

ASSURANT INC  
Form 10-Q  
May 01, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended March 31, 2013

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)

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**Delaware**  
(State or other jurisdiction

**001-31978**  
(Commission

**39-1126612**  
(I.R.S. Employer

of incorporation)

File Number)

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  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  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

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

The number of shares of the registrant's Common Stock outstanding at April 26, 2013 was 76,991,219.

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**ASSURANT, INC.**  
**QUARTERLY REPORT ON FORM 10-Q**  
**FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2013**

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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, 2013 and December 31, 2012

	March 31, 2013	December 31, 2012
	(in thousands except number of shares and per share amounts)	
<b>Assets</b>		
Investments:		
Fixed maturity securities available for sale, at fair value (amortized cost - \$10,791,996 in 2013 and \$10,728,714 in 2012)	\$ 12,143,800	\$ 12,171,638
Equity securities available for sale, at fair value (cost - \$403,954 in 2013 and \$422,703 in 2012)	475,765	475,806
Commercial mortgage loans on real estate, at amortized cost	1,290,003	1,311,682
Policy loans	52,939	52,938
Short-term investments	239,782	300,925
Collateral held/pledged under securities agreements	94,629	94,729
Other investments	585,850	568,600
<b>Total investments</b>	<b>14,882,768</b>	<b>14,976,318</b>
Cash and cash equivalents	1,604,625	909,404
Premiums and accounts receivable, net	890,900	830,027
Reinsurance recoverables	5,866,488	6,141,737
Accrued investment income	162,671	149,032
Deferred acquisition costs	2,887,051	2,861,163
Property and equipment, at cost less accumulated depreciation	250,481	250,796
Tax receivable	9,167	32,740
Goodwill	638,621	640,714
Value of business acquired	59,943	62,109
Other intangible assets, net	296,102	262,994
Other assets	120,731	97,700
Assets held in separate accounts	1,811,992	1,731,873
<b>Total assets</b>	<b>\$ 29,481,540</b>	<b>\$ 28,946,607</b>

See the accompanying notes to the consolidated financial statements

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Assurant, Inc.

**Consolidated Balance Sheets (unaudited)**

At March 31, 2013 and December 31, 2012

	March 31, 2013	December 31, 2012
	(in thousands except number of shares and per share amounts)	
<b>Liabilities</b>		
Future policy benefits and expenses	\$ 8,506,669	\$ 8,513,505
Unearned premiums	6,174,246	6,192,260
Claims and benefits payable	3,638,290	3,960,590
Commissions payable	345,865	339,680
Reinsurance balances payable	97,854	103,808
Funds held under reinsurance	60,905	61,413
Deferred gain on disposal of businesses	111,528	115,620
Obligation under securities agreements	94,611	94,714
Accounts payable and other liabilities	1,582,950	1,514,091
Deferred income taxes, net	179,502	161,288
Debt	1,670,523	972,399
Liabilities related to separate accounts	1,811,992	1,731,873
 Total liabilities	 24,274,935	 23,761,241
<b>Commitments and contingencies (Note 13)</b>		
<b>Stockholders equity</b>		
Common stock, par value \$0.01 per share, 800,000,000 shares authorized, 78,440,357 and 78,664,029 shares outstanding at March 31, 2013 and December 31, 2012, respectively	1,478	1,474
Additional paid-in capital	3,051,639	3,052,454
Retained earnings	4,102,087	4,001,096
Accumulated other comprehensive income	778,029	830,403
Treasury stock, at cost; 68,932,638 and 68,332,638 shares at March 31, 2013 and December 31, 2012, respectively	(2,726,628)	(2,700,061)
 Total stockholders equity	 5,206,605	 5,185,366
 Total liabilities and stockholders equity	 \$ 29,481,540	 \$ 28,946,607

