily attributable to changes in the availability of observable market 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, the Company uses valuation techniques consistent with the market approach including matrix pricing and comparables. Matrix pricing is a mathematical technique employed principally to value debt securities without relying exclusively on quoted prices for those securities but, rather, 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 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, the Company may use one or more valuation techniques. For all the classes of financial assets and liabilities included in the above hierarchy, excluding

certain derivatives and certain privately placed corporate bonds, the Company generally uses the market valuation technique. For certain privately placed corporate bonds and certain derivatives, the Company generally uses the income valuation technique. For the periods ended September 30, 2016 and December 31, 2015, the application of the valuation technique applied to the Company's classes of financial assets and liabilities has been consistent.

Level 1 Securities

The Company's investments and liabilities classified as Level 1 as of September 30, 2016 and December 31, 2015, consisted of mutual funds and money market funds, foreign government fixed maturities and common stocks that are publicly listed and/or actively traded in an established market.

Level 2 Securities

The Company values Level 2 securities using various observable market inputs obtained from a pricing service. The pricing service prepares estimates of fair value measurements for the Company's 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 Company uses the following observable market inputs ("standard inputs"), listed in the approximate order of priority, 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 including market research data. Further details for Level 2 investment types follow:

United States Government and government agencies and authorities: U.S. government and government agencies and authorities securities are priced by the Company's pricing service utilizing standard inputs. Included in this category are U.S. Treasury securities which are priced using vendor trading platform data in addition to the standard inputs.

State, municipalities and political subdivisions: State, municipalities and political subdivisions securities are priced by the Company's pricing service using material event notices and new issue data inputs in addition to the standard inputs.

Foreign governments: Foreign government securities are primarily fixed maturity securities denominated in Canadian dollars which are priced by the Company's pricing service using standard inputs. The pricing service also evaluates each security based on relevant market information including relevant credit information, perceived market movements and sector news.

Commercial mortgage-backed, residential mortgage-backed and asset-backed: Commercial mortgage-backed, residential mortgage-backed and asset-backed securities are priced by the Company's pricing service using monthly payment information and collateral performance information in addition to the standard inputs. Additionally, commercial mortgage-backed securities and asset-backed securities utilize new issue data while residential mortgage-backed securities utilize vendor trading platform data.

Corporate: Corporate securities are priced by the Company's pricing service using standard inputs. Non-investment grade securities within this category are priced by the Company's pricing service using observations of equity and credit default swap curves related to the issuer in addition to the standard inputs. Certain privately placed corporate bonds are priced by a non-pricing service source using a model with observable inputs including, but not limited to, the credit rating, credit spreads, sector add-ons, and issuer specific add-ons.

Non-redeemable preferred stocks: Non-redeemable preferred stocks are priced by the Company's pricing service using observations of equity and credit default swap curves related to the issuer in addition to the standard inputs.
Short-term investments, other investments, cash equivalents, and assets/liabilities held in separate accounts: To price the fixed maturity securities in these categories, the pricing service utilizes the standard inputs.
Other assets: A non-pricing service source prices foreign exchange forwards using a pricing model which utilizes market observable inputs including foreign exchange spot rate, forward points and date to settlement.

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Valuation models used by the pricing service 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. If the Company cannot corroborate the non-binding broker quotes with Level 2 inputs, these securities are categorized as Level 3 securities.

Level 3 Securities

The Company's investments classified as Level 3 as of September 30, 2016 and December 31, 2015 consisted of fixed maturity and equity securities and derivatives. All of the Level 3 fixed maturity and equity securities are priced using non-binding broker quotes which cannot be corroborated with Level 2 inputs. Of the Company's total Level 3 fixed maturity and equity securities $3,084 and $304 were priced by a pricing service using single broker quotes due to insufficient information to provide an evaluated price as of September 30, 2016 and December 31, 2015, respectively. The single broker quotes are provided by market makers or broker-dealers who are recognized as market participants in the markets in which they are providing the quotes. The remaining $109,933 and $65,600 were priced internally using independent and non-binding broker quotes as of September 30, 2016 and December 31, 2015, respectively. The inputs factoring into the broker quotes include trades in the actual bond being priced, trades of comparable bonds, quality of the issuer, optionality, structure and liquidity. Significant changes in interest rates, issuer credit, liquidity, and overall market conditions would result in a significantly lower or higher broker quote. The prices received from both the pricing service and internally are reviewed for reasonableness by management and if necessary, management works with the pricing service or broker to further understand how they developed their price. Further details on Level 3 derivative investment types follow:

Other investments and other liabilities: The Company prices swaptions using a Black-Scholes pricing model incorporating third-party market data, including swap volatility data. The Company prices credit default swaps using non-binding quotes provided by market makers or broker-dealers who are recognized as market participants. Inputs factored into the non-binding quotes include trades in the actual credit default swap which is being priced, trades in comparable credit default swaps, quality of the issuer, structure and liquidity. The net option related to the investment in Iké is valued using an income approach; specifically, a Monte Carlo simulation option pricing model. The inputs to the model include, but are not limited to, the projected normalized earnings before interest, tax, depreciation, and amortization (EBITDA) and free cash flow for the underlying asset, the discount rate, and the volatility of and the correlation between the normalized EBITDA and the value of the underlying asset. Significant increases (decreases) in the projected normalized EBITDA relative to the value of the underlying asset in isolation would result in a significantly higher (lower) fair value.

Other assets: A non-pricing service source prices certain derivatives 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
- 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 the Company's financial assets in the fair value hierarchy.

For the net option, the Company performs a periodic analysis to assess if the evaluated price represents a reasonable estimate of the fair value for the financial liability. This process involves quantitative and qualitative analysis overseen by finance and accounting professionals. Examples of procedures performed include, but are not limited to, initial and on-going review of the pricing methodology and review of the projection for the underlying asset including the probability distribution of possible scenarios.

Disclosures for Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

The Company also measures the fair value of certain assets and liabilities 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 utilizes both the income and market valuation approaches to measure the fair value of its reporting units when required. Under the income approach, the Company determined the fair value of the reporting units considering distributable earnings, which were estimated from operating plans. The resulting cash flows were then discounted using a market participant weighted average cost of capital estimated for the reporting units. After discounting the future discrete earnings to their present value, the Company estimated the terminal value attributable to the years beyond the discrete operating plan period. The discounted terminal value was then added to the aggregate discounted distributable earnings from the discrete operating plan period to estimate the fair value of the reporting units. Under the market approach, the Company derived the fair value of the reporting units based on various financial multiples, including but not limited to: price to tangible book value of equity, price to estimated 2014 earnings and price to estimated 2015 earnings, which were estimated based on publicly available data related to comparable guideline companies. In addition, financial multiples were 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 was more heavily weighted towards the income approach because in the current economic environment the earnings capacity of a business is generally considered the most important factor in the valuation of a business enterprise. This fair value determination was categorized as Level 3 (unobservable) in the fair value hierarchy.

Fair Value of Financial Instruments Disclosures

The financial instruments guidance requires disclosure of fair value information about financial instruments, 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 (such as partnerships).

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

- Other investments
- Other assets
- Assets held in separate accounts
- Other liabilities
- Liabilities related to separate accounts

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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: the fair values of mortgage loans are estimated using discounted cash flow models. The model inputs include mortgage amortization schedules and loan provisions, an internally developed credit spread based on the credit risk associated with the borrower and the U.S. Treasury spot curve. Mortgage loans with similar characteristics are aggregated for purposes of the calculations.

Policy loans: the carrying value of policy loans reported in the consolidated balance sheets approximates fair value.

Other investments: Other investments include equity investments accounted for under the cost method, Certified Capital Company and low income housing tax credits, business debentures, credit tenant loans and social impact loans which are recorded at cost or amortized cost. The carrying value reported for these investments approximates fair value. Due to the nature of these investments, there is a lack of liquidity in the primary market which results in the holdings being classified as Level 3.

Policy reserves under investment products: the fair values for the Company’s policy reserves under investment products are determined using discounted cash flow analysis. Key inputs to the valuation include projections of policy cash flows, reserve run-off, market yields and risk margins.

