ASSURANT INC
Form 10-Q
May 02, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended March 31, 2012

OR

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

Assurant, Inc.

(Exact name of registrant as specified in its charter)

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

One Chase Manhattan Plaza, 41st Floor

New York, New York 10005

(212) 859-7000

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

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

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

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

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

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

The number of shares of the registrant s Common Stock outstanding at April 25, 2012 was 85,750,281.

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ASSURANT, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2012

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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 March 31, 2012 and December 31, 2011

	March 31, 2012	December 31, 2011
	(in thousands except number of shares and per share amounts)	
Assets		
Investments:		
Fixed maturity securities available for sale, at fair value (amortized cost $10,242,978 in 2012 and $10,123,429 in 2011)	$ 11,322,109	$ 11,192,599
Equity securities available for sale, at fair value (cost $359,672 in 2012 and $357,411 in 2011)	386,768	362,376
Commercial mortgage loans on real estate, at amortized cost	1,313,232	1,309,687
Policy loans	54,311	54,192
Short-term investments	383,716	441,383
Collateral held/pledged under securities agreements	94,125	95,221
Other investments	579,531	570,707
Total investments	14,133,792	14,026,165
Cash and cash equivalents	1,064,815	1,166,713
Premiums and accounts receivable, net	672,200	649,122
Reinsurance recoverables	5,429,517	5,411,064
Accrued investment income	163,394	153,783
Deferred acquisition costs	2,558,410	2,492,857
Property and equipment, at cost less accumulated depreciation	236,465	242,908
Deferred income taxes, net	18,384	44,280
Goodwill	640,098	639,097
Value of business acquired	68,798	71,014
Other intangible assets, net	303,611	303,832
Other assets	122,602	124,298
Assets held in separate accounts	1,842,782	1,694,729
Total assets	$ 27,254,868	$ 27,019,862

See the accompanying notes to the consolidated financial statements

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Assurant, Inc.

Consolidated Balance Sheets (unaudited)

At March 31, 2012 and December 31, 2011

	March 31, 2012	December 31, 2011
	(in thousands except number of shares and per share amounts)	
Liabilities		
Future policy benefits and expenses	$ 8,456,509	$ 8,359,206
Unearned premiums	5,564,783	5,482,017
Claims and benefits payable	3,384,177	3,437,119
Commissions payable	211,534	260,022
Reinsurance balances payable	113,115	130,144
Funds held under reinsurance	63,723	64,413
Deferred gain on disposal of businesses	129,412	134,033
Obligation under securities agreements	94,290	95,494
Accounts payable and other liabilities	1,403,645	1,486,026
Tax payable	53,700	30,431
Debt	972,308	972,278
Liabilities related to separate accounts	1,842,782	1,694,729
Total liabilities	22,289,978	22,145,912
Commitments and contingencies (Note 13)		
Stockholders equity		
Common stock, par value $0.01 per share, 800,000,000 shares authorized, 86,508,372 and 88,524,374 shares outstanding at March 31, 2012 and December 31, 2011, respectively	1,463	1,464
Additional paid-in capital	3,028,816	3,025,477
Retained earnings	3,734,103	3,586,784
Accumulated other comprehensive income	597,216	557,576
Treasury stock, at cost; 59,851,178 and 57,433,178 shares at March 31, 2012 and December 31, 2011, respectively	(2,396,708)	(2,297,351)
Total stockholders equity	4,964,890	4,873,950
Total liabilities and stockholders equity	$ 27,254,868	$ 27,019,862

See the accompanying notes to the consolidated financial statements

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Assurant, Inc.

Consolidated Statements of Operations (unaudited)

Three Months Ended March 31, 2012 and 2011

	Three Months Ended March 31, 2012	2011
	(in thousands except number of shares and per share amounts)	
Revenues		
Net earned premiums and other considerations	$ 1,777,061	$ 1,762,012
Net investment income	172,295	171,873
Net realized gains on investments, excluding other-than-temporary impairment losses	9,383	5,357
Total other-than-temporary impairment losses	(1,936)	(1,955)
Portion of net loss recognized in other comprehensive income, before taxes	97	375
Net other-than-temporary impairment losses recognized in earnings	(1,839)	(1,580)
Amortization of deferred gain on disposal of businesses	4,621	5,134
Fees and other income	111,403	93,875
Total revenues	2,072,924	2,036,671
Benefits, losses and expenses		
Policyholder benefits	856,358	893,028
Amortization of deferred acquisition costs and value of business acquired	341,758	325,540
Underwriting, general and administrative expenses	610,084	588,546
Interest expense	15,076	15,131
Total benefits, losses and expenses	1,823,276	1,822,245
Income before provision for income taxes	249,648	214,426
Provision for income taxes	86,388	73,675
Net income	$ 163,260	$ 140,751
Earnings Per Share		
Basic	$ 1.84	$ 1.39
Diluted	$ 1.81	$ 1.38
Dividends per share	$ 0.18	$ 0.16
Share Data		
Weighted average shares outstanding used in basic per share calculations	88,772,845	101,194,814
Plus: Dilutive securities	1,296,252	780,001
Weighted average shares used in diluted per share calculations	90,069,097	101,974,815

See the accompanying notes to the consolidated financial statements

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Assurant, Inc.

Consolidated Statements of Comprehensive Income (unaudited)

Three Months Ended March 31, 2012 and 2011

	Three Months Ended March 31, 2012	2011
	(in thousands)	
Net income	$ 163,260	$ 140,751
Other comprehensive income:		
Change in unrealized gains on securities, net of taxes of $(9,442) and $3,569, respectively	18,196	(12,699)
Change in other-than-temporary impairment gains recognized in other comprehensive income, net of taxes of $(1,596) and $(2,231), respectively	2,965	4,143
Changes in foreign currency translation, net of taxes of $(2,683) and $(3,891), respectively	14,741	16,541
Amortization of pension and postretirement unrecognized net periodic benefit cost and change in funded status, net of taxes of $(2,012) and $(1,565), respectively	3,738	2,885
Total other comprehensive income	39,640	10,870
Total comprehensive income	$ 202,900	$ 151,621

See the accompanying notes to the consolidated financial statements

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Assurant, Inc.

Consolidated Statement of Stockholders Equity (unaudited)

From December 31, 2011 through March 31, 2012

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total
			(in thousands)			
Balance, December 31, 2011, as previously reported	$ 1,464	$ 3,025,477	$ 3,742,479	$ 554,867	$ (2,297,351)	$ 5,026,936
Cumulative effect of adjustment resulting from new accounting guidance	0	0	(155,695)	2,709	0	(152,986)
Adjusted balance, December 31, 2011	1,464	3,025,477	3,586,784	557,576	(2,297,351)	4,873,950
Stock plan exercises	(1)	(4,102)	0	0	0	(4,103)
Stock plan compensation expense	0	8,967	0	0	0	8,967
Change in tax benefit from share-based payment arrangements	0	(1,526)	0	0	0	(1,526)
Dividends	0	0	(15,941)	0	0	(15,941)
Acquisition of common stock	0	0	0	0	(99,357)	(99,357)
Net income	0	0	163,260	0	0	163,260
Other comprehensive income	0	0	0	39,640	0	39,640
Balance, March 31, 2012	$ 1,463	$ 3,028,816	$ 3,734,103	$ 597,216	$ (2,396,708)	$ 4,964,890

See the accompanying notes to the consolidated financial statements

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Assurant, Inc.

Consolidated Statements of Cash Flows (unaudited)

Three Months Ended March 31, 2012 and 2011

	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
	(in thousands)	
Net cash provided by operating activities	$ 1,021	$ 183,626
Investing activities		
Sales of:		
Fixed maturity securities available for sale	417,798	298,041
Equity securities available for sale	50,373	2,183
Other invested assets	6,797	4,454
Property and equipment and other	1,811	34
Maturities, prepayments, and scheduled redemption of:		
Fixed maturity securities available for sale	290,834	275,168
Commercial mortgage loans on real estate	15,789	23,140
Purchases of:		
Fixed maturity securities available for sale	(739,677)	(665,307)
Equity securities available for sale	(54,043)	(12,301)
Commercial mortgage loans on real estate	(20,260)	(28,891)
Other invested assets	(6,528)	(13,605)
Property and equipment and other	(7,126)	(6,213)
Change in short-term investments	61,650	(75,881)
Change in policy loans	(46)	317
Change in collateral held/pledged under securities agreements	1,204	32,411
Net cash provided by (used in) investing activities	18,576	(166,450)
Financing activities		
Repayment of mandatorily redeemable preferred stock	0	(5,000)
Change in tax benefit from share-based payment arrangements	(1,526)	(549)
Acquisition of common stock	(103,629)	(175,594)
Dividends paid	(15,941)	(16,122)
Change in obligation under securities agreements	(1,204)	(32,411)
Change in receivables under securities loan agreements	0	(168,951)
Change in obligations to return borrowed securities	0	167,557
Net cash used in financing activities	(122,300)	(231,070)
Effect of exchange rate changes on cash and cash equivalents	805	3,812
Change in cash and cash equivalents	(101,898)	(210,082)
Cash and cash equivalents at beginning of period	1,166,713	1,150,516
Cash and cash equivalents at end of period	$ 1,064,815	$ 940,434

See the accompanying notes to the consolidated financial statements

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited)

Three Months Ended March 31, 2012 and 2011

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

1. Nature of Operations

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

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

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

2. Basis of Presentation

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

On January 1, 2012, the Company adopted the amendments to existing guidance on accounting for costs associated with acquiring or renewing insurance contracts. This guidance was adopted retrospectively and has been applied to all prior period financial information contained in these consolidated financial statements.

The interim financial data as of March 31, 2012 and for the three months ended March 31, 2012 and 2011 is unaudited; in the opinion of management, the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary to a fair statement of the results for the interim periods. The unaudited interim consolidated financial statements include the accounts of the Company and all of its wholly owned subsidiaries. All inter-company transactions and balances are eliminated in consolidation. Certain prior period amounts have been reclassified to conform to the 2012 presentation.

The Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, and the rules and regulations thereunder (together, the Affordable Care Act) was signed into law in March 2010. One provision of the Affordable Care Act, effective January 1, 2011, established a minimum medical loss ratio (MLR) designed to ensure that a minimum level of benefits are paid to health insurance policyholders. The Affordable Care Act established an MLR of 80% for individual and small group business and 85% for large group business. If the actual loss ratios, calculated in a manner prescribed by the Department of Health and Human Services (HHS), are less than the required MLR, rebates are payable to the policyholders by August 1 of the subsequent year.

Operating results for the three months ended March 31, 2012 are not necessarily indicative of the results that may be expected for the year ending December 31, 2012. 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, 2011.

3. Recent Accounting Pronouncements

Recent Accounting Pronouncements Adopted

On January 1, 2012, the Company adopted the guidance on fair value measurement. This amended guidance changes certain fair value measurement principles and expands required disclosures to include quantitative and qualitative information about unobservable inputs in Level 3 measurements to achieve common fair value measurement and disclosure requirements in GAAP and International Financial Reporting Standards (IFRS). The adoption of this guidance did not have an impact on the Company s financial position or results of operations.

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited)

Three Months Ended March 31, 2012 and 2011

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

On January 1, 2012, the Company adopted the amendments to existing guidance on accounting for costs associated with acquiring or renewing insurance contracts. The amendments modified the definition of the types of costs incurred by insurance entities that can be capitalized in the acquisition of new and renewal contracts. Under this amended guidance, only direct incremental costs associated with successful insurance contract acquisitions or renewals are deferrable. This guidance was adopted retrospectively and has been applied to all prior period financial information contained in these consolidated financial statements. As of January 1, 2011, the beginning of the earliest period presented, the cumulative effect adjustment recorded to reflect this guidance resulted in a decrease of $148,811 in retained earnings, an increase of $1,411 in accumulated other comprehensive income and a decrease of $147,400 in total stockholders equity.

