

Report on Examination
of
American Bankers
Life Assurance Company of Florida
Miami, Florida
as of
December 31, 2006

By The
State of Florida
Office of Insurance Regulation

Contents

SCOPE OF EXAMINATION	1
STATUS OF ADVERSE FINDINGS FROM PRIOR EXAMINATION	2
HISTORY	6
GENERAL	6
CAPITAL STOCK	6
PROFITABILITY	7
DIVIDENDS	7
MANAGEMENT	7
CONFLICT OF INTEREST PROCEDURE	8
CORPORATE RECORDS	8
MERGERS	9
AFFILIATED COMPANIES	10
INTER-COMPANY SERVICES AGREEMENT	10
INVESTMENT AGREEMENT	10
TAX ALLOCATION AGREEMENT	10
SERVICES AGREEMENTS	11
ORGANIZATIONAL CHART	12
FIDELITY BOND AND OTHER INSURANCE	13
PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS	13
STATUTORY DEPOSITS	14
INSURANCE PRODUCTS AND RELATED PRACTICES	15
TERRITORY AND PLAN OF OPERATION	15
TREATMENT OF POLICYHOLDERS	15
REINSURANCE	16
ACCOUNTS AND RECORDS	17
RISK-BASED CAPITAL	17
INFORMATION SYSTEMS CONTROLS	18
CUSTODIAL AGREEMENT	18
INDEPENDENT AUDITOR AGREEMENT	18
FINANCIAL STATEMENTS PER EXAMINATION	19
ASSETS	20
LIABILITIES, SURPLUS, AND OTHER FUNDS	21
SUMMARY OF OPERATIONS	22
CAPITAL AND SURPLUS ACCOUNT	23

COMMENTS ON FINANCIAL STATEMENTS	24
COMPARATIVE ANALYSIS OF CHANGES IN CAPITAL AND SURPLUS	26
SUBSEQUENT EVENTS	27
SUMMARY OF FINDINGS.....	29
COMPLIANCE WITH PREVIOUS RECOMMENDATIONS	29
CURRENT EXAMINATION COMMENTS AND CORRECTIVE ACTION	29
CONCLUSION	33

Tallahassee, Florida

May 19, 2008

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Gentlemen:

Pursuant to your instructions, in compliance with Section 624.316, Florida Statutes (F.S.), and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2006, of the financial condition and corporate affairs of:

**American Bankers Life Assurance Company of Florida
11222 Quail Roost Drive
Miami, Florida 33157**

hereinafter referred to as the "Company." Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2004 through December 31, 2006. The Company was last examined by the Florida Office of Insurance Regulation (the "Office") as of December 31, 2003.

Planning for the current examination began on June 18, 2007. The fieldwork commenced on June 25, 2007 and concluded on March 10, 2008. The examination included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

This was an association zone statutory financial condition examination conducted in accordance with the *NAIC Financial Condition Examiners Handbook, Accounting Practices and Procedures Manual*, and *Annual Statement Instructions* as adopted by Rules 69O-137.001(4) and 69O-138.001, Florida Administrative Code (F.A.C.), with due regard to the requirements of the insurance laws and rules of the State of Florida.

In this examination, emphasis was directed to the quality, value, and integrity of the statement assets and the determination of liabilities, as they affect the Company's solvency.

The examination included a review of corporate and other selected records deemed pertinent to the Company's operations and practices. In addition, the NAIC Insurance Regulatory Information System (IRIS) ratio results, *Best's Insurance Reports*, the Company's independent audit reports, and certain work papers prepared by the Company's independent certified public accountant (CPA) were reviewed and utilized where applicable within the scope of this examination.

We valued and/or verified the Company's assets and liabilities as reported by the Company in its 2006 annual statement. Transactions subsequent to December 31, 2006 were reviewed where relevant and deemed significant to the Company's financial condition.

This report of examination is confined to financial statements and comments on matters that involve departures from laws, regulations or rules, or which require special explanation or description.

After considering the Company's control environment and the materiality level set for this examination, we relied on work performed by the Company's CPA in the area of commitments and contingent liabilities.

STATUS OF ADVERSE FINDINGS FROM PRIOR EXAMINATION

The following is a summary of significant adverse findings contained in the Office's prior examination report as of December 31, 2003, along with resulting action taken by the Company in connection therewith.

Reinsurance

The Company incorrectly reported that, as of December 31, 2003, one of its treaties with an unauthorized reinsurer was collateralized by a \$7 million letter of credit. In addition, the Company incorrectly reported that, as of December 31, 2003, another of its treaties with an unauthorized reinsurer was collateralized by a trust account held for the benefit of the Company in the amount of \$16 million. Because, in these two instances, the Company did not comply with the provisions of Section 624.610, F.S., it was not eligible for reinsurance credits with respect to the ceded insurance. During the current examination, certain reinsurance treaties were found to be inadequately collateralized, as discussed on page 16.