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 utilizing the standard inputs. The carrying value of the promissory note approximates fair value due to the short maturity of the instrument.

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The following tables disclose the carrying value, fair value amount and hierarchy level of the financial instruments that are not recognized or are not carried at fair value in the consolidated balance sheets:

	September 30, 2016				
		Fair Value			
	Carrying Value	Total	Level 1	Level 2	Level 3
Financial Assets					
Commercial mortgage loans on real estate	$595,067	$624,664	$—	$—	$624,664
Policy loans	40,113	40,113	40,113	—	—
Other investments	39,806	39,806	—	—	39,806
Total financial assets	$674,986	$704,583	$40,113	$—	$664,470
Financial Liabilities					
Policy reserves under investment products (Individual and group annuities, subject to discretionary withdrawal) (1)	$661,578	$695,184	$—	$—	$695,184
Funds withheld under reinsurance	106,924	106,924	106,924	—	—
Debt	1,165,557	1,308,559	—	1,308,559	—
Total financial liabilities	$1,934,059	$2,110,667	$106,924	$1,308,559	$695,184

	December 31, 2015				
		Fair Value			
	Carrying Value	Total	Level 1	Level 2	Level 3
Financial Assets					
Commercial mortgage loans on real estate	$1,151,256	$1,201,806	$—	$—	$1,201,806
Policy loans	43,858	43,858	43,858	—	—
Other investments	27,534	27,534	—	—	27,534
Total financial assets	$1,222,648	$1,273,198	$43,858	$—	$1,229,340
Financial Liabilities					
Policy reserves under investment products (Individual and group annuities, subject to discretionary withdrawal) (1)	$666,068	$676,586	$—	$—	$676,586
Funds withheld under reinsurance	94,417	94,417	94,417	—	—
Debt	1,164,656	1,250,602	—	1,250,602	—
Total financial liabilities	$1,925,141	$2,021,605	$94,417	$1,250,602	$676,586

(1) 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.

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, 2015.

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.

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The Company carries an allowance for doubtful accounts for reinsurance recoverables of $314 as of September 30, 2016 and $10,820 as of December 31, 2015.

9. Debt

On March 28, 2013, the Company issued two series of senior notes with an aggregate principal amount of $700,000 (the “2013 Senior Notes”). The Company received net proceeds of $698,093 from this transaction, which represents the principal amount less the discount before offering expenses. The discount of $1,907 is being amortized over the life of the 2013 Senior Notes and is included as part of interest expense on the consolidated statements of operations. The first series is $350,000 in principal amount, bears interest at 2.50% per year and is payable in a single installment due March 15, 2018 and was issued at a 0.18% discount. The second series is $350,000 in principal amount, bears interest at 4.00% per year and is payable in a single installment due March 15, 2023 and was issued at a 0.37% discount. Interest on the 2013 Senior Notes is payable semi-annually on March 15 and September 15 of each year. The 2013 Senior Notes are unsecured obligations and rank equally with all of the Company’s other senior unsecured indebtedness. The Company may redeem each series of the 2013 Senior Notes in whole or in part at any time and from time to time before their maturity at the redemption price set forth in the Indenture. The 2013 Senior Notes are registered under the Securities Act of 1933, as amended.

The interest expense and related amortization incurred related to the 2013 Senior Notes was $5,947 and $5,747 for the three months ended September 30, 2016 and 2015, respectively, and $17,837 and $17,240 for the nine months ended September 30, 2016 and 2015, respectively. There was $948 of accrued interest at both September 30, 2016 and 2015. The Company made interest payments on the 2013 Senior Notes of $11,375 on March 15, 2016 and 2015 and September 15, 2016 and 2015.