The effect of adoption of this new guidance on the December 31, 2011 consolidated balance sheet was as follows:

	As Previously Reported	Effect of Change	As Currently Reported
Deferred acquisition costs	$ 2,632,720	$ (139,863)	$ 2,492,857
Deferred income taxes, net	0	44,280	44,280
Total assets	27,115,445	(95,583)	27,019,862
Future policy benefits and expenses	8,269,343	89,863	8,359,206
Deferred income taxes, net	32,460	(32,460)	0
Total liabilities	22,088,509	57,403	22,145,912
Retained earnings	3,742,479	(155,695)	3,586,784
Accumulated other comprehensive income	554,867	2,709	557,576
Total stockholders equity	5,026,936	(152,986)	4,873,950
Total liabilities and stockholders equity	27,115,445	(95,583)	27,019,862

The effect of adoption of this new guidance on the consolidated statement of operations for the three months ended March 31, 2011 was as follows:

	As Previously Reported	Effect of Change	As Currently Reported
Policyholder benefits	$ 894,510	$ (1,482)	$ 893,028
Amortization of deferred acquisition costs and value of business acquired	354,600	(29,060)	325,540
Underwriting, general and administrative expenses	557,801	30,745	588,546
Total benefits, losses and expenses	1,822,042	203	1,822,245
Income before provision for income taxes	214,629	(203)	214,426
Provision for income taxes	72,888	787	73,675
Net income	141,741	(990)	140,751
Earnings per share			
Basic	1.40	(0.01)	1.39
Diluted	1.39	(0.01)	1.38

Recent Accounting Pronouncements Not Yet Adopted

In July 2011, Financial Accounting Standards Board (FASB) issued amendments to the other expenses guidance to address how health insurers should recognize and classify in their income statements fees mandated by the Affordable Care Act. The Affordable Care Act imposes an annual fee on health insurers for each calendar year beginning on or after January 1, 2014. The amendments specify that the liability for the fee should be estimated and recorded in full once the entity provides qualifying health

Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited)

Three Months Ended March 31, 2012 and 2011

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

insurance in the applicable calendar year in which the fee is payable with a corresponding deferred cost that is amortized to expense ratably over the calendar year during which it is payable. The guidance is effective for calendar years beginning after December 31, 2013, when the fee initially becomes effective. Therefore, the Company is required to adopt this guidance on January 1, 2014. The Company is currently evaluating the requirements of the amendments and the potential impact on the Company s financial position and results of operations.

4. Investments

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

	March 31, 2012				
	Cost or Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**OTTI in AOCI**
Fixed maturity securities:					
United States Government and government agencies and authorities	$ 169,393	$ 7,513	$ (443)	$ 176,463	$ 0
States, municipalities and political subdivisions	814,911	94,515	(236)	909,190	0
Foreign governments	624,928	71,052	(1,350)	694,630	0
Asset-backed	31,004	1,963	(569)	32,398	1,105
Commercial mortgage-backed	80,442	6,107	0	86,549	0
Residential mortgage-backed	818,054	56,724	(709)	874,069	10,133
Corporate	7,704,246	870,429	(25,865)	8,548,810	16,994
Total fixed maturity securities	$ 10,242,978	$ 1,108,303	$ (29,172)	$ 11,322,109	$ 28,232
Equity securities:					
Common stocks	$ 13,853	$ 3,110	$ (11)	$ 16,952	$ 0
Non-redeemable preferred stocks	345,819	34,514	(10,517)	369,816	0
Total equity securities	$ 359,672	$ 37,624	$ (10,528)	$ 386,768	$ 0

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited)

Three Months Ended March 31, 2012 and 2011

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

	December 31, 2011				
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	OTTI in AOCI
Fixed maturity securities:					
United States Government and government agencies and authorities	$ 148,379	$ 8,987	$ (26)	$ 157,340	$ 0
States, municipalities and political subdivisions	832,788	96,536	(301)	929,023	0
Foreign governments	647,133	78,148	(1,368)	723,913	0
Asset-backed	30,681	2,072	(320)	32,433	1,118
Commercial mortgage-backed	82,184	5,840	0	88,024	0
Residential mortgage-backed	841,488	56,364	(633)	897,219	8,240
Corporate	7,540,776	882,628	(58,757)	8,364,647	14,313
Total fixed maturity securities	$ 10,123,429	$ 1,130,575	$ (61,405)	$ 11,192,599	$ 23,671
Equity securities:					
Common stocks	$ 14,037	$ 2,018	$ (54)	$ 16,001	$ 0
Non-redeemable preferred stocks	343,374	28,141	(25,140)	346,375	0
Total equity securities	$ 357,411	$ 30,159	$ (25,194)	$ 362,376	$ 0

Our 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 March 31, 2012 and December 31, 2011. At March 31, 2012 and December 31, 2011, the securities include general obligation and revenue bonds issued by states, cities, counties, school districts and similar issuers, including $163,476 and $164,347, 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 March 31, 2012 and December 31, 2011, revenue bonds account for 51% of the holdings. Excluding pre-refunded bonds, sales tax, highway, transit, water, and miscellaneous (which includes bond banks, finance authorities and appropriations) provide for 80% and 79% of the revenue sources, as of March 31, 2012 and December 31, 2011, respectively.

The Company s investments in foreign government fixed maturity securities are held mainly in countries and currencies where the Company has policyholder liabilities, which allow the assets and liabilities to be more appropriately matched. At March 31, 2012 and December 31, 2011, approximately 64%, 15%, 8% and 63%, 13%, 7% 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 5% of our foreign government securities as of March 31, 2012 and December 31, 2011.

The Company has European investment exposure in its corporate fixed maturity and equity securities of $933,358 with an unrealized gain of $73,619 at March 31, 2012 and $868,012 with an unrealized gain of $61,387 at December 31, 2011. Approximately 31% of the corporate European exposure is held in the financial industry at March 31, 2012 and December 31, 2011. No European country represented more than 5% of the fair value of our corporate securities as of March 31, 2012 and December 31, 2011. Approximately 5% 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. Our international investments are managed as part of our overall portfolio with the same approach to risk management and focus on diversification.

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited)

Three Months Ended March 31, 2012 and 2011

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

The cost or amortized cost and fair value of fixed maturity securities at March 31, 2012 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.

	Cost or Amortized Cost	Fair Value
Due in one year or less	$ 345,968	$ 352,084
Due after one year through five years	2,125,893	2,257,255
Due after five years through ten years	2,527,332	2,745,047
Due after ten years	4,314,285	4,974,707
Total	9,313,478	10,329,093
Asset-backed	31,004	32,398
Commercial mortgage-backed	80,442	86,549
Residential mortgage-backed	818,054	874,069
Total	$ 10,242,978	$ 11,322,109

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

	For the Three Months Ended March 31,	
	2012	2011
Proceeds from sales	$ 468,591	$ 322,589
Gross realized gains	15,532	8,243
Gross realized losses	6,569	3,852

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

	Three Months Ended March 31,	
	2012	2011
Net realized gains (losses) related to sales and other:		
Fixed maturity securities	$ 12,205	$ 6,333
Equity securities	(3,078)	(255)
Other investments	256	(721)

Total net realized gains related to sales and other	9,383	5,357
Net realized losses related to other-than-temporary impairments:		
Fixed maturity securities	(1,283)	(1,560)
Equity securities	(226)	(20)
Other investments	(330)	0
Total net realized losses related to other-than-temporary impairments	(1,839)	(1,580)
Total net realized gains	$ 7,544	$ 3,777

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited)

Three Months Ended March 31, 2012 and 2011

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

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.

For the three months ended March 31, 2012 and 2011, the Company recorded $1,936 and $1,955, respectively, of OTTI, of which $1,839 and $1,580, respectively, was related to credit losses and recorded as net OTTI losses recognized in earnings, with the remaining $97 and $375, respectively, related to all other factors and recorded as an unrealized loss component of AOCI.

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

	Three months ended March 31,	
	2012	2011
Balance, January 1	$ 103,090	$ 105,245
Additions for credit loss impairments recognized in the current period on securities not previously impaired	0	1,455
Additions for credit loss impairments recognized in the current period on securities previously impaired	56	104
Reductions for increases in cash flows expected to be collected that are recognized over the remaining life of the security	(215)	(134)
Reductions for credit loss impairments previously recognized on securities which matured, paid down, prepaid or were sold during the period	(578)	(1,697)
Balance, March 31	$ 102,353	$ 104,973

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

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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.

The investment category and duration of the Company s gross unrealized losses on fixed maturity securities and equity securities at March 31, 2012 and December 31, 2011 were as follows:

	March 31, 2012					
	Less than 12 months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturity securities:						
United States Government and government agencies and authorities	$ 55,918	$ (443)	$ 0	$ 0	$ 55,918	$ (443)
States, municipalities and political subdivisions	0	0	4,424	(236)	4,424	(236)
Foreign governments	19,449	(143)	9,234	(1,207)	28,683	(1,350)
Asset-backed	2,454	(569)	0	0	2,454	(569)
Residential mortgage-backed	57,285	(658)	2,056	(51)	59,341	(709)
Corporate	590,641	(12,469)	157,337	(13,396)	747,978	(25,865)
Total fixed maturity securities	$ 725,747	$ (14,282)	$ 173,051	$ (14,890)	$ 898,798	$ (29,172)
Equity securities:						
Common stocks	$ 690	$ (11)	$ 0	$ 0	$ 690	$ (11)
Non-redeemable preferred stocks	33,682	(626)	68,830	(9,891)	102,512	(10,517)
Total equity securities	$ 34,372	$ (637)	$ 68,830	$ (9,891)	$ 103,202	$ (10,528)

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	December 31, 2011					
	Less than 12 months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed maturity securities:						
United States Government and government agencies and authorities	$ 8,852	$ (26)	$ 0	$ 0	$ 8,852	$ (26)
States, municipalities and political subdivisions	0	0	5,503	(301)	5,503	(301)
Foreign governments	31,125	(150)	9,443	(1,218)	40,568	(1,368)
Asset-backed	2,624	(320)	0	0	2,624	(320)
Residential mortgage-backed	43,141	(513)	2,368	(120)	45,509	(633)
Corporate	718,815	(32,899)	176,279	(25,858)	895,094	(58,757)
Total fixed maturity securities	$ 804,557	$ (33,908)	$ 193,593	$ (27,497)	$ 998,150	$ (61,405)
Equity securities:						
Common stocks	$ 1,174	$ (54)	$ 0	$ 0	$ 1,174	$ (54)
Non-redeemable preferred stocks	51,577	(4,499)	85,704	(20,641)	137,281	(25,140)
Total equity securities	$ 52,751	$ (4,553)	$ 85,704	$ (20,641)	$ 138,455	$ (25,194)

Total gross unrealized losses represent less than 4% and 8% of the aggregate fair value of the related securities at March 31, 2012 and December 31, 2011, respectively. Approximately 38% and 44% of these gross unrealized losses have been in a continuous loss position for less than twelve months at March 31, 2012 and December 31, 2011, respectively. The total gross unrealized losses are comprised of 336 and 389 individual securities at March 31, 2012 and December 31, 2011, 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 March 31, 2012 and December 31, 2011. These conclusions are based on a detailed analysis of the underlying credit and expected cash flows of each security. As of March 31, 2012, the gross unrealized losses that have been in a continuous loss position for twelve months or more were concentrated in the Company s corporate fixed maturity securities and in non-redeemable preferred stocks. Within the Company s fixed maturity securities, the majority of the loss position relates to securities in the financial industry sector. For these concentrations, gross unrealized losses of twelve months or more were $20,526, or 83%, of the total. The non-redeemable preferred stocks are perpetual preferred securities that have characteristics of both debt and equity securities. To evaluate these securities, we apply an impairment model similar to that used for our fixed maturity securities. As of March 31, 2012, the Company did not intend to sell these securities and it was not more likely than not that the Company would be required to sell them and no underlying cash flow issues were noted. Therefore, we did not recognize an OTTI on those perpetual preferred securities that had been in a continuous unrealized loss position for twelve months or more. As of March 31, 2012, 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 made commercial mortgage loans, collateralized by the underlying real estate, on properties located throughout the U.S. and Canada. At March 31, 2012, approximately 39% of the outstanding principal balance of commercial mortgage loans was concentrated in the states of California, New York, and Utah. 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 $17 to $16,200 at March 31, 2012 and from $36 to $16,285 at December 31, 2011.

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 our loan-to value and average debt-service coverage ratios as of the dates indicated:

	March 31, 2012		
Loan-to-Value	**Carrying Value**	**% of Gross Mortgage Loans**	**Debt-Service Coverage ratio**
70% and less	$ 1,036,830	78.3%	2.09
71 80%	182,886	13.8%	1.34
81 95%	68,042	5.2%	1.16
Greater than 95%	35,884	2.7%	0.77
Gross commercial mortgage loans	1,323,642	100.0%	1.91
Less valuation allowance	(10,410)		
Net commercial mortgage loans	$ 1,313,232		

	December 31, 2011		
Loan-to-Value	**Carrying Value**	**% of Gross Mortgage Loans**	**Debt-Service Coverage ratio**
70% and less	$ 1,018,927	77.1%	2.09
71 80%	188,816	14.3%	1.37
81 95%	74,657	5.7%	1.16
Greater than 95%	37,697	2.9%	0.76
Gross commercial mortgage loans	1,320,097	100.0%	1.90
Less valuation allowance	(10,410)		
Net commercial mortgage loans	$ 1,309,687		

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

Collateralized Transactions

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

As of March 31, 2012 and December 31, 2011, our collateral held under securities lending, of which its use is unrestricted, was $94,125 and $95,221, respectively, and is included in the consolidated balance sheets under the collateral held/pledged under securities agreements. Our liability to the borrower for collateral received was $94,290 and $95,494, respectively, and is included in the consolidated balance sheets under the obligation under securities agreements. The difference between the collateral held and obligations under securities lending is recorded as an unrealized loss and is included as part of AOCI. All securities with unrealized losses have been in a continuous loss position for twelve months or longer as of March 31, 2012 and December 31, 2011. The Company has actively reduced the size of its securities lending to mitigate counterparty exposure. The Company includes the available-for-sale investments purchased with the cash collateral in its evaluation of other-than-temporary impairments.