Policy Records and Data

The Company did not maintain records containing detailed policy data pertaining to a portion of its business referred to by the Company as “non-system business,” but relied on various administrators, agents, and other third parties to do so and to provide that information to the Company in summary form. As discussed on page 17, this was a finding in the current examination as well.

Internal Controls Over Securities

The Company maintained valuable securities in a locked file cabinet that provided only minimal physical security for the stored securities. Access to the cabinet was limited to one employee, with no system of dual control over the contents. Resolution: The Company moved the locked file cabinet into a vault, with one employee having access to the vault and another employee having access to the file cabinet.

Bonds

The Company was unable to demonstrate ownership or valuation of three bonds reported by it in its 2003 annual statement. As a result, the bonds were nonadmitted for purposes of the examination. Resolution: The current examination did not result in a similar finding. We found that the Company was reconciling its investment records and custodian reports.

Mortgage Loans on Real Estate

The prior examination resulted in a finding that a loan in the amount of \$3,423,781 was in the name of an affiliate. Therefore, the loan was non-admitted. Resolution: The asset was transferred from the affiliate to the Company.

Other Invested Assets

As of December 31, 2003, the Company reported other invested assets consisting of minority investments in joint venture, partnership, or limited liability interests. Pursuant to Statement of Statutory Accounting Principles (SSAP) No. 48, such investments should have been reported at values based on the underlying audited equity of the investee as determined by generally accepted accounting principles. The Company was unable to provide sufficient evidence of the book value for three of its investments with a combined reported value of \$4,926,637 as of December 31, 2003. Therefore, the amounts were non-admitted. For two additional investments, examiners noted that the combined reported value was overstated by \$416,293. Therefore, an examination adjustment to reduce the carrying value of the investments was made in the amount of \$416,293. The combined examination adjustment was \$5,342,930.

Resolution: The current examination of the Company did not result in a similar finding.

Amounts Recoverable From Reinsurers

Examiners found that, subsequent to December 31, 2003, the Company wrote off certain reinsurance recoverables in the amount of \$805,816 on the basis that they were not collectible. Therefore, the amount of these receivables was non-admitted as of December 31, 2003.

Resolution: The current examination of the Company did not result in a similar finding.

EDP Equipment Depreciation

The Company failed to disclose in its 2003 annual statement the amounts of depreciation and amortization expense for the period, accumulated depreciation, and a general description of the methods used in computing the depreciation expense of its electronic data processing equipment and software, as required by SSAP No. 16. Resolution: The current examination of the Company did not result in a similar finding.

Aggregate Reserves For Life Contracts

During the prior examination of the Company, the Office determined that the Company understated its loss reserves by \$3,949,680 as of December 31, 2003. Resolution: The current examination of the Company did not result in a similar finding.

General Expenses Due or Accrued

The Company failed to accrue its \$975,202 liability resulting from a 2003 purchase of certain non-admissible telecommunications equipment. As the equipment was purchased and received during 2003, and paid for during 2004, the Company should have established a liability for the amount due for the equipment as of December 31, 2003. Resolution: The current examination of the Company did not result in a similar finding.

Net Foreign Exchange Rate Adjustments

The amounts of each of the Company's 2003 annual statement balance sheet line items that included Canadian dollar amounts should have been converted from Canadian dollars to U.S. dollars, in accordance with SSAP No. 23. However, in its 2003 annual statement, the Company reported a liability in the amount of \$8,326,103 for the net effect of foreign exchange rates on its assets and liabilities reported in Canadian dollars. Resolution: The current examination of the Company did not result in a similar finding.

HISTORY

GENERAL

The Company was incorporated on February 6, 1952 in Florida as a stock life and health insurer, and commenced business on April 8, 1952. In 1980, the Company's board of directors and stockholder approved a plan of reorganization whereby American Bankers Insurance Group, Inc. (ABIG), a holding company, was formed to own the Company and American Bankers Insurance Company of Florida, a Florida property and casualty insurer.

As of the date of this examination, the Company was authorized to transact the following insurance coverage in Florida, in accordance with Section 624.401, F.S.:

- Life
- Group life and annuities
- Accident and health
- Credit life
- Credit disability

Neither the Company's articles of incorporation nor its bylaws were amended during the period covered by this examination.

CAPITAL STOCK

As of December 31, 2006, the Company's capitalization was as follows:

Number of authorized common capital shares	5,000,000
Number of shares issued and outstanding	4,472,341
Total common capital stock	\$4,472,341
Par value per share	\$1.00

At December 31, 2006, the Company was wholly-owned and controlled by ABIG which was an indirect subsidiary of Assurant, Inc. An abbreviated organizational chart appears on page 12.