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, 2013 and 2012**

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(in thousands except number of shares and per share amounts)</b>	
<b>Revenues</b>		
Net earned premiums	\$ 1,850,448	\$ 1,777,061
Net investment income	165,985	172,295
Net realized gains on investments, excluding other-than-temporary impairment losses	13,038	9,383
Total other-than-temporary impairment losses	0	(1,936)
Portion of net loss recognized in other comprehensive income, before taxes	0	97
Net other-than-temporary impairment losses recognized in earnings	0	(1,839)
Amortization of deferred gain on disposal of businesses	4,092	4,621
Fees and other income	117,060	111,403
Total revenues	2,150,623	2,072,924
<b>Benefits, losses and expenses</b>		
Policyholder benefits	857,361	856,358
Amortization of deferred acquisition costs and value of business acquired	382,789	341,758
Underwriting, general and administrative expenses	688,971	610,084
Interest expense	15,078	15,076
Total benefits, losses and expenses	1,944,199	1,823,276
Income before provision for income taxes	206,424	249,648
Provision for income taxes	88,644	86,388
Net income	\$ 117,780	\$ 163,260
<b>Earnings Per Share</b>		
Basic	\$ 1.47	\$ 1.84
Diluted	\$ 1.46	\$ 1.81
Dividends per share	\$ 0.21	\$ 0.18
<b>Share Data</b>		
Weighted average shares outstanding used in basic per share calculations	79,984,576	88,772,845
Plus: Dilutive securities	962,073	1,296,252
Weighted average shares used in diluted per share calculations	80,946,649	90,069,097

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, 2013 and 2012**

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(in thousands)</b>	
Net income	\$ 117,780	\$ 163,260
Other comprehensive (loss) income:		
Change in unrealized gains on securities, net of taxes of \$26,304 and \$(9,442), respectively	(50,112)	18,196
Change in other-than-temporary impairment gains, net of taxes of \$(1,402) and \$(1,596), respectively	2,605	2,965
Changes in foreign currency translation, net of taxes of \$2,564 and \$(2,683), respectively	(10,317)	14,741
Amortization of pension and postretirement unrecognized net periodic benefit cost, net of taxes of \$(2,934) and \$(2,012), respectively	5,450	3,738
Total other comprehensive (loss) income	(52,374)	39,640
Total comprehensive income	\$ 65,406	\$ 202,900

See the accompanying notes to the consolidated financial statements

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Assurant, Inc.

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

From December 31, 2012 through March 31, 2013

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (in thousands)	Treasury Stock	Total
Balance, December 31, 2012	\$ 1,474	\$ 3,052,454	\$ 4,001,096	\$ 830,403	\$ (2,700,061)	\$ 5,185,366
Stock plan exercises	4	(4,081)	0	0	0	(4,077)
Stock plan compensation expense	0	7,678	0	0	0	7,678
Change in tax benefit from share-based payment arrangements	0	(4,412)	0	0	0	(4,412)
Dividends	0	0	(16,789)	0	0	(16,789)
Acquisition of common stock	0	0	0	0	(26,567)	(26,567)
Net income	0	0	117,780	0	0	117,780
Other comprehensive loss	0	0	0	(52,374)	0	(52,374)
Balance, March 31, 2013	\$ 1,478	\$ 3,051,639	\$ 4,102,087	\$ 778,029	\$ (2,726,628)	\$ 5,206,605