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

5. Fair Value Disclosures

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

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

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

The levels of the fair value hierarchy are described below:

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

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

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

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

The following tables present the Company s fair value hierarchy for assets and liabilities measured at fair value on a recurring basis as of March 31, 2012 and December 31, 2011. The amounts presented below for Collateral held/pledged under securities agreements, 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, a modified coinsurance arrangement 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 held in separate accounts are received directly from third parties.

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	March 31, 2012						
Financial Assets	**Total**	**Level 1**		**Level 2**		**Level 3**	
Fixed maturity securities:							
United States Government and government agencies and authorities	$ 176,463	$ 0		$ 172,170		$ 4,293	
State, municipalities and political subdivisions	909,190	0		909,190		0	
Foreign governments	694,630	1,977		669,209		23,444	
Asset-backed	32,398	0		32,398		0	
Commercial mortgage-backed	86,549	0		85,685		864	
Residential mortgage-backed	874,069	0		872,225		1,844	
Corporate	8,548,810	0		8,405,530		143,280	
Equity securities:							
Common stocks	16,952	16,269		683		0	
Non-redeemable preferred stocks	369,816	0		369,800		16	
Short-term investments	383,716	306,576	b	77,140	c	0	
Collateral held/pledged under securities agreements	69,125	61,255	b	7,870	c	0	
Other investments	247,243	51,965	a	183,654	c	11,624	d
Cash equivalents	726,894	709,991	b	16,903	c	0	
Other assets	8,029	0		1,277	f	6,752	e
Assets held in separate accounts	1,783,769	1,563,405	a	220,364	c	0	
Total financial assets	$ 14,927,653	$ 2,711,438		$ 12,024,098		$ 192,117	
Financial Liabilities							
Other liabilities	$ 54,351	$ 51,965	a	$ 228	f	$ 2,158	f
Liabilities related to separate accounts	1,783,769	1,563,405	a	220,364	c	0	
Total financial liabilities	$ 1,838,120	$ 1,615,370		$ 220,592		$ 2,158	

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	December 31, 2011						
Financial Assets	**Total**	**Level 1**		**Level 2**		**Level 3**	
Fixed maturity securities:							
United States Government and government agencies and authorities	$ 157,340	$ 0		$ 152,940		$ 4,400	
State, municipalities and political subdivisions	929,023	0		929,023		0	
Foreign governments	723,913	1,857		699,343		22,713	
Asset-backed	32,433	0		31,980		453	
Commercial mortgage-backed	88,024	0		87,120		904	
Residential mortgage-backed	897,219	0		895,352		1,867	
Corporate	8,364,647	0		8,227,018		137,629	
Equity securities:							
Common stocks	16,001	15,318		683		0	
Non-redeemable preferred stocks	346,375	0		346,362		13	
Short-term investments	441,383	355,732	b	85,651	c	0	
Collateral held/pledged under securities agreements	70,221	56,441	b	13,780	c	0	
Other investments	245,280	47,931	a	179,092	c	18,257	d
Cash equivalents	915,339	887,135	b	28,204	c	0	
Other assets	9,241	0		720	f	8,521	e
Assets held in separate accounts	1,632,781	1,417,864	a	214,917	c	0	
Total financial assets	$ 14,869,220	$ 2,782,278		$ 11,892,185		$ 194,757	
Financial Liabilities							
Other liabilities	$ 50,754	$ 47,931	a	$ 103	f	$ 2,720	f
Liabilities related to separate accounts	1,632,781	1,417,864	a	214,917	c	0	
Total financial liabilities	$ 1,683,535	$ 1,465,795		$ 215,020		$ 2,720	

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

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

The following tables summarize the change in balance sheet carrying value associated with Level 3 financial assets and liabilities carried at fair value during the three months ended March 31, 2012 and 2011:

	Three Months Ended March 31, 2012							
	Balance, beginning of period	Total (losses) gains (realized/ unrealized) included in earnings	Net unrealized gains (losses) included in stockholders equity	Purchases	Sales	Transfers in (1)	Transfers out (1)	Balance, end of period
Fixed Maturity Securities								
United States Government and government agencies and authorities	$ 4,400	$ (1)	$ (2)	$ 0	$ (104)	$ 0	$ 0	$ 4,293
Foreign governments	22,713	(1)	732	0	0	0	0	23,444
Asset-backed	453	0	0	0	0		(453)	0
Commercial mortgage-backed	904	0	(2)	0	(38)	0	0	864
Residential mortgage-backed	1,867	3	25	1,930	(115)	0	(1,866)	1,844
Corporate	137,629	(99)	3,829	2,155	(7,767)	8,986	(1,453)	143,280
Equity Securities								
Non-redeemable preferred stocks	13	0	2	0	0	1	0	16
Other investments	18,257	(449)	418	0	(8,090)	1,488	0	11,624
Other assets	8,521	(1,769)	0	0	0	0	0	6,752
Financial Liabilities								
Other liabilities	(2,720)	562	0	0	0	0	0	(2,158)
Total level 3 assets and liabilities	$ 192,037	$ (1,754)	$ 5,002	$ 4,085	$ (16,114)	$ 10,475	$ (3,772)	$ 189,959

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	Three Months Ended March 31, 2011							
	Balance, beginning of period	Total (losses) gains (realized/ unrealized) included in earnings	Net unrealized gains (losses) included in stockholders equity	Purchases	Sales	Transfers in (1)	Transfers out (1)	Balance, end of period
Fixed Maturity Securities								
United States Government and government agencies and authorities	$ 14,506	$ (133)	$ (12)	$ 0	$ (1,286)	$ 0	$ 0	$ 13,075
Foreign governments	25,621	(1)	(99)	0	0	0	(4,120)	21,401
Commercial mortgage-backed	4,542	0	33	0	(36)	0	(1,392)	3,147
Corporate	125,685	(347)	4,193	7,496	(12,991)	7,601	0	131,637
Equity Securities								
Non-redeemable preferred stocks	558	(26)	65	0	(574)	6	(7)	22
Other investments	8,309	(455)	289	0	(371)	0	0	7,772
Other assets	9,825	(1,614)	0	0	0	0	0	8,211
Total level 3 assets	$ 189,046	$ (2,576)	$ 4,469	$ 7,496	$ (15,258)	$ 7,607	$ (5,519)	$ 185,265

(1) 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, valuation techniques consistent with the market approach including matrix pricing and comparables are used. Matrix pricing is a mathematical technique employed principally to value debt securities without relying exclusively on quoted prices for those securities but rather by relying on the securities relationship to other benchmark quoted securities. Market approach valuation techniques often use market multiples derived from a set of comparables. Multiples might lie in ranges with a different multiple for each comparable. The selection of where within the range the appropriate multiple falls requires judgment, considering both qualitative and quantitative factors specific to the measurement.

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Income approach valuation techniques convert future amounts, such as cash flows or earnings, to a single present amount, or a discounted amount. These techniques rely on current market expectations of future amounts as of the period-end date. Examples of

income approach valuation techniques include present value techniques, option-pricing models, binomial or lattice models that incorporate present value techniques and the multi-period excess earnings method.

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

While not all three approaches are applicable to all financial assets or liabilities, where appropriate, one or more valuation techniques may be used. For all the classes of financial assets and liabilities included in the above hierarchy, excluding the CPI Caps and certain privately placed corporate bonds, the market valuation technique is generally used. For certain privately placed corporate bonds and the CPI Caps, the income valuation technique is generally used. For the periods ended March 31, 2012 and December 31, 2011, 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 March 31, 2012 and December 31, 2011, 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 s Level 2 securities are valued using various observable market inputs obtained from a pricing service. The pricing service prepares estimates of fair value measurements for our Level 2 securities using proprietary valuation models based on techniques such as matrix pricing which include observable market inputs. The fair value measurements and disclosures guidance defines observable market inputs as the assumptions market participants would use in pricing the asset or liability developed on market data obtained from sources independent of the Company. The extent of the use of each observable market input for a security depends on the type of security and the market conditions at the balance sheet date. Depending on the security, the priority of the use of observable market inputs may change as some observable market inputs may not be relevant or additional inputs may be necessary. The following observable market inputs (standard inputs), listed in the approximate order of priority, are utilized in the pricing evaluation of Level 2 securities: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research data. Further details for level 2 investment types follow:

United States Government and government agencies and authorities: United States government and government agencies and authorities securities are priced by our pricing vendor 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 our pricing service utilizing 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 our pricing service utilizing 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 our pricing vendor utilizing monthly payment information and collateral performance information in addition to 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 our pricing vendor utilizing standard inputs. Non-investment grade securities within this category are priced by our pricing vendor utilizing observations of equity and credit default swap curves related to the issuer in addition to 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.

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Non-redeemable preferred stocks: Non-redeemable preferred stocks are priced by our pricing vendor utilizing observations of equity and credit default swap curves related to the issuer in addition to standard inputs.

Short-term investments, collateral held/pledged under securities, 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.

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 March 31, 2012 and December 31, 2011, consisted of fixed maturity 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 our total Level 3 fixed maturity and equity securities, $79,710 and $85,457 were priced by a pricing service using single broker quotes due to insufficient information to provide an evaluated price as of March 31, 2012 and December 31, 2011, 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 $94,031 and $82,522 were priced internally using independent and non-binding broker quotes as of March 31, 2012 and December 31, 2011, 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: Swaptions are priced using a Black-Scholes pricing model incorporating third-party market data, including swap volatility data.

Other assets: Non-pricing service source prices the CPI Cap 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

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

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

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

The Company 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 2012 earnings and price to estimated 2013 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, as defined therein, for which it is practicable to estimate such fair value. Therefore, it requires fair value disclosure for financial instruments that are not recognized or are not carried at fair value in the consolidated balance sheets. However, this guidance excludes certain financial instruments, including those related to insurance contracts and those accounted for under the equity method and joint ventures guidance *(*such as real estate joint ventures).

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

Cash and cash equivalents

Fixed maturity securities

Equity securities

Short-term investments

Collateral held/pledged under securities agreements

Other investments

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Other assets

Assets held in separate accounts

Other liabilities

Liabilities related to separate accounts

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

Commercial mortgage loans: 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 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 balance sheets approximates fair value.

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.

Obligations under securities agreements: obligation under securities agreements is reported at the amount of cash received from the selected broker/dealers.

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The following table discloses 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:

	March 31, 2012				
		Fair Value			
	Carrying Value	Total	Level 1	Level 2	Level 3
Financial Assets					
Commercial mortgage loans on real estate	$ 1,313,232	$ 1,502,409	$ 0	$ 0	$ 1,502,409
Policy loans	54,311	54,311	54,311	0	0
Total financial assets	$ 1,367,543	$ 1,556,720	$ 54,311	$ 0	$ 1,502,409
Financial Liabilities					
Policy reserves under investment products (Individual and group annuities, subject to discretionary withdrawal)	$ 804,618	$ 798,696	$ 0	$ 0	$ 798,696
Funds withheld under reinsurance	63,723	63,723	63,723	0	0
Debt	972,308	1,025,046	0	1,025,046	0
Obligation under securities agreements	94,290	94,290	94,290	0	0
Total financial liabilities	$ 1,934,939	$ 1,981,755	$ 158,013	$ 1,025,046	$ 798,696

	December 31, 2011				
		Fair Value			
	Carrying Value	Total	Level 1	Level 2	Level 3
Financial Assets					
Commercial mortgage loans on real estate	$ 1,309,687	$ 1,439,753	$ 0	$ 0	$ 1,439,753
Policy loans	54,192	54,192	54,192	0	0
Total financial assets	$ 1,363,879	$ 1,493,945	$ 54,192	$ 0	$ 1,439,753
Financial Liabilities					
Policy reserves under investment products (Individual and group annuities, subject to discretionary withdrawal)	$ 791,341	$ 780,744	$ 0	$ 0	$ 780,744
Funds withheld under reinsurance	64,413	64,413	64,413	0	0
Debt	972,278	1,016,562	0	1,016,562	0
Obligation under securities agreements	95,494	95,494	95,494	0	0

Total financial liabilities	$ 1,923,526	$ 1,957,213	$ 159,907	$ 1,016,562	$ 780,744

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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, 2011.

An allowance for doubtful accounts for reinsurance recoverables is recorded on the basis of periodic evaluations of balances due from reinsurers (net of collateral), reinsurer solvency, management s experience and current economic conditions. Information about the allowance for doubtful accounts for reinsurance recoverable as of March 31, 2012 is as follows:

Balance as of beginning-of-year	$ 10,633
Provision	0
Other additions	0
Direct write-downs charged against the allowance	0
Balance as of the end-of-period	$ 10,633

6. Debt

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

The interest expense incurred related to the Senior Notes was $15,047 for the three months ended March 31, 2012 and 2011, respectively. There was $7,523 of accrued interest at March 31, 2012 and 2011, respectively. The Company made interest payments of $30,094 on February 15, 2012 and 2011.