PROFITABILITY

For the period of this examination, the Company reported the following:

(In millions)	<u>2006</u>	<u>2005</u>	<u>2004</u>
Net premiums	\$171.5	\$148.1	\$248.0
Total revenues	\$305.8	\$267.7	\$334.6
Net income	\$28.4	\$45.5	\$13.2
Total capital and surplus	\$105.7	\$186.8	\$131.1

DIVIDENDS

The Company paid shareholder dividends in the amounts of \$95.0 million, \$11.5 million, and \$94.8 million in years 2004, 2005, and 2006, respectively.

MANAGEMENT

The annual shareholder meeting for the election of directors was held in accordance with Section 607.0701, F.S. Directors serving as of December 31, 2006 were:

<u>Name and Location</u>	<u>Directors</u>
	<u>Principal Occupation</u>
P. Bruce Camacho New York, New York	Chief Financial Officer Assurant, Inc.
Arthur W. Heggen Miami, Florida	Executive Vice President, Corporate Planning Assurant Solutions and Assurant Specialty Property
Adam D. Lamnin Miami, Florida	Chief Financial Officer Assurant Solutions and Assurant Specialty Property
S. Craig Lemasters Atlanta, Georgia	Executive-In-Charge Assurant Solutions
John B. Owen Atlanta, Georgia	Executive-In-Charge Assurant Specialty Property
Amelia Toural Miami, Florida	Chief Accounting Officer Assurant Solutions and Assurant Specialty Property

At December 31, 2006, members of the Board of Directors Investment Committee were:

**Investment
Committee**

P. Bruce Camacho
S. Craig Lemasters
Amelia Toural

The following were the Company's senior officers as of December 31, 2006, as appointed by its board of directors in accordance with the Company's bylaws:

Senior Officers

<u>Name</u>	<u>Title</u>
P. Bruce Camacho	Chief Executive Officer
Adam D. Lamnin	President
Wendall W. Stocker	Vice President and Treasurer
Arthur W. Heggen	Senior Vice President and Secretary
Manuel J. Becerra	Group Senior Vice President
S. Craig Lemasters	Group Senior Vice President
Jonathan P. Jannarone	Chief Actuary

CONFLICT OF INTEREST PROCEDURE

The Company adopted a policy statement requiring annual disclosure of conflicts of interest in accordance with Section 607.0832, F.S. No exceptions were noted during this examination.

CORPORATE RECORDS

The recorded minutes of the shareholder, Board of Directors, and Investment Committee meetings were reviewed for the period examined. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions in accordance with Section 607.1601, F.S., including the authorization of investments as required by Section 625.304, F.S. A review of the prior report of examination by the Office was documented in the minutes of the Board.

MERGERS

During the period of the examination, the Company was involved in the following mergers.

Union Security Life Insurance Company (USLIC) merged into the Company effective December 1, 2006. USLIC primarily wrote credit life and accident and health insurance programs and managed captive credit life and accident and health insurance companies. MS Diversified Life Insurance Company (MS Diversified) merged into the Company effective November 1, 2006. MS Diversified provided credit life and accident and health programs for automobile dealers. Life Insurance Company of Mississippi (LOM) and MS Life Insurance Company (MS Life) merged into the Company effective December 1, 2005. LOM was no longer writing new business and was in a run-off status. MS Life wrote various life, accident and health, and annuity lines. Voyager Life Insurance Company (VLIC) and Voyager Life and Health Insurance Company (VLHIC) merged into the Company effective April 1, 2004. The mergers were approved by the Office and accounted for as statutory mergers in accordance with SSAP No. 68. The Company reported the merger transactions as retroactive changes in the reporting entity and restated its previously reported financial statement amounts to provide comparative presentations.

AFFILIATED COMPANIES

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), F.A.C. Its latest holding company registration statement was filed with the State of Florida as required by Section 628.801, F.S., and Rule 69O-143.046, F.A.C., on March 1, 2007.

The following agreements were in force between the Company and its affiliates on December 31, 2006:

INTER-COMPANY SERVICES AGREEMENTS

ABIG and Assurant, Inc. provided audit, human resource management, investment management, and information technology services to the Company pursuant to inter-company services agreements.

INVESTMENT AGREEMENT

Fortis, Inc. provided investment services to the Company in 2004 pursuant to an agreement entered into on August 18, 1999 and amended on January 25, 2001, in return for fees of \$1.3 million.