In February 2004, the Company issued two series of senior notes with an aggregate principal amount of $975,000 (the “2004 Senior Notes”). The Company received proceeds of $971,537 from this transaction, which represents the principal amount less the discount before offering expenses. The discount of $3,463 is being amortized over the life of the 2004 Senior Notes and is included as part of interest expense on the statements of operations. The first series was $500,000 in principal amount, issued at a 0.11% discount, bore interest at 5.63% per year and was repaid on February 18, 2014. 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. Interest on the 2004 Senior Notes is payable semi-annually on February 15 and August 15 of each year. The 2004 Senior Notes are unsecured obligations and rank equally with all of the Company’s other senior unsecured indebtedness. The 2004 Senior Notes are not redeemable prior to maturity. All of the holders of the 2004 Senior Notes exchanged their notes in May 2004 for new notes registered under the Securities Act of 1933, as amended.

The interest expense and related amortization incurred related to the 2004 Senior Notes was $8,058 and $8,032 for the three months ended September 30, 2016 and 2015, respectively, and $24,172 and $24,095 for the nine months ended September 30, 2016 and 2015, respectively. There was $4,008 of accrued interest at both September 30, 2016 and 2015. The Company made interest payments on the 2004 Senior Notes of $16,031 on February 15, 2016 and 2015 and August 15, 2016 and 2015.

Promissory Note

On March 4, 2016, the Company entered into a private loan agreement in the form of a Promissory Note (the "Note") with a single financial institution, for an aggregate principal amount of $250,000. The Company received net proceeds of $249,625 from this transaction, which represented the principal amount less fees. Interest on the Note was a floating rate tied to LIBOR and was payable at least quarterly. The Note was payable in a single installment due

March 3, 2017; however, terms of the agreement required that the Company promptly repay the loan with any dividends received from Union Security Insurance Company and Union Security Life Insurance Company of New York, the Company's wholly owned subsidiaries that received the cash proceeds related to the sale of the Assurant Employee Benefits segment, or the issuance of debt or equity securities (other than in connection with employee benefit plans).

On June 2, 2016, the Company repaid $50,000 of the principal balance of the Note. Following the receipt of a dividend from Union Security Insurance Company on June 23, 2016, the Company made a final payment of $200,223, which represented the remaining principal amount plus accrued interest and fees.

The interest expense and related fee amortization incurred related to the Note was $1,731 for the nine months ended September 30, 2016.

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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. This program is currently backed up by a $400,000 senior revolving credit facility, of which $395,960 was available at September 30, 2016, due to $4,040 of outstanding letters of credit related to this program.

On September 16, 2014, the Company entered into a five-year unsecured $400,000 revolving credit agreement, as amended by Amendment No. 1, dated as of March 5, 2015, and Amendment No. 2, dated as of October 4, 2016 (the "2014 Credit Facility"), with a syndicate of banks arranged by JP Morgan Chase Bank, N.A. and Wells Fargo, N.A. The 2014 Credit Facility replaced the Company's prior four-year $350,000 revolving credit facility (the "2011 Credit Facility"), which was entered into on September 21, 2011 and was scheduled to expire in September 2015. The 2011 Credit Facility terminated upon the effectiveness of the 2014 Credit Facility. The 2014 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 $400,000 and is available until September 2019, provided the Company is in compliance with all covenants. The 2014 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 may increase the total amount available under the 2014 Credit Facility to $525,000 subject to certain conditions. No bank is obligated to provide commitments above their share of the $400,000 facility.

The Company did not use the commercial paper program during the nine months ended September 30, 2016 and 2015 and there were no amounts relating to the commercial paper program outstanding at September 30, 2016 and December 31, 2015. The Company made no borrowings using the 2014 Credit Facility and no loans are outstanding at September 30, 2016.

The 2014 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 September 30, 2016, the Company was in compliance with all covenants, minimum ratios and thresholds.