Credit Facility

The Company s commercial paper program requires the Company to maintain liquidity facilities either in an available amount equal to any outstanding notes from the commercial paper program or in an amount sufficient to maintain the ratings assigned to the notes issued from the commercial paper program. The Company s subsidiaries do not maintain commercial paper or other borrowing facilities at their level. This program is currently backed up by a $350,000 senior revolving credit facility, of which $325,704 was available at March 31, 2012, due to outstanding letters of credit.

On September 21, 2011, the Company entered into a four-year unsecured $350,000 revolving credit agreement (2011 Credit Facility) with a syndicate of banks arranged by JP Morgan Chase Bank, N.A. and Bank of America, N.A. The 2011 Credit Facility replaced the Company s prior three-year $350,000 revolving credit facility (2009 Credit Facility), which was entered into on December 18, 2009 and was scheduled to expire in December 2012. The 2009 Credit Facility terminated upon the effective date of the 2011 Credit Facility. The 2011 Credit Facility provides for revolving loans and the issuance of multi-bank, syndicated letters of credit and/or letters of credit from a sole issuing bank in an aggregate amount of $350,000 and is available until September 2015, provided the Company is in compliance with all covenants. The 2011 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 2011 Credit Facility to $525,000 subject to certain conditions. No bank is obligated to provide commitments above their share of the $350,000 facility.

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The Company did not use the commercial paper program during the three months ended March 31, 2012 and 2011 and there were no amounts outstanding relating to the commercial paper program at March 31, 2012 and December 31, 2011. The Company made no borrowings using the 2011 Credit Facility and no loans are outstanding at March 31, 2012. The Company had $24,296 of letters of credit outstanding under the 2011 Credit Facility as of March 31, 2012.

The 2011 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 March 31, 2012, the Company was in compliance with all covenants, minimum ratios and thresholds.

7. Accumulated Other Comprehensive Income

Certain amounts included in the consolidated statements of comprehensive income are net of reclassification adjustments. The change in unrealized gains on securities is net of reclassification adjustments of $4,393, net of tax, for the three months ended March 31, 2012, for net realized gains on sales of securities included in net income. The change in OTTI is net of reclassification adjustments of $(36), net of tax, for the three months ended March 31, 2012, for net realized losses on sales of securities included in net income. The change in pension underfunding is net of reclassification adjustments of $3,738, net of tax, for the three months ended March 31, 2012, for amortization of prior service cost included in net income.

8. Stock Based Compensation

Long-Term Equity Incentive Plan

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

The Compensation Committee of the Board of Directors (the Compensation Committee) awarded PSUs and RSUs in 2012 and 2011. RSUs and PSUs are promises to issue actual shares of common stock at the end of a vesting period or performance period. The RSUs granted to employees under the ALTEIP were based on salary grade and performance and will vest one-third each year over a three-year period. RSUs granted to non-employee directors also vest one-third each year over a three-year period. RSUs receive dividend equivalents in cash during the restricted period and do not have voting rights during the restricted period. PSUs accrue dividend equivalents during the performance period based on a target payout, and will be paid in cash at the end of the performance period based on the actual number of shares issued.

For the PSU portion of an award, the number of shares a participant will receive upon vesting is contingent upon the Company s performance with respect to selected metrics, identified below, compared against a broad index of insurance companies and assigned a percentile ranking. These rankings are then averaged to determine the composite percentile ranking for the performance period. The payout levels can vary between 0% and 150% (maximum) of the target (100%) ALTEIP award amount based on the Company s level of performance against the selected metrics.

PSU Performance Goals. For 2012 and 2011, the Compensation Committee established book value per share (BVPS) growth excluding AOCI, revenue growth and total stockholder return as the three performance measures for PSU awards. BVPS growth is defined as the year-over-year growth of the Company s 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 GAAP 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. For the 2012-2014 and 2011-2013 performance cycles, payouts will be determined by measuring performance against the average performance of companies included in the A.M. Best Insurance Index, excluding those with revenues of less than $1,000,000 or that are not in the health or insurance Global Industry Classification Standard codes.

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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 Board of Directors reviews and ratifies these grants quarterly. Restricted stock and RSUs granted under this program may have different vesting periods.

Restricted Stock Units

RSUs granted to employees and to non-employee directors were 457,281 and 459,185 for the three months ended March 31, 2012 and 2011, respectively. The compensation expense recorded related to RSUs was $5,082 and $4,693 for the three months ended March 31, 2012 and 2011, respectively. The related total income tax benefit was $1,781 and $1,638 for the three months ended March 31, 2012 and 2011, respectively. The weighted average grant date fair value for RSUs granted during the three months ended March 31, 2012 and 2011 was $41.68 and $38.23, respectively.

As of March 31, 2012, there was $31,431 of unrecognized compensation cost related to outstanding RSUs. That cost is expected to be recognized over a weighted-average period of 1.64 years. The total fair value of RSUs vested during the three months ended March 31, 2012 and 2011 was $18,517 and $12,582, respectively.

Performance Share Units

PSUs granted to employees were 407,506 and 401,735 for the three months ended March 31, 2012 and 2011, respectively. The compensation expense recorded related to PSUs was $3,474 and $(307) for the three months ended March 31, 2012 and 2011, respectively. During the three months ended March 31, 2011, portions of the compensation expense recorded in 2010 were reversed since the Company s level of actual performance as measured against pre-established performance goals had declined. The related total income tax benefit was $1,218 and $109 for the three months ended March 31, 2012 and 2011, respectively. The weighted average grant date fair value for PSUs granted during the three months ended March 31, 2012 and 2011 was $41.68 and $37.83, respectively.

As of March 31, 2012, there was $26,781 of unrecognized compensation cost related to outstanding PSUs. That cost is expected to be recognized over a weighted-average period of 0.91 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 three months ended March 31, 2012 and 2011 were based on the historical stock prices of the Company s stock and peer insurance group. The expected term for grants issued during the three months ended March 31, 2012 and 2011 was assumed to equal the average of the vesting period of the PSUs. The risk-free rate was based on the U.S. Treasury yield curve in effect at the time of grant.

Long-Term Incentive Plan

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

Employee Stock Purchase Plan

Under the Employee Stock Purchase Plan (ESPP), the Company is authorized to issue up to 5,000,000 new shares to employees who are participants in the ESPP. Eligible employees can purchase shares at a 10% discount applied to the lower of the closing price of the common stock on the first or last day of the offering period. The compensation expense recorded related to the ESPP was $379 and $332 for the three months ended March 31, 2012 and 2011, respectively.

In January 2012, the Company issued 103,243 shares at a discounted price of $32.98 for the offering period of July 1, 2011 through December 31, 2011. In January 2011, the Company issued 111,414 shares at a discounted price of $31.06 for the offering period of July 1, 2010 through December 31, 2010.

The fair value of each award under the ESPP was estimated at the beginning of each offering period using the Black-Scholes option-pricing model. Expected volatilities are based on implied volatilities from traded options on the Company s stock and the

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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.

9. Stock Repurchase

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

Period in 2012	Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs
January	978,000	$ 39.50	978,000
February	528,000	43.37	528,000
March	912,000	41.47	912,000
Total	2,418,000	$ 41.09	2,418,000

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

During the three months ended March 31, 2012, the Company repurchased 2,418,000 shares of the Company s outstanding common stock at a cost of $99,309, exclusive of commissions, leaving $206,083 remaining at March 31, 2012 under the total repurchase authorization.

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10. Earnings Per Common Share

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

	Three Months Ended March 31, 2012	2011
Numerator		
Net income	$ 163,260	$ 140,751
Deduct dividends paid	(15,941)	(16,122)
Undistributed earnings	$ 147,319	$ 124,629
Denominator		
Weighted average shares outstanding used in basic earnings per share calculations	88,772,845	101,194,814
Incremental common shares from :		
SARs	156,735	215,593
PSUs	1,139,517	564,408
Weighted average shares used in diluted earnings per share calculations	90,069,097	101,974,815
Earnings per common share - Basic		
Distributed earnings	$ 0.18	$ 0.16
Undistributed earnings	1.66	1.23
Net income	$ 1.84	$ 1.39
Earnings per common share - Diluted		
Distributed earnings	$ 0.18	$ 0.16
Undistributed earnings	1.63	1.22
Net income	$ 1.81	$ 1.38

Average SARs totaling 222 and 2,811,156 for the three months ended March 31, 2012 and 2011, respectively, were outstanding but were anti-dilutive and thus not included in the computation of diluted EPS under the treasury stock method.

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11. Retirement and Other Employee Benefits

The components of net periodic benefit cost for the Company s qualified pension benefits plan, nonqualified pension benefits plan and retirement health benefits plan for the three months ended March 31, 2012 and 2011 were as follows:

	Qualified Pension Benefits For the Three Months Ended March 31,		Nonqualified Pension Benefits (1) For the Three Months Ended March 31,		Retirement Health Benefits For the Three Months Ended March 31,	
	2012	2011	2012	2011	2012	2011
Service cost	$ 8,125	$ 7,750	$ 925	$ 725	$ 700	$ 1,050
Interest cost	8,150	8,375	1,350	1,450	875	1,125
Expected return on plan assets	(10,100)	(10,325)	0	0	(775)	(725)
Amortization of prior service cost	25	25	175	150	(225)	375
Amortization of net loss	4,725	3,200	1,050	700	0	0
Curtailment credit / special termination benefits	0	0	0	125	0	0
Net periodic benefit cost	$ 10,925	$ 9,025	$ 3,500	$ 3,150	$ 575	$ 1,825

(1) The Company s nonqualified plan is unfunded.

Our qualified pension benefits plan (the Plan) was under-funded by $100,312 and $125,517 (based on the fair value of Plan assets compared to the projected benefit obligation) at March 31, 2012 and December 31, 2011, respectively. This equates to an 86% and 83% funded status at March 31, 2012 and December 31, 2011, respectively. The change in under-funded status is mainly due to an increase in the discount rate used to determine the projected benefit obligation and favorable investment returns. During the first three months of 2012, $12,500 in cash was contributed to the Plan. Additional cash, up to $37,500, is expected to be contributed to the Plan over the remainder of 2012.

12. Segment Information

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

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

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The following tables summarize selected financial information by segment:

	Three Months Ended March 31, 2012					
	Solutions	Specialty Property	Health	Employee Benefits	Corporate & Other	Consolidated
Revenues						
Net earned premiums and other considerations	$ 626,948	$ 484,200	$ 407,473	$ 258,440	$ 0	$ 1,777,061
Net investment income	99,311	24,701	11,128	31,933	5,222	172,295
Net realized gains on investments	0	0	0	0	7,544	7,544
Amortization of deferred gain on disposal of businesses	0	0	0	0	4,621	4,621
Fees and other income	72,440	24,139	7,755	7,008	61	111,403
Total revenues	798,699	533,040	426,356	297,381	17,448	2,072,924
Benefits, losses and expenses						
Policyholder benefits	209,808	155,710	302,484	188,356	0	856,358
Amortization of deferred acquisition costs and value of business acquired	253,778	81,729	77	6,174	0	341,758
Underwriting, general and administrative expenses	269,399	125,283	104,274	89,175	21,953	610,084
Interest expense	0	0	0	0	15,076	15,076
Total benefits, losses and expenses	732,985	362,722	406,835	283,705	37,029	1,823,276
Segment income (loss) before provision (benefit) for income tax	65,714	170,318	19,521	13,676	(19,581)	249,648
Provision (benefit) for income taxes	22,314	57,314	7,906	4,612	(5,758)	86,388
Segment income (loss) after tax	$ 43,400	$ 113,004	$ 11,615	$ 9,064	$ (13,823)	
Net income						$ 163,260
	As of March 31, 2012					
Segment Assets:						
Segment assets, excluding goodwill	$ 11,507,569	$ 3,485,017	$ 1,034,169	$ 2,432,393	$ 8,155,622	$ 26,614,770
Goodwill						640,098
Total Assets						$ 27,254,868

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	Three Months Ended March 31, 2011					
	Solutions	**Specialty Property**	**Health**	**Employee Benefits**	**Corporate & Other**	**Consolidated**
Revenues						
Net earned premiums and other considerations	$ 601,322	$ 467,658	$ 426,162	$ 266,870	$ 0	$ 1,762,012
Net investment income	97,725	26,181	11,302	32,467	4,198	171,873
Net realized gains on investments	0	0	0	0	3,777	3,777
Amortization of deferred gain on disposal of businesses	0	0	0	0	5,134	5,134
Fees and other income	60,686	17,299	8,948	6,768	174	93,875
Total revenues	759,733	511,138	446,412	306,105	13,283	2,036,671
Benefits, losses and expenses						
Policyholder benefits	214,694	166,953	310,162	201,219	0	893,028
Amortization of deferred acquisition costs and value of business acquired	244,451	75,179	0	5,910	0	325,540
Underwriting, general and administrative expenses	245,150	113,101	121,725	89,158	19,412	588,546
Interest expense	0	0	0	0	15,131	15,131
Total benefits, losses and expenses	704,295	355,233	431,887	296,287	34,543	1,822,245
Segment income (loss) before provision (benefit) for income tax	55,438	155,905	14,525	9,818	(21,260)	214,426
Provision (benefit) for income taxes	18,490	53,161	7,335	3,378	(8,689)	73,675
Segment income (loss) after tax	$ 36,948	$ 102,744	$ 7,190	$ 6,440	$ (12,571)	
Net income						$ 140,751
	As of December 31, 2011					
Segment Assets:						
Segment assets, excluding goodwill	$ 11,333,833	$ 3,387,027	$ 1,067,423	$ 2,477,192	$ 8,115,290	$ 26,380,765
Goodwill						639,097
Total assets						$ 27,019,862

Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited)

Three Months Ended March 31, 2012 and 2011

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

13. Commitments and Contingencies

In the normal course of business, letters of credit are issued primarily to support reinsurance arrangements in which the Company is the reinsurer. These letters of credit are supported by commitments under which the Company is required to indemnify the financial institution issuing the letter of credit if the letter of credit is drawn. The Company had $24,296 of letters of credit outstanding as of March 31, 2012 and December 31, 2011, respectively.