TAX ALLOCATION AGREEMENT

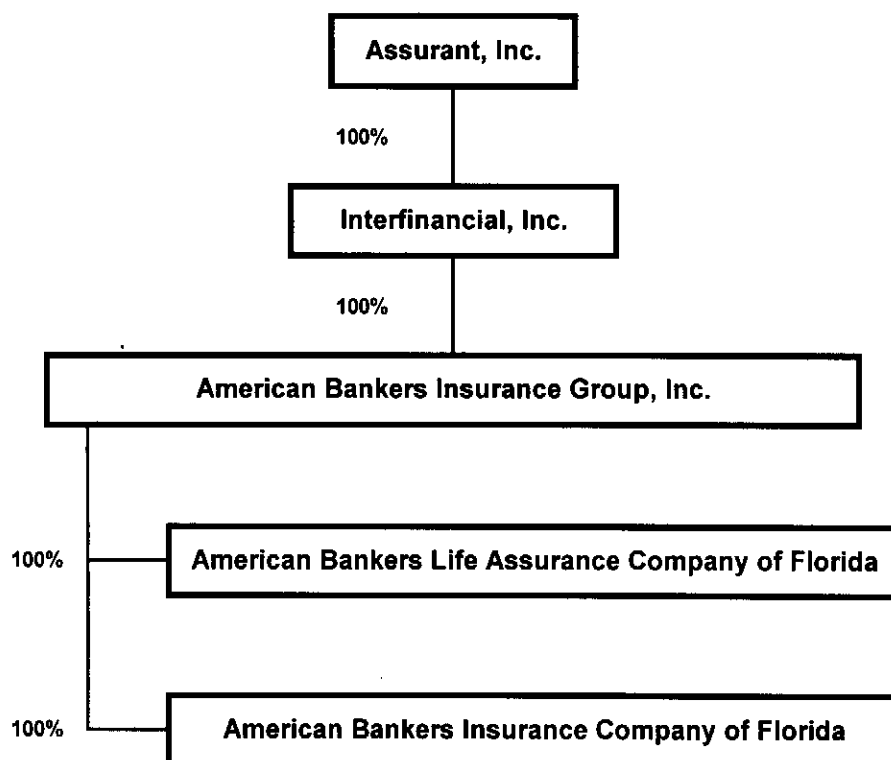
The results of the Company's operations were included in the consolidated federal income tax return of Assurant, Inc. pursuant to a February 27, 2006 tax allocation agreement. Federal income taxes were allocated among the included companies based upon separate return calculations with current credit for net losses.

SERVICES AGREEMENTS

The Company was a party to various agreements with affiliates, mostly effective on January 1, 2005, to provide and receive services for each other relating to data processing, management, premium processing, and claims processing. Fees for the services were \$86.9 million and \$89.1 million in years 2005 and 2006.

An abbreviated organizational chart as of December 31, 2006 reflecting the holding company system is shown below. Schedule Y of the Company's 2006 annual statement provided the names of all related companies in the holding company group.

**American Bankers Life Assurance Company of Florida
Organizational Chart
December 31, 2006**



FIDELITY BOND AND OTHER INSURANCE

As of December 31, 2006, the Company was named as an insured on a fidelity bond owned by Assurant, Inc. The policy provided single loss coverage of \$10 million and aggregate loss coverage of \$20 million which adequately covered the suggested minimum amount of coverage of \$5 million recommended by the NAIC.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company offered a variety of benefits to its employees. Benefits made available to eligible employees included disability, life, medical, and dental insurance coverage, a qualified, non-contributory, defined benefit pension plan sponsored by Assurant, Inc., a 401(k) retirement plan, and an employee stock purchase plan.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, F.S., and with various other governments as required or permitted by law:

Holder	Description	Rate	Due	Par Value	Market Value
Florida	GlaxoSmithKline notes	4.38%	4/15/14	\$2,000,000	\$1,885,500
Florida	U.S. Treasury notes	3.00%	2/15/08	675,000	660,501
Florida	U.S. Treasury notes	3.00%	2/15/09	825,000	795,350
Florida	U.S. Treasury notes	3.38%	10/15/09	2,000,000	1,929,540
Florida	Wachovia Corp. notes	6.15%	3/15/09	1,000,000	1,018,930
Total Florida deposits				6,500,000	6,289,821
Arkansas	U.S. Treasury notes	5.50%	5/15/09	161,000	163,692
Arkansas	Cash	-	-	20,000	20,000
Arkansas	FNMA bonds	4.38%	3/15/13	140,000	135,538
Aruba	Bank CD	2.70%	1/17/07	305,116	305,116
Canada	Bonds & pref'd stock	Var.	Var.	158,576,371	140,259,985
Delaware	U.S. Treasury notes	4.25%	10/15/10	2,000,000	1,969,060
Georgia	FNMA notes	5.50%	3/15/11	55,000	56,169
Georgia	U.S. Treasury notes	3.00%	2/15/09	25,000	24,102
Georgia	U.S. Treasury notes	5.50%	5/15/09	1,075,000	1,092,974
Louisiana	U.S. Treasury notes	4.75%	3/31/11	100,000	100,168
Louisiana	Bank CD	3.92%	10/10/07	20,000	20,000
Louisiana	Bank CD	3.92%	10/10/07	20,000	20,000
Louisiana	Bank CD	3.68%	5/22/07	20,000	20,000
Massachusetts	FHLMC notes	5.25%	5/21/09	100,000	100,594
Mississippi	U.S. Treasury notes	4.88%	5/31/11	350,000	352,408
Mississippi	Money market fund	Var.	Var.	350,000	350,000
Netherlands Antilles	U.S. Treasury notes	5.63%	5/15/08	600,000	605,484
New Hampshire	FNMA notes	5.75%	2/15/08	250,000	251,485
New Mexico	FNMA notes	5.75%	2/15/08	120,000	120,713
New Mexico	FHLMC notes	5.25%	5/21/09	150,000	150,891
New Zealand	New Zealand govt	6.00%	11/15/11	510,000	353,227
North Carolina	Money market fund	Var.	Var.	820,000	820,000
North Carolina	U.S. Treasury notes	4.50%	2/15/09	110,000	109,335
Ohio	U.S. Treasury notes	5.75%	8/15/10	50,000	51,725
Oklahoma	FHLMC notes	3.37%	4/15/09	300,000	289,593
Puerto Rico	PRC RFDG	5.50%	7/1/13	1,000,000	1,113,410
Virgin Islands	U.S. Treasury notes	5.63%	5/15/08	500,000	504,570
Virgin Islands	U.S. Treasury notes	5.38%	2/15/31	1,500,000	1,606,755
Virgin Islands	FNMA notes	7.54%	3/2/15	500,000	501,745
Virgin Islands	Bank CD	1.90%	10/2/07	3,481	3,481
Virginia	FNMA notes	5.75%	2/15/08	100,000	100,594
Virginia	FNMA notes	5.50%	3/15/11	60,000	61,275
Total deposits				<u>\$176,390,968</u>	<u>\$157,923,910</u>

INSURANCE PRODUCTS AND RELATED PRACTICES

The Company marketed life and health insurance products including credit life, mortgage life, credit accident and health, group accident and health, and mortgage accident and health insurance through licensed agents and brokers.

TERRITORY AND PLAN OF OPERATION

At December 31, 2006, the Company was authorized to transact insurance in the District of Columbia and all U.S. states except New York. It was also authorized to write business in Anguilla, Aruba, the British Virgin Islands, Canada, Guam, Netherlands Antilles, New Zealand, Puerto Rico, and the U.S. Virgin Islands.

TREATMENT OF POLICYHOLDERS

The Company established procedures for handling written complaints in accordance with Section 626.9541(1)(j), F.S., and maintained a claims procedure manual that included detailed procedures for handling each type of claim.

REINSURANCE

The Company assumed insurance from four affiliates and 23 other insurers. It ceded risk to seven affiliates and 195 other insurers. The reinsurance agreements reviewed were found to comply with NAIC standards with respect to the standard insolvency and arbitration clauses, transfer of risk, and reporting and settlement information deadlines. The risk retention and dollar limit on risks varied with each specific treaty written. The reinsurance contracts were reviewed by the Company's appointed actuary and were utilized in determining the ultimate loss opinion.

In its 2006 annual statement, the Company claimed credit for reinsurance ceded to unauthorized reinsurers pursuant to Section 624.610, F.S. Upon examination, the Office determined that the Company was not entitled to the full amount of the credit. The Company took credit for insurance ceded to Midland States Life Insurance Company (Midland) in the amount of \$2,965,825 on the basis that the reinsurance obligations were adequately secured by a \$3 million letter of credit and a funded trust agreement. The examination revealed that the letter of credit was actually for the benefit of one of the Company's affiliates and that the amount held in trust was only \$195,283. Accordingly, the credit for reinsurance ceded to Midland has been reduced by \$2,770,542. In addition, the Company claimed credit for insurance ceded to Pioneer Military Insurance Company (Pioneer) in the amount of \$4,464,363 on the basis that the reinsurance obligations were adequately secured by funds held in trust. However, upon examination, the Company was unable to verify the existence of a valid trust agreement. As a result, the credit for reinsurance ceded to Pioneer has been reduced by \$4,464,363. The total examination adjustment is \$7,234,905. As discussed on page 2, the prior examination of the Company resulted in a similar finding.

ACCOUNTS AND RECORDS

An independent CPA audited the Company's statutory-basis financial statements annually for years 2004, 2005, and 2006, pursuant to Section 624.424(8), F.S. Supporting work papers were prepared by the CPA as required by Rule 69O-137.002, F.A.C. The Company filed its 2006 audited statutory-basis financial statements with the Office on August 29, 2007, rather than on or before June 1, 2007, as required by Section 624.424(8)(a), F.S.

The Company's accounting records were maintained on a computerized system. Its balance sheet accounts were verified with the line items of its annual statement submitted to the Office.