10. Accumulated Other Comprehensive Income

Certain amounts included in the consolidated statements of comprehensive income are net of reclassification adjustments. The following tables summarize those reclassification adjustments (net of taxes):

	Three Months Ended September 30, 2016				
	Foreign currency translation adjustment	Unrealized gains on securities	OTTI	Pension under-funding	Accumulated other comprehensive income
Balance at June 30, 2016	$(273,398)	$641,255	$21,375	$(61,978)	$ 327,254
Change in accumulated other comprehensive (loss) income before reclassifications	(15,966)	19,593	302	—	3,929
Amounts reclassified from accumulated other comprehensive income	—	(3,259)	4	178	(3,077)
Net current-period other comprehensive (loss)	(15,966)	16,334	306	178	852

income					
Balance at September 30, 2016	$(289,364)	$657,589	$21,681	$(61,800)	$ 328,106

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	Three Months Ended September 30, 2015				
	Foreign currency translation adjustment	Unrealized gains on securities	OTTI	Pension under-funding	Accumulated other comprehensive income
Balance at June 30, 2015	$(173,511)	$627,477	$25,419	$(130,966)	$ 348,419
Change in accumulated other comprehensive (loss) income before reclassifications	(68,499)	(27,931)	(1,947)	—	(98,377)
Amounts reclassified from accumulated other comprehensive income	—	(6,788)	33	2,751	(4,004)
Net current-period other comprehensive (loss) income	(68,499)	(34,719)	(1,914)	2,751	(102,381)
Balance at September 30, 2015	$(242,010)	$592,758	$23,505	$(128,215)	$ 246,038

	Nine Months Ended September 30, 2016				
	Foreign currency translation adjustment	Unrealized gains on securities	OTTI	Pension under-funding	Accumulated other comprehensive income
Balance at December 31, 2015	$(270,734)	$495,443	$22,434	$(128,594)	$ 118,549
Change in accumulated other comprehensive (loss) income before reclassifications	(18,630)	265,874	(1,072)	85,029	331,201
Amounts reclassified from accumulated other comprehensive income	—	(103,728)	319	(18,235)	(121,644)
Net current-period other comprehensive (loss) income	(18,630)	162,146	(753)	66,794	209,557
Balance at September 30, 2016	$(289,364)	$657,589	$21,681	$(61,800)	$ 328,106

	Nine Months Ended September 30, 2015				
	Foreign currency translation adjustment	Unrealized gains on securities	OTTI	Pension under-funding	Accumulated other comprehensive income
Balance at December 31, 2014	$(127,711)	$793,082	$26,594	$(136,198)	$ 555,767
Change in accumulated other comprehensive (loss) income before reclassifications	(114,299)	(183,058)	(4,417)	—	(301,774)
Amounts reclassified from accumulated other comprehensive income	—	(17,266)	1,328	7,983	(7,955)
Net current-period other comprehensive (loss) income	(114,299)	(200,324)	(3,089)	7,983	(309,729)
Balance at September 30, 2015	$(242,010)	$592,758	$23,505	$(128,215)	$ 246,038

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The following tables summarize the reclassifications out of accumulated other comprehensive income for the three and nine months ended September 30, 2016 and 2015:

Details about accumulated other comprehensive income components	Amount reclassified from accumulated other comprehensive income Three Months Ended September 30, 2016	2015	Affected line item in the statement where net income is presented
Unrealized gains on securities	$ (5,015)	$ (10,443)	Net realized gains on investments, excluding other-than-temporary impairment losses
	1,756	3,655	Provision for income taxes
	$ (3,259)	$ (6,788)	Net of tax
OTTI	$ 5	$ 51	Portion of net loss recognized in other comprehensive income, before taxes
	(1)	(18)	Provision for income taxes
	$ 4	$ 33	Net of tax
Amortization of pension and postretirement unrecognized net periodic benefit cost:			
Amortization of prior service cost	$ —	$ (48)	(1)
Amortization of net loss	274	4,280	(1)
	274	4,232	Total before tax
	(96)	(1,481)	Provision for income taxes
	$ 178	$ 2,751	Net of tax
Total reclassifications for the period	$ (3,077)	$ (4,004)	Net of tax

Details about accumulated other comprehensive income components	Amount reclassified from accumulated other comprehensive income Nine Months Ended September 30, 2016	2015	Affected line item in the statement where net income is presented
Unrealized gains on securities	$ (159,582)	$ (26,563)	Net realized gains on investments, excluding other-than-temporary impairment losses
	55,854	9,297	Provision for income taxes
	(103,728)	(17,266)	Net of tax
OTTI	490	2,043	Portion of net loss recognized in other comprehensive income, before taxes
	(171)	(715)	Provision for income taxes
	$ 319	$ 1,328	Net of tax