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, 2013 and 2012**

	<b>Three Months Ended March 31,</b>	
	<b>2013</b>	<b>2012</b>
	<b>(in thousands)</b>	
<b>Net cash provided by operating activities</b>	<b>\$ 51,681</b>	<b>\$ 1,021</b>
<b>Investing activities</b>		
Sales of:		
Fixed maturity securities available for sale	675,395	417,798
Equity securities available for sale	59,160	50,373
Other invested assets	11,496	6,797
Property and equipment and other	42	1,811
Maturities, prepayments, and scheduled redemption of:		
Fixed maturity securities available for sale	204,783	290,834
Commercial mortgage loans on real estate	37,662	15,789
Purchases of:		
Fixed maturity securities available for sale	(976,579)	(739,677)
Equity securities available for sale	(42,363)	(54,043)
Commercial mortgage loans on real estate	(17,328)	(20,260)
Other invested assets	(22,510)	(6,528)
Property and equipment and other	(11,712)	(7,126)
Change in short-term investments	63,414	61,650
Change in policy loans	(74)	(46)
Change in collateral held/pledged under securities agreements	103	1,204
Net cash (used in) provided by investing activities	(18,511)	18,576
<b>Financing activities</b>		
Issuance of debt	698,093	0
Change in tax benefit from share-based payment arrangements	(4,412)	(1,526)
Acquisition of common stock	(6,617)	(103,629)
Dividends paid	(16,789)	(15,941)
Change in obligation under securities agreements	(103)	(1,204)
Net cash provided by (used in) financing activities	670,172	(122,300)
Effect of exchange rate changes on cash and cash equivalents	(8,121)	805
Change in cash and cash equivalents	695,221	(101,898)
Cash and cash equivalents at beginning of period	909,404	1,166,713
Cash and cash equivalents at end of period	\$ 1,604,625	\$ 1,064,815

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, 2013 and 2012**

**(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, solar project insurance, lender-placed homeowners insurance, renters insurance and related products, manufactured housing homeowners insurance, individual health and small employer group health insurance, group dental insurance, group disability insurance and reinsurance, and group life insurance.

### **2. Basis of Presentation**

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

The interim financial data as of March 31, 2013 and December 31, 2012 and for the three months ended March 31, 2013 and 2012 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 2013 presentation.

Operating results for the three months ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. 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, 2012.

### **3. Recent Accounting Pronouncements**

#### ***Not Yet Adopted***

In July 2011, the Financial Accounting Standards Board (FASB) issued amendments to the other expenses guidance to address how health insurers should recognize and classify fees mandated by the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (together, the Affordable Care Act) in their statements of operations. The Affordable Care Act imposes an annual fee on health insurers for each calendar year beginning on or after January 1, 2014. The amendments specify that the liability for the fee should be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable with a corresponding deferred cost that is amortized to expense ratably over the calendar year during which it is payable. The guidance is effective for calendar years beginning after December 31, 2013, when the fee initially becomes effective. Therefore, the Company is required to adopt this guidance on January 1, 2014. The Company is currently evaluating the requirements of the amendments and the potential impact on the Company's financial position and results of operations.

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Assurant, Inc.

Notes to Consolidated Financial Statements (unaudited)

Three Months Ended March 31, 2013 and 2012

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

**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, 2013			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	OTTI in AOCI
<b>Fixed maturity securities:</b>					
United States Government and government agencies and authorities	\$ 520,252	\$ 8,003	\$ (170)	\$ 528,085	\$ 0
States, municipalities and political subdivisions	793,252	102,655	(20)	895,887	0
Foreign governments	647,656	73,235	(1,559)	719,332	0
Asset-backed	13,417	1,364	(164)	14,617	1,155
Commercial mortgage-backed	61,005	4,755	0	65,760	0
Residential mortgage-backed	733,486	55,649	(1,041)	788,094	16,247
Corporate	8,022,928	1,116,344	(7,247)	9,132,025	23,313
<b>Total fixed maturity securities</b>	<b>\$ 10,791,996</b>	<b>\$ 1,362,005</b>	<b>\$ (10,201)</b>	<b>\$ 12,143,800</b>	<b>\$ 40,715</b>
<b>Equity securities:</b>					
Common stocks	\$ 14,694	\$ 6,750	\$ 0	\$ 21,444	\$ 0
Non-redeemable preferred stocks	389,260	67,265	(2,204)	454,321	0
<b>Total equity securities</b>	<b>\$ 403,954</b>	<b>\$ 74,015</b>	<b>\$ (2,204)</b>	<b>\$ 475,765</b>	<b>\$ 0</b>