The Company did not maintain records containing detailed policy data pertaining to a portion of its business referred to by the Company as "non-system business," but relied on various administrators, agents, and other third parties to do so and to provide that information to the Company in summary form. The Company relied on the third parties to provide it with the total number of insureds, gross premium collected, commissions withheld, net premiums, and other information. This constituted a weakness in the Company's internal controls. As reported on page 3, the prior examination of the Company as of December 31, 2003 resulted in the same finding.

The Company's main administrative office was located in Miami, Florida, where this examination was conducted.

RISK-BASED CAPITAL

The Company reported its risk-based capital at an adequate level.

INFORMATION SYSTEMS CONTROLS

As part of this financial condition examination, Highland Clark, LLC, a computer audit specialist (CAS) engaged by the Office, conducted an in-depth review of the adequacy of the Company's information systems controls as documented by the Company in its completed NAIC Exhibit C (Evaluation of Controls in Information Systems Questionnaire). The CAS review was conducted in the Company's Miami, Florida offices from June 24, 2007 through June 28, 2007. The CAS found the Company's information systems general and application controls to be adequate.

The following agreement was in effect between the Company and a non-affiliate:

CUSTODIAL AGREEMENT

The Company entered into a securities custodial agreement with JPMorgan Chase Bank, N.A., originally effective September 13, 2005 and amended on May 26, 2006. The Company was unable to demonstrate that the agreement had been authorized by its board of directors or an authorized committee of its board of directors, and the agreement did not limit the authority of the custodian to exercise discretionary authority to effect securities transactions, as required by Rule 69O-143.042, F.A.C.

INDEPENDENT AUDITOR AGREEMENT

The Company contracted with PricewaterhouseCoopers LLP for the audits of its financial statements for years 2004, 2005, and 2006.

FINANCIAL STATEMENTS PER EXAMINATION

The following four pages contain statements of the Company's financial position at December 31, 2006, as determined by this examination, and the results of its operations for the year then ended as reported by the Company. Adjustments resulting from this examination are summarized on page 26.

American Bankers Life Assurance Company of Florida
Assets
December 31, 2006

	Per Company	Examination Adjustments	Per Examination
Bonds	\$477,337,803	\$0	\$477,337,803
Preferred stocks	85,405,964	0	85,405,964
Common stocks	204,988	0	204,988
First liens - mortgage loans on real estate	56,604,822	0	56,604,822
Properties occupied by the company	23,024,201	0	23,024,201
Properties held for the production of income	299,232	(299,232)	0
Cash, cash equivalents, and short-term investments	31,851,679	0	31,851,679
Contract loans	8,097,747	0	8,097,747
Other invested assets	5,287,849	0	5,287,849
Receivables for securities	40,967	0	40,967
	<u>688,155,252</u>	<u>(299,232)</u>	<u>687,856,020</u>
Investment income due and accrued	7,509,720	0	7,509,720
Uncollected premiums and agents' balances	19,163,792	0	19,163,792
Deferred premiums, agents' balances & installments	1,349,234	0	1,349,234
Amounts recoverable from reinsurers	21,130,963	(642,129)	20,488,834
Other amounts due under reinsurance contracts	367,811	0	367,811
Current federal and foreign income tax recoverable	6,661,280	0	6,661,280
Net deferred tax asset	10,390,383	0	10,390,383
Guaranty funds receivable or on deposit	812,424	0	812,424
Electronic data processing equipment and software	3,079,615	0	3,079,615
Receivables from parent, subsidiaries and affiliates	16,472,100	(2,962,997)	13,509,103
Aggregate write-ins for other than invested assets	1,546,305	0	1,546,305
Totals	<u><u>\$776,638,879</u></u>	<u><u>(\$3,904,358)</u></u>	<u><u>\$772,734,521</u></u>

American Bankers Life Assurance Company of Florida
Liabilities, Surplus, and Other Funds
December 31, 2006