The Company is involved in litigation in the ordinary course of business, both as a defendant and as a plaintiff. The Company may from time to time be subject to a variety of legal and regulatory actions relating to the Company s current and past business operations. While the Company cannot predict the outcome of any pending or future litigation, examination or investigation, the Company does not believe that any pending matter will have a material adverse effect individually or in the aggregate, on the Company s financial condition, results of operations, or cash flows.

On February 7, 2012, the Company and two of its insurance company subsidiaries (American Security Insurance Company and American Bankers Insurance Company of Florida) received subpoenas from the New York Department of Financial Services (the NYDFS) regarding its lender-placed insurance business and related document retention practices. In response to the subpoenas, depositions were conducted in late February involving designated witnesses for the Company and the subsidiaries. On March 23, 2012, the Company received an additional request from the NYDFS for further information relating to its lender-placed insurance program in New York. The Company submitted a response to these requests on April 13, 2012. Along with other companies in the industry, the Company has been requested to testify at public hearings of the NYDFS in mid-May. The Company is committed to cooperating fully and continuing to work with the NYDFS to resolve this matter.

14. Catastrophe Bond Program

On May 5, 2009, certain of the Company s subsidiaries (the Subsidiaries) entered into two reinsurance agreements with Ibis Re Ltd., an independent special purpose reinsurance company domiciled in the Cayman Islands (Ibis Re). The Ibis Re agreements provide up to $150,000 of reinsurance coverage for protection against losses over a three-year period from individual hurricane events in Hawaii and along the Gulf and Eastern Coasts of the United States. The agreements expire in May 2012. Ibis Re financed the property catastrophe reinsurance coverage by issuing catastrophe bonds in an aggregate amount of $150,000 to unrelated investors (the Series 2009-1 Notes).

On April 27, 2010, the Subsidiaries entered into two additional reinsurance agreements with Ibis Re providing up to $150,000 of reinsurance coverage for protection against losses over a three-year period from individual hurricane events in Hawaii and along the Gulf and Eastern Coasts of the United States. The agreements expire in May 2013. Ibis Re financed the property catastrophe reinsurance coverage by issuing catastrophe bonds in an aggregate amount of $150,000 to unrelated investors (the Series 2010-1 Notes).

On January 30, 2012, the Subsidiaries entered into two reinsurance agreements with Ibis Re II Ltd. (Ibis Re II). Ibis Re II, incorporated on December 2, 2011, is an independent special purpose reinsurance company domiciled in the Cayman Islands. The Ibis Re II agreements provide up to $130,000 of reinsurance coverage for protection against losses over a three-year period from individual hurricane events in the United States and Puerto Rico. The agreements expire in February 2015. Ibis Re II financed the property catastrophe reinsurance coverage by issuing $130,000 in catastrophe bonds to unrelated investors (the Series 2012-1 Notes). While the Series 2009-1 and Series 2012-1 Notes are in effect as of March 31, 2012, the Series 2012-1 Notes are intended to replace the Series 2009-1 Notes.

Upon expiration of the Series 2009-1 Notes, the remaining $280,000 of coverage will represent approximately 20% of the expected first event coverage (net of reimbursements of the Florida Hurricane Catastrophe Fund) purchased by the Company in excess of the Company s anticipated retention.

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

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited)

Three Months Ended March 31, 2012 and 2011

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

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

As of March 31, 2012, the Company had not ceded any losses to Ibis Re or Ibis Re II.

As with any reinsurance agreement, there is credit risk associated with collecting amounts due from reinsurers. In connection with the issuance of the Series 2009-1 Notes, Ibis Re set up two reinsurance trusts to hold certain investments to secure payments to the Subsidiaries under the reinsurance agreements and the repayment of principal to the bondholders, as applicable, and entered into two related total return swap agreements.

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

With regard to the Series 2012-1 Notes, the credit risk is mitigated by two reinsurance trust accounts. Each reinsurance trust account has been funded by Ibis Re II with money market funds that invest solely in direct government obligations backed by the U.S. government with maturities of no more than 13 months. The money market funds must have a principal stability rating of at least AAA by Standard & Poor s.

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

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

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

(Dollar amounts in thousands)

This Management s Discussion and Analysis of Financial Condition and Results of Operations (MD&A) addresses the financial condition of Assurant, Inc. and its subsidiaries (which we refer to collectively as Assurant or the Company) as of March 31, 2012, compared with December 31, 2011, and our results of operations for the three months ended March 31, 2012 and 2011. This discussion should be read in conjunction with our MD&A and annual audited consolidated financial statements as of December 31, 2011 included in our Annual Report on Form 10-K for the year ended December 31, 2011 filed with the U.S. Securities and Exchange Commission (the SEC) and the March 31, 2012 unaudited consolidated financial statements and related notes included elsewhere in this Form 10-Q. The 2011 Annual Report on Form 10-K, First Quarter 2012 Form 10-Q, and other documents related to the Company are available free of charge through the SEC website at www.sec.gov and through our website at www.assurant.com.

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

In addition to the factors described under Critical Factors Affecting Results, the following risk factors could cause our actual results to differ materially from those currently estimated by management:

(i) the effects of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010, and the rules and regulations thereunder, on our health and employee benefits businesses;

(ii) actions by governmental agencies or government sponsored entities or other circumstances that could result in reductions of the premium rates we charge, increases in the claims we pay or other expenses;

(iii) loss of significant client relationships, distribution sources and contracts;

(iv) failure to attract and retain sales representatives;

(v) losses due to natural and man-made catastrophes;

(vi) a decline in our credit or financial strength ratings (including the risk of ratings downgrades in the insurance industry);

(vii) deterioration in the Company s market capitalization compared to its book value that could result in further impairment of goodwill;

(viii) unfavorable outcomes in litigation and/or regulatory investigations that could negatively affect our business and reputation;

(ix) current or new laws and regulations that could increase our costs and decrease our revenues;

(x) general global economic, financial market and political conditions (including difficult conditions in financial, capital and credit markets, the global economic slowdown, fluctuations in interest rates or a prolonged period of low interest rates, monetary policies, unemployment and inflationary pressure);

(xi) inadequacy of reserves established for future claims;

(xii) failure to predict or manage benefits, claims and other costs;

(xiii) uncertain tax positions;

(xiv) fluctuations in exchange rates and other risks related to our international operations;

(xv) unavailability, inadequacy and unaffordable pricing of reinsurance coverage;

(xvi) diminished value of invested assets in our investment portfolio (due to, among other things, volatility in financial markets, the global economic slowdown, credit and liquidity risk, other than temporary impairments and increases in interest rates);

(xvii) insolvency of third parties to whom we have sold or may sell businesses through reinsurance or modified co-insurance;

(xviii) inability of reinsurers to meet their obligations;

(xix) credit risk of some of our agents in Assurant Specialty Property and Assurant Solutions;

(xx) failure to effectively maintain and modernize our information systems and protect them from cybersecurity threats;

(xxi) failure to protect client information and privacy;

(xxii) failure to find and integrate suitable acquisitions and new ventures;

(xxiii) inability of our subsidiaries to pay sufficient dividends;

(xxiv) failure to provide for succession of senior management and key executives;

(xxv) significant competitive pressures in our businesses;

(xxvi) risks related to outsourcing activities; and

(xxvii) cyclicality of the insurance industry.

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For a more detailed discussion of the risk factors that could affect our actual results, please refer to Item 1A Risk Factors and Item 7 MD&A Critical Factors Affecting Results in our 2011 Annual Report on Form 10-K and in this First Quarter 2012 Form 10-Q.

Executive Summary

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

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

The following discussion relates to the three months ended March 31, 2012 (First Quarter 2012) and the three months ended March 31, 2011 (First Quarter 2011).

Consolidated net income increased $22,509, or 16%, to $163,260 in First Quarter 2012, compared with $141,741 for First Quarter 2011. These results reflect increased earnings across all four of our operating segments, despite economic challenges, compared to the First Quarter 2011.

Assurant Solutions net income increased $6,453, or 17%, to $43,400 for First Quarter 2012 from $38,017 for First Quarter 2011. Results improved across all of our international regions. Revenues also increased primarily due to business growth in Latin America. Preneed fee income increased due to improved sales in the U.S. and Canada. In addition, during First Quarter 2012 we added a prominent client in China. Our overall results have improved in Europe in recent years, but the continuing financial crisis there has triggered greater levels of austerity and recession. European profitability remains below expectations, particularly in the United Kingdom (U.K.). Results have improved, but we do not expect the U.K. to reach break-even profitability until mid-2013. Overall, we expect modest premium growth for the segment reflecting improved sales of international and domestic service contracts. Our 2012 priorities are to grow profitably in our targeted areas, including service contracts, preneed, international and mobile.

Assurant Specialty Property net income increased $10,260, or 10%, to $113,004 for First Quarter 2012 from $102,744 for First Quarter 2011. Results were driven by growth from new mortgage loan portfolios, no reportable catastrophes and mild winter weather. We continue to expect placement rates to return to more normal levels as seriously delinquent loans begin to be resolved. During First Quarter 2012, we were awarded 2.1 million new loans in a competitive bidding process, which will begin producing premium in the third quarter. Net earned premiums and fee income from our multi-family housing products increased primarily due to our 2011 SureDeposit acquisition. Overall, we continue to expect net earned premiums and fees in 2012 to be consistent with 2011, reflecting growth in multi-family housing and a modest decline in lender-placed homeowners premiums. As this product mix changes, we anticipate our expense and non-catastrophe loss ratios will rise.

Certain regulators, politicians, consumer advocates, government sponsored entities and others have raised issues regarding the lender-placed insurance business, in which Assurant s Specialty Property is a major participant. We believe that we are in compliance with all applicable laws, regulations and contractual requirements. In connection with such issues, we have been engaged in discussions and proceedings with state regulators, including the New York Department of Financial Services (the NYDFS) and the California State Department of Insurance. Please see the Risk Factors section of this report for additional detail. We also proactively met with the Consumer Financial Protection Bureau staff in March 2012 and continue to engage in discussions regarding the consumer-focused processes we follow in the lender-placed business. In addition, we responded to a request for proposal issued by Fannie Mae related to cost-reduction efforts in the lender-placed business. We track about 7.9 million loans for Fannie Mae with a placement rate of approximately one percent.

Assurant Health net income increased $4,425, or 62%, to $11,615 for First Quarter 2012 from $7,190 for First Quarter 2011 due to continued focus on reducing operating expenses and expanding distribution. During First Quarter 2012, operating expenses declined $17,400 compared with First Quarter 2011 due to continued simplification of our operations. In addition, during First Quarter 2012 we entered into a exclusive marketing agreement with American Family Insurance Company (American Family), which has a broad network of agents that will now exclusively sell our individual health policies to their customers. Total individual medical sales increased when compared to the same period a year ago, due to the growth of our Health Access and Supplemental products. We anticipate that our new network agreement with Aetna Signature Administrators and marketing agreement with American Family will improve sales of all of our individual products.

Assurant Employee Benefits net income increased 41% to $9,064 for First Quarter 2012 from $6,440 for First Quarter 2011, primarily due to improved life insurance mortality experience. Disability incidence rates improved slightly from year end 2011, but recovery experience remains challenging. We continue to see significant lengthening of the Social Security decision-making process for disability claim adjudication which negatively affects our results. Small employers, our primary customers, continue to face challenging economic conditions. We are further tailoring our strategic focus on distribution through key brokers and expanded offerings which are increasingly important to our customers and their employees. We expect continued growth in net earned premiums of our voluntary and supplemental products. However, overall net earned premiums are expected to be lower in the near term in our Assurant Employee Benefits business, primarily due to the loss of two Disability Reinsurance Management Services, Inc. clients and the lack of small employers payroll growth.