Amortization of pension and postretirement unrecognized net periodic benefit cost:			
Amortization of prior service cost	$—	$(98)	(1)
Amortization of net loss	1,524	12,380	(1)
Gain on pension plan curtailment	(29,578)	—	Gain on pension plan curtailment
	(28,054)	12,282	Total before tax
	9,819	(4,299)	Provision for income taxes
	(18,235)	7,983	Net of tax
Total reclassifications for the period	$(121,644)	$(7,955)	Net of tax

(1) These accumulated other comprehensive income components are included in the computation of net periodic pension cost. See Note 14 - Retirement and Other Employee Benefits for additional information.

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11. Stock Based Compensation
Long-Term Equity Incentive Plan
Under the Assurant, Inc. Long-Term Equity Incentive Plan ("ALTEIP"), as amended and restated in May 2010, the Company is authorized to issue up to 5,300,000 new shares of the Company's common stock to employees, officers and non-employee directors. Under the ALTEIP, the Company may grant awards based on shares of its 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 share-based grants are awarded under the ALTEIP.
The Compensation Committee of the Board of Directors (the "Compensation Committee") awards PSUs and RSUs annually. 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 are based on salary grade and performance and generally 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, however, issuance of vested shares is deferred until separation from Board service. 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.
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 Securities Exchange Act of 1934, as amended (the "Exchange Act")). The Compensation Committee reviews these grants semi-annually. Restricted stock and RSUs granted under this program may have different vesting periods.
The fair value of RSUs is estimated using the fair market value of a share of the Company's common stock at the date of grant. The fair value of PSUs is estimated using the Monte Carlo simulation model. The number of shares a participant will receive upon vesting of a PSU award is contingent upon the Company's performance with respect to selected metrics, as identified below. The payout levels for 2016 awards can vary between 0% and 200% (maximum) of the target (100%) ALTEIP award amount and the payout levels for 2015 awards and prior can vary between 0% and 150% (maximum) of the target (100%) ALTEIP award amount, based on the Company's level of performance against the selected metrics.
2016 PSU Performance Goals. The Compensation Committee established total shareholder return and net operating earnings per diluted share, excluding reportable catastrophe losses, as the two equally weighted performance measures for PSU awards in 2016. Total shareholder return is defined as appreciation in Company stock plus dividend yield to stockholders and will be measured by the performance of the Company relative to the S&P 500 Index over the three-year performance period. Net operating earnings per diluted share, excluding reportable catastrophe losses, is a Company-specific profitability metric and is defined as the Company's net operating earnings, excluding reportable catastrophe losses, divided by the number of fully diluted shares outstanding at the end of the period. This metric is an absolute metric that is measured against a three-year cumulative target established by the Compensation Committee at the award date, and is not tied to the performance of peer companies.
2015 and prior PSU Performance Goals. 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 in 2015 and prior. BVPS growth is defined as the year-over-year growth of the Company's stockholders' 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 total revenues as disclosed in the Company's annual statement of operations. Total stockholder return is defined as appreciation in Company stock plus dividend yield to stockholders. Payouts will be determined by measuring performance against the average performance of companies included in an insurance industry market index.

From 2009 to 2013, the Company used the A.M. Best U.S. Insurance Index to measure its relative performance ranking. In 2014, A.M. Best stopped publishing this index. As of January 1, 2014, the Company is using the S&P Total Market Index to measure the Company's performance for all outstanding PSU awards in 2015 and prior. Consistent with adjustments made to the A.M. Best U.S. Insurance Index, adjustments will be made to the S&P Total Market Index to exclude companies with revenues of less than $1,000,000 or that are not in the insurance or managed healthcare Global Industry Classification Standard codes. In addition, companies within the Company's compensation peer group, but not otherwise in the S&P Total Market

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Index, will be included. The adjusted S&P Total Market Index is substantially similar in composition to the previous A.M. Best U.S. Insurance Index.