Liabilities	Per Company	Examination Adjustments	Per Examination
Aggregate reserve for life contracts	\$303,261,057	\$0	\$303,261,057
Aggregate reserve for A&H contracts	152,280,846	0	152,280,846
Liability for deposit-type contracts	7,910,322	0	7,910,322
Contract claims - life	18,355,888	0	18,355,888
Contract claims - accident and health	18,557,268	0	18,557,268
Premiums received in advance	78,519	0	78,519
Other amounts payable on reinsurance	32,803	0	32,803
Interest maintenance reserve	6,138,914	0	6,138,914
Commissions to agents	29,694,581	0	29,694,581
General expenses due or accrued	28,046,995	0	28,046,995
Taxes, licenses and fees	1,362,067	0	1,362,067
Unearned investment income	489,152	0	489,152
Amounts withheld or retained	7,903,780	0	7,903,780
Amounts held for agents' account	3,810,553	0	3,810,553
Remittances and items not allocated	3,717,798	0	3,717,798
Asset valuation reserve	6,620,297	0	6,620,297
Reinsurance in unauthorized companies	1,559,518	7,234,905	8,794,423
Funds held with unauthorized reinsurers	27,246,762	0	27,246,762
Payable to parent, subsidiaries and affiliates	20,966,968	(2,962,997)	18,003,971
Funds held under coinsurance	5,140,566	0	5,140,566
Payable for securities	1,474,098	0	1,474,098
Aggregate write-ins for liabilities	26,256,694	0	26,256,694
Total liabilities	670,905,446	4,271,908	675,177,354
Capital and Surplus			
Gross paid in and contributed surplus	77,356,169	0	77,356,169
Unassigned funds	23,904,923	(8,176,266)	15,728,657
Surplus	101,261,092	(8,176,266)	93,084,826
Common capital stock	4,472,341	0	4,472,341
Total capital and surplus	105,733,433	(8,176,266)	97,557,167
Totals	\$776,638,879	(\$3,904,358)	\$772,734,521

American Bankers Life Assurance Company of Florida
Summary of Operations
For The Year Ended December 31, 2006

Premiums and considerations		\$171,472,209
Considerations for supplementary contracts		26,359
Net investment income		50,277,708
Amortization of interest maintenance reserve		826,108
Commissions and allowances on reinsurance ceded		82,116,527
Aggregate write-ins for miscellaneous income		1,045,730
		<u>305,764,641</u>
Death benefits	\$37,637,984	
Annuity benefits	322,120	
Disability benefits and benefits under A&H contracts	28,376,323	
Surrender benefits and withdrawals for life contracts	14,377,194	
Interest and adjustments on contract funds	113,279	
Payments on supplementary contracts	581,202	
Increase in aggregate reserves	(29,693,553)	
	<u>51,714,549</u>	
Commissions on premiums	137,703,869	
Commissions and allowances on reinsurance assumed	2,910,341	
General insurance expenses	64,289,940	
Insurance taxes, licenses and fees	15,772,781	
Increase in loading on deferred and uncollected premiums	(64,270)	
	<u>272,327,210</u>	
Net gain from operations before federal income taxes		<u>33,437,431</u>
Federal and foreign income taxes incurred		7,059,746
Net gain from operations before realized capital gains		<u>26,377,685</u>
Net realized capital gains		2,007,327
Net income		<u><u>\$28,385,012</u></u>

American Bankers Life Assurance Company of Florida
Capital and Surplus Account
For The Year Ended December 31, 2006

Capital and surplus - December 31, 2005		\$188,089,877
Net income	\$28,385,012	
Change in net unrealized capital gains	3,747	
Change in net unrealized foreign exchange capital gain	145,063	
Change in net deferred income tax	(4,415,119)	
Change in nonadmitted assets and related items	(7,461,888)	
Change in liability for reinsurance in unauthorized companies	1,676,811	
Change in asset valuation reserve	1,342,728	
Paid in	(1,335,416)	
Dividends to stockholders	(94,800,000)	
Aggregate write-ins for gains and losses in surplus	(5,897,382)	
Examination adjustments	<u>(8,176,266)</u>	<u>(90,532,710)</u>
Capital and surplus - December 31, 2006		<u><u>\$97,557,167</u></u>

COMMENTS ON FINANCIAL STATEMENTS

Properties Held For The Production of Income

\$0

The \$299,232 reported by the Company as "properties held for the production of income" has been decreased by \$299,232. The Company was unable to demonstrate that the property had been appraised within the last five years as required by SSAP No. 40. Accordingly, the asset was non-admitted upon examination.

Amounts Recoverable From Reinsurers

\$20,488,834

The \$21,130,963 reported by the Company as "amounts recoverable from reinsurers" has been decreased by \$642,129. The Company was unable to support the existence of three amounts reported in its 2006 annual statement as being recoverable from reinsurers. As a result, the total of those amounts, or \$642,129, has been non-admitted.

Receivables From Parent, Subsidiaries and Affiliates

\$13,509,103

Payable To Parent, Subsidiaries and Affiliates

\$18,003,971

We found that the \$16,472,100 reported by the Company as being receivable from parent, subsidiaries and affiliates, and the \$20,966,968 it reported as being payable to parent, subsidiaries and affiliates, were each overstated by \$2,962,997 in the Company's 2006 annual statement. As a result, both the asset and liability have been decreased by \$2,962,997.

Losses and Loss Adjustment Expense**\$500,365,381**

The Company's appointed actuary rendered an opinion that the amounts carried in the Company's balance sheet as of December 31, 2006 reasonably provided for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements. The Office actuary reviewed work papers provided by the Company and concurred with this opinion. Based on the results of the Office actuary's review and analysis of work papers and data provided by the Company, we concluded that the aggregate liability was not materially misstated.