Critical Factors Affecting Results and Liquidity

Our results depend on the adequacy of our product pricing, underwriting and the accuracy of our methodology for the establishment of reserves for future policyholder benefits and claims, returns on and values of invested assets and our ability to manage our expenses. Factors affecting these items, including unemployment, difficult conditions in financial markets and the global economy, may have a material adverse effect on our results of operations or financial condition. For more information on these factors, see Item 1A Risk Factors and Item 7 MD&A Critical Factors Affecting Results in our 2011 Annual Report on Form 10-K.

Assurant, Inc. regularly evaluates adjustments proposed by taxing authorities. Tax years 2005-2008 are under federal audit. It is reasonably possible that a change in the balance of unrecognized tax benefits may occur within the next 12 months. However, based on the information currently available, the Company does not expect any change to be material to the consolidated financial condition but could be material to net income in any given period.

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

For the three months ended March 31, 2012, net cash provided by operating activities, including the effect of exchange rate changes on cash and cash equivalents, totaled $1,826; net cash provided by investing activities totaled $18,576 and net cash used in financing activities totaled $122,300. We had $1,064,815 in cash and cash equivalents as of March 31, 2012. Please see Liquidity and Capital Resources, below for further details.

Critical Accounting Policies and Estimates

Our 2011 Annual Report on Form 10-K described the accounting policies and estimates that are critical to the understanding of our results of operations, financial condition and liquidity. The accounting policies and estimation process described in the 2011 Annual Report on Form 10-K were consistently applied to the unaudited interim consolidated financial statements for First Quarter 2012.

On January 1, 2012, the Company adopted the amendments to existing guidance on accounting for costs associated with acquiring or renewing insurance contracts. This guidance was adopted retrospectively and has been applied to all prior period financial information contained in these consolidated financial statements. See Note 3 to the Notes to Consolidated Financial Statements for more information.

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

The Assurant Health loss ratio reported on page 46 (the GAAP loss ratio) differs from the loss ratio calculated under the MLR. The most significant differences include the fact that the MLR loss ratio is calculated separately by state and legal entity; the MLR calculation includes credibility adjustments for each entity, which are not applicable to the GAAP loss ratio; the MLR calculation applies only to some of our health insurance products, while the GAAP loss ratio applies to the entire portfolio, including products not governed by the Affordable Care Act; the MLR loss ratio includes quality improvement expenses, taxes and fees; changes in reserves are treated differently in the MLR loss ratio calculation; and the MLR premium rebate amounts are considered adjustments to premiums for GAAP reporting whereas they are reported as additions to incurred claims in the MLR rebate estimate calculations.

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Assurant Health has estimated its First Quarter 2012 impact of this regulation based on definitions and calculation methodologies outlined in the Interim Final Regulation from HHS released December 1, 2010 with Technical Corrections released December 29, 2010 and the HHS Final Regulation released December 7, 2011. An estimate was based on separate projection models for individual medical and small group business using projections of expected premiums, claims, and enrollment by state, legal entity and market for medical business subject to MLR requirements for the MLR reporting year. In addition, the projection models include quality improvement expenses, state assessments and taxes.

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Assurant Consolidated

Overview

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

	For the Three Months Ended March 31, 2012	2011
Revenues:		
Net earned premiums and other considerations	$ 1,777,061	$ 1,762,012
Net investment income	172,295	171,873
Net realized gains on investments	7,544	3,777
Amortization of deferred gain on disposal of businesses	4,621	5,134
Fees and other income	111,403	93,875
Total revenues	2,072,924	2,036,671
Benefits, losses and expenses:		
Policyholder benefits	856,358	893,028
Selling, underwriting and general expenses (1)	951,842	914,086
Interest expense	15,076	15,131
Total benefits, losses and expenses	1,823,276	1,822,245
Income before provision for income taxes	249,648	214,426
Provision for income taxes	86,388	73,675
Net income	$ 163,260	$ 140,751

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

The following discussion provides a general overall analysis of how the consolidated results were affected by our four operating segments and our Corporate and Other segment for First Quarter 2012 and First Quarter 2011. Please see the discussion that follows, for each of these segments, for a more detailed analysis of the fluctuations.

For The Three Months Ended March 31, 2012 Compared to The Three Months Ended March 31, 2011.

Net Income

The Company reported net income of $163,260 in First Quarter 2012, an increase of $22,509 or 16%, compared with $140,751 of net income for First Quarter 2011. The improvement was primarily due to increased net income across all four operating segments in First Quarter 2012 compared with First Quarter 2011.

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Assurant Solutions

Overview

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

	For the Three Months Ended March 31,	
	2012	2011
Revenues:		
Net earned premiums and other considerations	$ 626,948	$ 601,322
Net investment income	99,311	97,725
Fees and other income	72,440	60,686
Total revenues	798,699	759,733
Benefits, losses and expenses:		
Policyholder benefits	209,808	214,694
Selling, underwriting and general expenses	523,177	489,601
Total benefits, losses and expenses	732,985	704,295
Segment income before provision for income taxes	65,714	55,438
Provision for income taxes	22,314	18,490
Segment net income	$ 43,400	$ 36,948
Net earned premiums and other considerations:		
Domestic:		
Credit	$ 42,832	$ 44,325
Service contracts	305,834	298,351
Other (1)	14,045	11,989
Total domestic	362,711	354,665
International:		
Credit	106,390	91,959
Service contracts	129,061	120,248
Other (1)	6,905	6,019
Total international	242,356	218,226
Preneed	21,881	28,431
Total	$ 626,948	$ 601,322
Fees and other income:		
Domestic:		
Debt protection	$ 6,965	$ 7,165
Service contracts	31,015	29,102
Other (1)	1,445	1,672
Total domestic	39,425	37,939

International	9,147	7,412
Preneed	23,868	15,335
Total	$ 72,440	$ 60,686
Gross written premiums (2):		
Domestic:		
Credit	$ 93,242	$ 94,481
Service contracts	391,694	335,400
Other (1)	23,273	18,488
Total domestic	508,209	448,369
International:		
Credit	247,329	247,209

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Service contracts	161,523	124,760
Other (1)	11,050	12,055
Total international	419,902	384,024
Total	$ 928,111	$ 832,393
Preneed (face sales)	$ 212,163	$ 169,475
Combined ratios (3):		
Domestic	96.3%	95.9%
International	101.7%	105.5%

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

For The Three Months Ended March 31, 2012 Compared to The Three Months Ended March 31, 2011.

Net Income

Segment net income increased $6,452, or 18%, to $43,400 for First Quarter 2012 from $36,948 for First Quarter 2011 primarily driven by the improvement in our international and preneed businesses. Our international business results increased primarily from growth in Latin America and improved underwriting experience across all other regions. Our Preneed business results also increased primarily due to improved sales in U.S. and Canada. Partially offsetting these increases were reduced earnings from certain domestic blocks of business that are in run-off.

Total Revenues

Total revenues increased $38,966, or 5%, to $798,699 for First Quarter 2012 from $759,733 for First Quarter 2011. The increase was mainly the result of higher net earned premiums and other considerations of $25,626, primarily attributable to increases in both our international service contract and credit businesses and our domestic service contract business. International service contract net earned premiums increased due to growth in retail and mobile markets. Both service contract and credit net earned premiums increased from both new and existing clients in Latin America. Domestic net earned premiums increased primarily due to growth in the retail and automotive markets from new and existing clients. These increases were partially offset by the unfavorable impact of foreign exchange rates. Fees and other income increased $11,754, mostly driven by growth in our preneed business, which benefits from improved sales in the U.S. and Canada.

Gross written premiums increased $95,718, or 12%, to $928,111 for First Quarter 2012 from $832,393 for First Quarter 2011. Gross written premiums from our domestic automotive and retail service contract business increased $56,294 from both new and existing clients. Our international service contract business increased $36,763, due to growth across all regions from new and existing clients. These increases were partially offset by the unfavorable impact of foreign exchange rates.

Preneed face sales increased $42,688, or 25%, to $212,163 for First Quarter 2012 from $169,475 for First Quarter 2011. This increase was mostly attributable to growth from our exclusive distribution partnership with Service Corporation International, the largest funeral provider in North America. This exclusive distribution partnership is effective through September 29, 2014.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses increased $28,690, or 4%, to $732,985 for First Quarter 2012 from $704,295 for First Quarter 2011. Policyholder benefits declined $4,886 primarily from improved loss experience in our international businesses and from a decrease associated with certain domestic and preneed lines of business that are in run-off. Selling, underwriting and general expenses increased $33,576. Commissions, taxes, licenses and fees, of which amortization of DAC is a component, increased $25,850 due to higher net earned premiums in our international and domestic service contract businesses. General expenses increased $7,726 primarily due to higher costs associated with the growth of our international businesses.

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Assurant Specialty Property

Overview

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

	For the Three Months Ended March 31,	
	2012	**2011**
Revenues:		
Net earned premiums and other considerations	$ 484,200	$ 467,658
Net investment income	24,701	26,181
Fees and other income	24,139	17,299
Total revenues	533,040	511,138
Benefits, losses and expenses:		
Policyholder benefits	155,710	166,953
Selling, underwriting and general expenses	207,012	188,280
Total benefits, losses and expenses	362,722	355,233
Segment income before provision for income taxes	170,318	155,905
Provision for income taxes	57,314	53,161
Segment net income	$ 113,004	$ 102,744
Net earned premiums and other considerations:		
By major product groupings:		
Homeowners (lender-placed and voluntary)	$ 329,130	$ 310,949
Manufactured housing (lender-placed and voluntary)	50,823	54,636
Other (1)	104,247	102,073
Total	$ 484,200	$ 467,658
Ratios:		
Loss ratio (2)	32.2%	35.7%
Expense ratio (3)	40.7%	38.8%
Combined ratio (4)	71.4%	73.3%

(1) This primarily includes lender-placed flood, miscellaneous specialty property and multi-family housing insurance products.
(2) The loss ratio is equal to policyholder benefits divided by net earned premiums and other considerations.
(3) The expense ratio is equal to selling, underwriting and general expenses divided by net earned premiums and other considerations and fees and other income.
(4) The combined ratio is equal to total benefits, losses and expenses divided by net earned premiums and other considerations and fees and other income.

For The Three Months Ended March 31, 2012 Compared to The Three Months Ended March 31, 2011.

Net Income

Segment net income increased $10,260, or 10%, to $113,004 for First Quarter 2012 from $102,744 for First Quarter 2011. The increase is primarily driven by an increase in lender-placed homeowners net earned premiums due to expanded loan portfolios from existing clients and premium growth in our multi-family housing products. In addition, results benefited from mild winter weather and no reportable catastrophe losses in First Quarter 2012. First Quarter 2011 included $7,417 (after-tax) of adverse loss development relating to catastrophe events that occurred in fourth quarter 2010.

Total Revenues

Total revenues increased $21,902, or 4%, to $533,040 for First Quarter 2012 from $511,138 for First Quarter 2011. This increase was primarily due to increased lender-placed homeowners gross earned premiums which is attributable to growth in loan portfolios and higher placement rates. In addition, revenues from our multi-family housing products, including increased fees from the 2011 SureDeposit Acquisition. These increases were partially offset by an increase in both ceded lender-placed and catastrophe reinsurance premiums.

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Total Benefits, Losses and Expenses

Total benefits, losses and expenses increased $7,489, or 2%, to $362,722 for First Quarter 2012 from $355,233 for First Quarter 2011. The loss ratio decreased 350 basis points primarily due to no reportable catastrophe losses in First Quarter 2012. First Quarter 2011 included $11,410 of adverse loss development from a reportable catastrophe that occurred in the fourth quarter of 2010. Reportable catastrophe losses include only individual catastrophic events that generated losses to the Company in excess of $5,000, pre-tax and net of reinsurance. In addition, the frequency of non-catastrophe weather related losses decreased in First Quarter 2012, compared to First Quarter 2011, due to mild winter weather. Selling, underwriting and general expenses increased $18,732 primarily due to higher operating expenses to support business growth and higher benefit costs.

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Assurant Health

Overview

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

	For the Three Months Ended March 31, 2012	2011
Revenues:		
Net earned premiums and other considerations	$ 407,473	$ 426,162
Net investment income	11,128	11,302
Fees and other income	7,755	8,948
Total revenues	426,356	446,412
Benefits, losses and expenses:		
Policyholder benefits	302,484	310,162
Selling, underwriting and general expenses	104,351	121,725
Total benefits, losses and expenses	406,835	431,887
Segment income before provision for income taxes	19,521	14,525
Provision for income taxes	7,906	7,335
Segment net income	$ 11,615	$ 7,190
Net earned premiums and other considerations:		
Individual markets:		
Individual markets	$ 301,153	$ 307,928
Group markets	106,320	118,234
Total	$ 407,473	$ 426,162
Covered lives by product line:		
Individual markets	603	583
Group markets	119	140
Total	722	723
Ratios:		
Loss ratio (1)	74.2%	72.8%
Expense ratio (2)	25.1%	28.0%
Combined ratio (3)	98.0%	99.3%

(1) The loss ratio is equal to policyholder benefits divided by net earned premiums and other considerations.