		December 31, 2012			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	OTTI in AOCI
<b>Fixed maturity securities:</b>					
United States Government and government agencies and authorities	\$ 633,329	\$ 8,722	\$ (127)	\$ 641,924	\$ 0
States, municipalities and political subdivisions	800,592	106,560	(96)	907,056	0
Foreign governments	672,671	82,096	(1,359)	753,408	0
Asset-backed	27,182	1,437	(422)	28,197	1,159
Commercial mortgage-backed	64,344	5,539	0	69,883	0
Residential mortgage-backed	714,628	56,983	(554)	771,057	14,259

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Corporate	7,815,968	1,193,695	(9,550)	9,000,113	21,291
Total fixed maturity securities	\$ 10,728,714	\$ 1,455,032	\$ (12,108)	\$ 12,171,638	\$ 36,709
<b>Equity securities:</b>					
Common stocks	\$ 14,707	\$ 4,243	\$ 0	\$ 18,950	\$ 0
Non-redeemable preferred stocks	407,996	53,976	(5,116)	456,856	0
Total equity securities	\$ 422,703	\$ 58,219	\$ (5,116)	\$ 475,806	\$ 0

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Assurant, Inc.

**Notes to Consolidated Financial Statements (unaudited)****Three Months Ended March 31, 2013 and 2012****(In thousands, except number of shares and per share amounts)**

Our states, municipalities and political subdivisions holdings are highly diversified across the United States, and Puerto Rico, with no individual state's exposure (including both general obligation and revenue securities) exceeding 0.5% of the overall investment portfolio as of March 31, 2013 and December 31, 2012. At March 31, 2013 and December 31, 2012, the securities include general obligation and revenue bonds issued by states, cities, counties, school districts and similar issuers, including \$166,703 and \$168,705, 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, 2013 and December 31, 2012, revenue bonds account for 52% of the holdings. Excluding pre-refunded revenue bonds, the activities supporting the income streams of the Company's revenue bonds are across a broad range of sectors, primarily highway, water, transit, airport and marina, higher education, specifically pledged tax revenues, and other miscellaneous sources such as bond banks, finance authorities and appropriations.

The Company's investments in foreign government fixed maturity securities are held mainly in countries and currencies where the Company has policyholder liabilities, which allow the assets and liabilities to be more appropriately matched. At March 31, 2013, approximately 67%, 16% and 6% of the foreign government securities were held in the Canadian government/provincials and the governments of Brazil and Germany, respectively. At December 31, 2012, approximately 67%, 15%, and 6% of the foreign government securities were held in the Canadian government/provincials and the governments of Brazil and Germany, respectively. No other country represented more than 3% and 5% of our foreign government securities as of March 31, 2013 and December 31, 2012, respectively.

The Company has European investment exposure in its corporate fixed maturity and equity securities of \$1,121,187 with an unrealized gain of \$116,993 at March 31, 2013 and \$1,054,820 with an unrealized gain of \$122,420 at December 31, 2012. Approximately 28% of the corporate European exposure is held in the financial industry at March 31, 2013 and December 31, 2012. Our largest European country exposure represented approximately 5% of the fair value of our corporate securities as of March 31, 2013 and December 31, 2012. Approximately 4% 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.

The cost or amortized cost and fair value of fixed maturity securities at March 31, 2013 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.

	<b>Cost or Amortized Cost</b>	<b>Fair Value</b>
Due in one year or less	\$ 470,574	\$ 478,172
Due after one year through five years	2,594,342	2,763,366
Due after five years through ten years	2,767,739	3,008,642
Due after ten years	4,151,433	5,025,149
<b>Total</b>	<b>9,984,088</b>	<b>11,275,329</b>
Asset-backed	13,417	14,617
Commercial mortgage-backed	61,005	65,760
Residential mortgage-backed	733,486	788,094
<b>Total</b>	<b>\$ 10,791,996</b>	<b>\$ 12,143,800</b>

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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,**