Effective September 8, 2016, the Company amended its outstanding 2015 and 2014 PSU awards (except those awarded to executive officers of the Company, as defined in Section 16 of the Exchange Act) to exclude the Assurant Employee Benefits and Assurant Health segment revenue from the revenue growth metric in 2016. The modification was made as a result of the Company's exit of the health insurance market in 2016 and the sale of Assurant Employee Benefits on March 1, 2016 (for more information, see Notes 4 and 5). All other terms of the awards remained unchanged. The incremental expense recognized in the three months ended September 30, 2016 related to this modification was $1,549.

Restricted Stock Units

The following table shows a summary of RSU activity during the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
RSU compensation expense	$6,199	$5,857	$14,998	$16,316
Income tax benefit	(2,167)	(2,048)	(5,243)	(5,708)
RSU compensation expense, net of tax	$4,032	$3,809	$9,755	$10,608
RSUs granted	41,756	11,861	351,850	351,259
Weighted average grant date fair value per unit	$88.13	$68.55	$79.45	$62.44
Total fair value of vested RSUs	$3,737	$7,112	$25,007	$31,604

As of September 30, 2016, there was $21,590 of unrecognized compensation cost related to outstanding RSUs. That cost is expected to be recognized over a weighted-average period of 1.39 years.

Performance Share Units

The following table shows a summary of PSU activity during the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
PSU compensation expense	$9,052	$4,577	$13,287	$6,908
Income tax benefit	(3,166)	(1,601)	(4,644)	(2,415)
PSU compensation expense, net of tax	$5,886	$2,976	$8,643	$4,493
PSUs granted	12,700	—	271,346	355,688
Weighted average grant date fair value per unit	$91.12	$—	$81.30	$61.82

Portions of the compensation expense recorded during 2014 were reversed in 2015 since the Company's level of actual performance as measured against pre-established performance goals had declined. As of September 30, 2016, there was $22,229 of unrecognized compensation cost related to outstanding PSUs. That cost is expected to be recognized

over a weighted-average period of 1.03 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 nine months ended September 30, 2016 and 2015 were based on the historical stock prices of the Company’s stock and peer group. The expected term for grants issued during the nine months ended

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September 30, 2016 and 2015 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.

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.

In January 2016, the Company issued 59,102 shares at a discounted price of $61.70 for the offering period of July 1, 2015 through December 31, 2015. In January 2015, the Company issued 65,302 shares at a discounted price of $59.65 for the offering period of July 1, 2014 through December 31, 2014.

In July 2016, the Company issued 45,649 shares at a discounted price of $70.67 for the offering period of January 1, 2016 through June 30, 2016. In July 2015, the Company issued 65,320 shares at a discounted price of $60.30 for the offering period of January 1, 2015 through June 30, 2015.

The compensation expense recorded related to the ESPP was $310 and $322 for the three months ended September 30, 2016 and 2015, respectively, and $950 and $954 for the nine months ended September 30, 2016 and 2015, respectively.

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.

12. Stock Repurchase

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

Period in 2016	Number of Shares Repurchased	Average Price Paid Per Share	Total Number of Shares Repurchased as Part of Publicly Announced Programs
January	1,147,337	$ 78.44	1,147,337
February	869,898	70.69	869,898
March	1,405,025	76.12	1,405,025
April	1,033,098	79.90	1,033,098
May	845,869	87.01	845,869
June	439,031	84.75	439,031
July	485,725	86.61	485,725
August	1,177,372	85.92	1,177,372
September	1,028,006	89.92	1,028,006
Total	8,431,361	$ 81.54	8,431,361

On September 9, 2015, the Company's Board of Directors authorized the Company to repurchase up to $750,000 of its outstanding common stock.

During the nine months ended September 30, 2016, the Company repurchased 8,431,361 shares of the Company's outstanding common stock at a cost of $687,305, exclusive of commissions, leaving $264,798 remaining under the total repurchase authorization at September 30, 2016.

The timing and the amount of future repurchases will depend on market conditions, the Company's financial condition, results of operations, liquidity and other factors.

13. 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.