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

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

The Affordable Care Act

Some provisions of the Affordable Care Act have taken effect already, and other provisions will become effective at various dates over the next several years. In December 2010, HHS issued a number of interim final regulations with respect to the Affordable Care Act. In December 2011, HHS issued final regulations regarding the MLR. HHS has also issued technical corrections and Q&As throughout 2010 and 2011. However, HHS has not issued guidance regarding specific components of the MLR calculations. The Company has discussed these issues with other industry experts in order to make reasonable assumptions regarding the MLR rebate calculations. However, there remains a risk that HHS will issue new guidance before the 2011 MLR rebate calculations are due to be filed with HHS on June 1, 2012, which may differ from the Company s assumptions. Recently, the Affordable Care Act has been challenged in the federal courts. In March 2012, the Supreme Court of the United States (the Court) heard arguments on the constitutionality of the Affordable Care Act, and a decision from the Court is expected this summer. Management continues to modify its business model to adapt to these new regulations and will continue to monitor HHS and state regulatory activity for clarification and additional regulations. Given the sweeping nature of the changes represented by the Affordable Care Act, our results of operations and financial position could be materially adversely affected. For more information, see Item 1A Risk Factors Risk related to our industry Recently enacted legislation reforming the U.S. health care system may have a material adverse effect on our financial condition and results of operations in our 2011 Annual Report on Form 10-K.

For the Three Months Ended March 31, 2012 Compared to The Three Months Ended March 31, 2011.

Net Income

Segment results increased $4,425, or 62%, to $11,615 for First Quarter 2012 from $7,190 for First Quarter 2011. The increase was primarily attributable to lower expenses associated with organizational and operational expense reduction initiatives, lower commissions due to agent compensation changes and lower sales of new policies, and a lower effective tax rate. Partially offsetting these increases were lower sales of new policies and higher claims experience. First Quarter 2011 results included a $4,780 (after-tax) reimbursement from a pharmacy services provider related to pre-2011 activity.

Total Revenues

Total revenues decreased $20,056, or 5%, to $426,356 for First Quarter 2012 from $446,412 for First Quarter 2011. Net earned premiums and other considerations from our individual markets business decreased $6,775, or 2%, primarily due to lower sales of traditional individual medical products caused by the transition to supplemental and affordable choice products and changes in agent commissions, resulting from the Affordable Care Act. Net earned premiums and other considerations from our small group business decreased $11,914, or 10%, due to lower sales and continued policy lapses, partially offset by premium rate increases. These decreases were partially offset by premium rate increases and increased sales of supplemental and affordable choice products.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses decreased $25,052, or 6%, to $406,835 for First Quarter 2012 from $431,887 for First Quarter 2011. Policyholder benefits decreased $7,678, or 2%; however, the benefit loss ratio increased to 74.2% from 72.8%. The decrease in policyholder benefits was primarily attributable to a decline in business volume. The increase in the benefit loss ratio was attributable to a disproportionate decline in benefits in relation to the decrease in net earned premiums and other considerations. Selling, underwriting and general expenses decreased $17,374, or 14%, primarily due to reduced employee related expenses, lower service provider and regulatory costs, and reduced commissions due to agent compensation changes and lower sales of new policies.

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Assurant Employee Benefits

Overview

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

	For the Three Months Ended March 31, 2012	2011
Revenues:		
Net earned premiums and other considerations	$ 258,440	$ 266,870
Net investment income	31,933	32,467
Fees and other income	7,008	6,768
Total revenues	297,381	306,105
Benefits, losses and expenses:		
Policyholder benefits	188,356	201,219
Selling, underwriting and general expenses	95,349	95,068
Total benefits, losses and expenses	283,705	296,287
Segment income before provision for income taxes	13,676	9,818
Provision for income taxes	4,612	3,378
Segment net income	$ 9,064	$ 6,440
Net earned premiums and other considerations:		
By major product grouping:		
Group dental	$ 101,742	$ 104,650
All other group disability	107,860	114,406
Group life	48,838	47,814
Total	$ 258,440	$ 266,870
Ratios:		
Loss ratio (1)	72.9%	75.4%
Expense ratio (2)	35.9%	34.7%

(1) The loss ratio is equal to policyholder benefits divided by net earned premiums and other considerations.

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

For The Three Months Ended March 31, 2012 Compared to The Three Months Ended March 31, 2011.

Net Income

Segment net income increased 41% to $9,064 for First Quarter 2012 from $6,440 for First Quarter 2011. The increase was primarily attributable to favorable group life insurance experience.

Total Revenues

Total revenues decreased 3% to $297,381 for First Quarter 2012 from $306,105 for First Quarter 2011. First Quarter 2012 net earned premiums decreased $8,430, primarily driven by the loss of policyholders as a result of pricing actions on a block of previously assumed disability reinsurance business as well as the loss of an assumed disability client.

Total Benefits, Losses and Expenses

Total benefits, losses and expenses decreased 4% to $283,705 for First Quarter 2012 from $296,287 for First Quarter 2011. The loss ratio decreased to 72.9% from 75.4%, primarily driven by favorable life and dental insurance loss experience. Expenses remained relatively consistent, however the expense ratio increased to 35.9% from 34.7% primarily as a result of decreased net earned premiums.

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Assurant Corporate & Other

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

	For the Three Months Ended March 31,	
	2012	**2011**
Revenues:		
Net investment income	$ 5,222	$ 4,198
Net realized gains on investments	7,544	3,777
Amortization of deferred gain on disposal of businesses	4,621	5,134
Fees and other income	61	174
Total revenues	17,448	13,283
Benefits, losses and expenses:		
Policyholder benefits	0	0
Selling, underwriting and general expenses	21,953	19,412
Interest expense	15,076	15,131
Total benefits, losses and expenses	37,029	34,543
Segment loss before benefit for income taxes	(19,581)	(21,260)
Benefit for income taxes	(5,758)	(8,689)
Segment net loss	$ (13,823)	$ (12,571)

For The Three Months Ended March 31, 2012 Compared to The Three Months Ended March 31, 2011.

Net Loss

Segment net loss increased $1,252 or 10%, to $(13,823) for First Quarter 2012 compared with $(12,571) for First Quarter 2011. The increase is primarily attributable to changes in tax liabilities which resulted in a lower benefit for income taxes.

Total Revenues

Total revenues increased $4,165, or 31%, to $17,448 for First Quarter 2012 compared with $13,283 for First Quarter 2011. This increase in revenues was primarily the result of increased net realized gains on investments.

Total Benefits, Losses and Expenses

Total expenses increased $2,486, or 7%, to $37,029 for First Quarter 2012 compared with $34,543 for First Quarter 2011. This increase is mainly due to increased employee related benefits.

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Investments

The Company had total investments of $14,133,792 and $14,026,165 as of March 31, 2012 and December 31, 2011, respectively. For more information on our investments see Note 4 to the Notes to Consolidated Financial Statements included elsewhere in this report.

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

	As of			
Fixed Maturity Securities by Credit Quality (Fair Value)	March 31, 2012		December 31, 2011	
Aaa / Aa / A	$ 6,741,859	59.5%	$ 6,620,808	59.1%
Baa	3,719,759	32.9%	3,692,709	33.0%
Ba	600,313	5.3%	648,817	5.8%
B and lower	260,178	2.3%	230,265	2.1%
Total	$ 11,322,109	100.0%	$ 11,192,599	100.0%

Major categories of net investment income were as follows:

	Three Months Ended March 31,	
	2012	2011
Fixed maturity securities	$ 141,182	$ 142,052
Equity securities	5,872	8,052
Commercial mortgage loans on real estate	19,663	20,233
Policy loans	798	735
Short-term investments	1,377	1,274
Other investments	5,074	3,731
Cash and cash equivalents	3,901	1,742
Total investment income	177,867	177,819
Investment expenses	(5,572)	(5,946)
Net investment income	$ 172,295	$ 171,873

Net investment income remained relatively consistent at $172,295 for First Quarter 2012 compared with $171,873 for First Quarter 2011.

As of March 31, 2012, the Company owned $230,886 of securities guaranteed by financial guarantee insurance companies. Included in this amount was $208,516 of municipal securities, with a credit rating of A both with and without the guarantee.

The Company has exposure to sub-prime and related mortgages within our fixed maturity securities portfolio. At March 31, 2012, approximately 2.6% of our residential mortgage-backed holdings had exposure to sub-prime mortgage collateral. This represented approximately 0.2% of the total fixed income portfolio and 0.9% of the total unrealized gain position. Of the securities with sub-prime exposure, approximately 17.1% are rated as investment grade. All residential mortgage-backed securities, including those with sub-prime exposure, are reviewed as part of the ongoing other-than-temporary impairment monitoring process.

Collateralized Transactions

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

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As of March 31, 2012 and December 31, 2011, our collateral held under securities lending, of which its use is unrestricted, was $94,125 and $95,221, respectively, and is included in the consolidated balance sheets under the collateral held/pledged under securities agreements. Our liability to the borrower for collateral received was $94,290 and $95,494, respectively, and is included in the consolidated balance sheets under the obligation under securities agreements. The difference between the collateral held and obligations under securities lending is recorded as an unrealized loss and is included as part of AOCI. All securities with unrealized losses have been in a continuous loss position for twelve months or longer as of March 31, 2012 and December 31, 2011. The Company has actively reduced the size of its securities lending to mitigate counterparty exposure. The Company includes the available-for-sale investments purchased with the cash collateral in its evaluation of other-than-temporary impairments.

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

Liquidity and Capital Resources

Regulatory Requirements

Assurant, Inc. is a holding company and, as such, has limited direct operations of its own. Our holding company s assets consist primarily of the capital stock of our subsidiaries. Accordingly, our future cash flows depend upon the availability of dividends and other statutorily permissible payments from our subsidiaries, such as payments under our tax allocation agreement and under management agreements with our subsidiaries. The ability to pay such dividends and to make such other payments will be limited by applicable laws and regulations of the states in which our subsidiaries are domiciled, which subject our subsidiaries to significant regulatory restrictions. The dividend requirements and regulations vary from state to state and by type of insurance provided by the applicable subsidiary. These laws and regulations require, among other things, our insurance subsidiaries to maintain minimum solvency requirements and limit the amount of dividends these subsidiaries can pay to the holding company. Along with solvency regulations, the primary driver in determining the amount of capital used for dividends is the level of capital needed to maintain desired financial strength ratings from A.M. Best.

Given recent economic events that have affected the insurance industry, both regulators and rating agencies could become more conservative in their methodology and criteria, including increasing capital requirements for our insurance subsidiaries which, in turn, could negatively affect our capital resources. On October 27, 2011, Standard and Poor s (S&P) revised the outlook on Assurant, Inc s counterparty credit rating and the financial strength ratings of Assurant s primary property and casualty ratings to positive from stable. In addition, S&P downgraded the financial strength ratings of Assurant s primary health subsidiaries from BBB+ to BBB and revised the outlook on these entities to stable from negative. On February 24, 2012, Moody s Investor Services (Moody s) affirmed Assurant, Inc. s Senior Debt rating of Baa2 but changed the outlook on this rating to stable from negative. In addition, Moody s affirmed the financial strength ratings of Assurant s primary life and health insurance subsidiaries at A3 but changed the outlook on the ratings of two of our life and health insurance subsidiaries to stable from negative. A negative outlook remains on the ratings of Assurant s two other rated life and health subsidiaries due to concerns about the impact of the Affordable Care Act. For further information on our ratings and the risks of ratings downgrades, see Item 1 Business and Item 1A Risk Factors Risks Related to Our Company A.M. Best, Moody s and S&P rate the financial strength of our insurance company subsidiaries, and a decline in these ratings could affect our standing in the insurance industry and cause our sales and earnings to decrease in our 2011 Annual Report on Form 10-K. For 2012, the maximum amount of distributions our U.S. domiciled insurance subsidiaries could pay, under applicable laws and regulations without prior regulatory approval, is approximately $504,000. During First Quarter 2012, we took dividends or returns of capital, net of infusions, of $49,000 from our subsidiaries. We anticipate that we will be able to take dividends in 2012 of at least equal to insurance subsidiary earnings.

Liquidity

As of March 31, 2012, we had approximately $596,553 in holding company capital. The Company uses the term holding company capital to represent cash and other liquid marketable securities held at Assurant, Inc., out of a total of $758,658, that we are not otherwise holding for a specific purpose as of the balance sheet date, but can be used for stock repurchases, stockholder dividends, acquisitions, and other corporate purposes. $250,000 of the $596,553 of holding company capital is intended to serve as a buffer against remote risks (such as large-scale hurricanes). Dividends or returns of capital, net of infusions, made to the holding Company from its operating companies were $49,000 and $523,881 for First Quarter 2012 and the year ended December 31, 2011, respectively. We use these cash inflows primarily to pay expenses, to make interest payments on indebtedness, to make dividend payments to our stockholders, to make subsidiary capital contributions, to fund acquisitions and to repurchase our outstanding shares.

In addition to paying expenses and making interest payments on indebtedness, our capital management strategy provides for several uses for the cash generated by our subsidiaries, including without limitation, returning capital to shareholders through share repurchases and dividends; investing in our businesses to support growth in targeted areas; and making prudent and opportunistic acquisitions. We made share repurchases and paid dividends to our stockholders of $115,298 and $600,314 during First Quarter 2012 and the year ended December 31, 2011, respectively.

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

We conduct periodic asset liability studies to measure the duration of our insurance liabilities, to develop optimal asset portfolio maturity structures for our significant lines of business and ultimately to assess that cash flows are sufficient to meet the timing of cash needs. These studies are conducted in accordance with formal company-wide Asset Liability Management (ALM) guidelines.

To complete a study for a particular line of business, models are developed to project asset and liability cash flows and balance sheet items under a large, varied set of plausible economic scenarios. These models consider many factors including the current investment portfolio, the required capital for the related assets and liabilities, our tax position and projected cash flows from both existing and projected new business.

Alternative asset portfolio structures are analyzed for significant lines of business. An investment portfolio maturity structure is then selected from these profiles given our return hurdle and risk preference. Sensitivity testing of significant liability assumptions and new business projections is also performed.

Our liabilities have limited policyholder optionality which results in policyholder behavior that is relatively insensitive to the interest rate environment. In addition, our investment portfolio is largely comprised of highly liquid fixed maturity securities with a sufficient component of such securities invested that are near maturity which may be sold with minimal risk of loss to meet cash needs. Therefore, we believe we have limited exposure to disintermediation risk.

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

We paid dividends of $0.18 per common share on March 12, 2012 to stockholders of record as of February 27, 2012. Any determination to pay future dividends will be at the discretion of our Board of Directors and will be dependent upon: our subsidiaries payment of dividends and/or other statutorily permissible payments to us; our results of operations and cash flows; our financial position and capital requirements; general business conditions; any legal, tax, regulatory and contractual restrictions on the payment of dividends; and any other factors our Board of Directors deems relevant.

On January 18, 2011, our Board of Directors authorized the Company to repurchase up to an additional $600,000 of its outstanding common stock, making its total authorization $805,587 at that date. During the three months ended March 31, 2012, we repurchased 2,418,000 shares of our outstanding common stock at a cost of $99,309, exclusive of commissions. As of March 31, 2012, $206,083 remained under the total repurchase authorization. The timing and the amount of future repurchases will depend on market conditions and other factors.

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

Retirement and Other Employee Benefits

Our qualified pension benefits plan (the Plan) was under-funded by $100,312 and $125,517 (based on the fair value of Plan assets compared to the projected benefit obligation) on a GAAP basis at March 31, 2012 and December 31, 2011, respectively. This equates to an 86% and 83% funded status at March 31, 2012 and December 31, 2011, respectively. The change in under-funded status is mainly due to an increase in the discount rate used to determine the projected benefit obligation and favorable investment returns.

In prior years we established a funding policy in which service cost plus 15% of qualified plan deficit will be contributed annually. During First Quarter 2012, we contributed $12,500 in cash to the Plan. Additional cash, up to $37,500, is expected to be contributed to the Plan over the remainder of 2012.

Commercial Paper Program

Our commercial paper program requires us to maintain liquidity facilities either in an available amount equal to any outstanding notes from the program or in an amount sufficient to maintain the ratings assigned to the notes issued from the program. Our commercial paper is rated AMB-2 by A.M. Best, P-2 by Moody s and A2 by S&P. Our subsidiaries do not maintain commercial paper or other borrowing facilities. This program is currently backed up by a $350,000 senior revolving credit facility, of which $325,704 was available at March 31, 2012, due to outstanding letters of credit.

On September 21, 2011, we entered into a four-year unsecured $350,000 revolving credit agreement (2011 Credit Facility) with a syndicate of banks arranged by JP Morgan Chase Bank, N.A. and Bank of America, N.A. The 2011 Credit Facility replaces the Company s prior three-year $350,000 revolving credit facility (2009 Credit Facility), which was entered into on December 18, 2009 and was scheduled to expire in December 2012. The 2009 Credit Facility terminated upon the effective date of the 2011 Credit Facility. Due to the termination, the Company wrote off $1,407 of unamortized upfront arrangement fees. The 2011 Credit Facility provides for revolving loans and the issuance of multi-bank, syndicated letters of credit and/or letters of credit from a sole issuing bank in an aggregate amount of $350,000 and is available until September 2015, provided we are in compliance with all covenants. The 2011 Credit Facility has a sublimit for letters of credit issued thereunder of $50,000. The proceeds of these loans may be used for our commercial paper program or for general corporate purposes. The Company may increase the total amount available under the 2011 Credit Facility to $525,000 subject to certain conditions. No bank is obligated to provide commitments above their current share of the $350,000 facility.

We did not use the commercial paper program during the three months ended March 31, 2012 or 2011, and there were no amounts outstanding relating to the commercial paper program at March 31, 2012 and December 31, 2011. We made no borrowings using either the 2009 or 2011 Credit Facility and no loans are outstanding at March 31, 2012. We had $24,296 of letters of credit outstanding under the 2011 Credit Facility as of March 31, 2012.

The 2011 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 March 31, 2012, we were in compliance with all covenants, minimum ratios, and thresholds.

Senior Notes

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

Interest on our Senior Notes is payable semi-annually on February 15 and August 15 of each year. The interest expense incurred related to the Senior Notes was $15,047 for the three months ended March 31, 2012 and 2011, respectively. There was $7,523 of accrued interest at March 31, 2012 and 2011, respectively. The Senior Notes are unsecured obligations and rank equally with all of our other senior unsecured indebtedness. The Senior Notes are not redeemable prior to maturity.

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

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Cash Flows

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

The table below shows our recent net cash flows:

	For the Three Months Ended March 31,	
Net cash provided by (used in):	**2012**	**2011**
Operating activities (1)	$ 1,826	$ 187,438
Investing activities	18,576	(166,450)
Financing activities	(122,300)	(231,070)
Net change in cash	$ (101,898)	$ (210,082)

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

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

Net cash provided by operating activities was $1,826 and $187,438 for Three Months 2012 and Three Months 2011, respectively. The decrease in cash provided by operating activities was primarily due to changes in the timing of payments, primarily commissions and reinsurance premiums payable. Cash inflows from premiums collected and income received from investments was consistent period-on-period.

Net cash provided by (used in) investing activities was $18,576 and $(166,450) for Three Months 2012 and Three Months 2011, respectively. The increase in investing activities was mainly due to an increase in sales of fixed maturity securities and changes in our short-term investments.

Net cash used in financing activities was $122,300 and $231,070 for Three Months 2012 and Three Months 2011, respectively. The decrease in financing activities was primarily due to decreased repurchases of our common stock and changes in our obligation under securities agreements.

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

	For the Three Months Ended March 31,	
	2012	**2011**
Interest paid on mandatorily redeemable preferred stock and debt	$ 30,094	$ 30,150
Common stock dividends	15,941	16,122
Total	$ 46,035	$ 46,272

Letters of Credit

In the normal course of business, we issue letters of credit primarily to support reinsurance arrangements. These letters of credit are supported by commitments with financial institutions. We had $24,296 of letters of credit outstanding as of March 31, 2012 and December 31, 2011.

Recent Accounting Pronouncements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Our 2011 Annual Report on Form 10-K described our Quantitative and Qualitative Disclosures About Market Risk. There were no material changes to the assumptions or risks during First Quarter 2012.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company s Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company s disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the Exchange Act) as of March 31, 2012. Based on that review, the Company s Chief Executive Officer and Chief Financial Officer have concluded that the Company s disclosure controls and procedures are effective to provide reasonable assurance that information the Company is required to disclose in its reports under the Exchange Act is recorded, processed, summarized and reported accurately including, without limitation, ensuring that such information is accumulated and communicated to the Company s management as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

During the quarter ended March 31, 2012, we made no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II

OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is involved in litigation in the ordinary course of business, both as a defendant and as a plaintiff and may from time to time be subject to a variety of legal and regulatory actions relating to our current and past business operations. See Note 13 to the Notes to Consolidated Financial Statements for a description of certain matters. While the Company cannot predict the outcome of any pending or future litigation, examination or investigation, we do not believe that the outcome of pending matters will have a material adverse effect individually or in the aggregate, on the Company s financial position, results of operations, or cash flows.

Item 1A. Risk Factors

Certain factors may have a material adverse effect on our business, financial condition and results of operations and you should carefully consider them. It is not possible to predict or identify all such factors. For discussion of our potential risks or uncertainties, please refer to Item 1A Risk Factors included in our 2011 Annual Report on Form 10-K. Except as set forth in the following updated risk factor, there have been no material changes to the risk factors disclosed in our 2011 Annual Report on Form 10-K.

Our business is subject to risks related to litigation and regulatory actions.

From time to time, we may be subject to a variety of legal and regulatory actions relating to our current and past business operations, including, but not limited to:

- disputes over coverage or claims adjudication including, but not limited to, pre-existing conditions in individual medical contracts and rescissions of policies;
- disputes over our treatment of claims, where states or insured may allege that we failed to make required payments or to meet prescribed deadlines for adjudicating claims;
- disputes regarding sales practices, disclosures, premium refunds, licensing, regulatory compliance, underwriting and compensation arrangements;
- disputes with agents, brokers or network providers over compensation and termination of contracts and related claims;
- actions by regulatory authorities that may challenge our ability to increase or maintain our premium rates, require us to reduce current premium rates and/or result in other fees;
- disputes alleging packaging of credit insurance products with other products provided by financial institutions;
- disputes with tax and insurance authorities regarding our tax liabilities;

- disputes relating to customers claims that the customer was not aware of the full cost or existence of the insurance or limitations on insurance coverage; and

- industry-wide investigations regarding business practices including, but not limited to, the use and the marketing of certain types of insurance policies or certificates of insurance.

In fall 2011, Assurant, along with other insurers and with mortgage servicers, received a request for information from the NYDFS regarding its lender-placed insurance business. On February 7, 2012, the Company and two of its wholly owned insurance subsidiaries, American Security Insurance Company and American Bankers Insurance Company of Florida, each received a subpoena from the NYDFS requesting information regarding the lender-placed business and related document retention practices. In response to the subpoenas, depositions were conducted in late February involving designated witnesses for the Company and the foregoing subsidiaries. On March 23, 2012, the Company received an additional request from the NYDFS for further information relating to its lender-placed insurance program in New York and submitted a response on April 13, 2012. Along with other companies in the industry, the Company has been requested to testify at public hearings of the NYDFS in mid-May and American Security Insurance Company has submitted additional information to the NYDFS in response to the Notice of Public Hearings. The Company is committed to cooperating fully with the NYDFS.

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In addition, the Company is also engaged in discussions with the California State Department of Insurance (the Department) regarding the Company s lender-placed insurance premium rates. In 2010, the Company submitted a proposed 10% rate decrease, which the Department did not approve. The Company recently re-filed proposed rates. Further discussions with the Department may follow before new rates take effect. The new rates would affect policies that, in 2011, accounted for approximately half of California property insurance net earned premiums.

Unfavorable outcomes in litigation or regulatory proceedings, or significant problems in our relationships with regulators, could materially adversely affect our results of operations and financial condition, our reputation, and our ability to continue to do business. They could also expose us to further investigations or litigations. In addition, certain of our clients in the mortgage industry are the subject of various regulatory investigations and/or litigation regarding mortgage lending practices, which could indirectly affect our business.

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

Period in 2012	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs(1)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Programs(1)
January 1-31	978,000	$ 39.50	978,000	$ 266,777,096
February 1-29	528,000	43.37	528,000	243,889,747
March 1-31	912,000	41.47	912,000	206,083,388
Total	2,418,000	$ 41.09	2,418,000	$ 206,083,388

(1) Shares purchased pursuant to the January 18, 2011 publicly announced share repurchase authorization of up to $600,000 of outstanding common stock.

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Item 6. Exhibits.

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

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

12.1	Computation of Ratio of Consolidated Earnings to Fixed Charges.
31.1	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.
31.2	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.
32.1	Certification of Chief Executive Officer of Assurant, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer of Assurant, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following materials from the Company s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, formatted in XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statement of Operations, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statement of Changes in Stockholders Equity, (v) the Consolidated Statement of Cash Flows, and (vi) Notes to Consolidated Financial Statements.

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SIGNATURES

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

ASSURANT, INC.

Date: May 2, 2012	By:	/s/ ROBERT B. POLLOCK
	Name:	**Robert B. Pollock**
	Title:	***President and Chief Executive Officer***
Date: May 2, 2012	By:	/s/ MICHAEL J. PENINGER
	Name:	**Michael J. Peninger**
	Title:	***Executive Vice President and Chief Financial Officer***