American Bankers Life Assurance Company of Florida
Comparative Analysis of Changes in Capital and Surplus
December 31, 2006

The following is a reconciliation of capital and surplus between that reported by the Company and as determined by the examination.

Capital and surplus, December 31, 2006 - per annual statement				\$105,733,433
	<u>Per Company</u>	<u>Per Examination</u>	<u>Increase (Decrease) in Capital & Surplus</u>	
Assets:				
Properties held for the production of income	\$299,232	\$0	(\$299,232)	
Amounts recoverable from reinsurers	\$21,130,963	\$20,488,834	(\$642,129)	
Receivables from parent, subsidiaries and affiliates	\$16,472,100	\$13,509,103	(\$2,962,997)	
Liabilities:				
Reinsurance in unauthorized companies	\$1,559,518	\$8,794,423	(\$7,234,905)	
Payable to parent, subsidiaries and affiliates	\$20,966,968	\$18,003,971	<u>\$2,962,997</u>	
Net change in capital and surplus				<u>(8,176,266)</u>
Capital and surplus, December 31, 2006 - per examination				<u>\$97,557,167</u>

SUBSEQUENT EVENTS

On March 3, 2008, the Company's ultimate parent Assurant, Inc. filed its annual report (Form 10-K) with the U.S. Securities and Exchange Commission (SEC) for 2007 and therein disclosed the following. Assurant, Inc. and certain of its officers and former employees received subpoenas and requests from the SEC in connection with an investigation by the SEC into certain finite reinsurance contracts entered into by Assurant, Inc. There was a verbal side agreement with respect to one of the Assurant, Inc. reinsurers under its catastrophic reinsurance program. The contract to which the verbal side agreement applied was accounted for using reinsurance accounting as opposed to deposit accounting. The contract expired in December 2004 and was not renewed. In July 2007, Assurant, Inc. learned that each of the following five individuals received Wells notices from the SEC in connection with its investigation:

Robert B. Pollock	President and Chief Executive Officer of Assurant, Inc.
Philip Bruce Camacho	Executive Vice President and Chief Financial Officer of Assurant, Inc.
Adam Lamnin	Executive Vice President and Chief Financial Officer of Assurant Solutions/Assurant Specialty Property
Michael Steinman	Senior Vice President and Chief Actuary of Assurant Solutions/Assurant Specialty Property
Dan Folse	Vice President - Risk Management of Assurant Solutions/Assurant Specialty Property

A Wells notice is an indication that the staff of the SEC is considering recommending that the SEC bring a civil enforcement action against the recipient for violating provisions of federal securities laws. On July 17, 2007, Assurant, Inc. announced that its board of directors had placed all five employees on administrative leave, pending further review of the matter. On July 18, 2007, the Board appointed J. Kerry Clayton as interim President and Chief Executive Officer and Michael J. Peninger as interim Chief Financial Officer of Assurant, Inc. On August 9, 2007,

Messrs. Steinman and Folse's employment was terminated. The Board voted to reinstate Mr. Pollock as President and Chief Executive Officer, effective January 28, 2008. Messrs. Camacho and Lamnin remain on administrative leave. In relation to the SEC investigation, the SEC may charge Assurant, Inc. and/or the individuals with violations of federal securities laws and may seek civil monetary penalties, injunctive relief and other remedies against Assurant, Inc. and the individuals, including potentially seeking a bar preventing one or more of the individuals from serving as an officer or director of a public company. The SEC may also take the position that Assurant, Inc. should restate its consolidated financial statements.

SUMMARY OF FINDINGS

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The Company has taken the necessary actions to comply with the comments contained in the examination report issued by the Office as of December 31, 2003, except as noted below.

Reinsurance

As reported on page 2, the prior examination resulted in a finding that the Company did not fully comply with the provisions of Section 624.610, F.S., and, therefore, was not eligible for the full amount of claimed reinsurance credit with respect to ceded insurance. The current examination resulted in a similar finding, as discussed on page 16.

Policy Records and Data

As reported on page 3, the prior examination resulted in a finding that the Company did not maintain records containing detailed policy data pertaining to a portion of its business, referred to by the Company as "non-system business," but relied on various administrators, agents, and other third parties to do so and to provide that information to the Company in summary form. As discussed on page 17, this was a finding in the current examination as well.

CURRENT EXAMINATION COMMENTS AND CORRECTIVE ACTION

The following is a brief summary of items of interest and corrective action to be taken by the Company regarding findings of the examination as of December 31, 2006.

Reinsurance

As reported on page 16, in its 2006 annual statement, the Company claimed credit for reinsurance ceded to unauthorized reinsurers pursuant to Section 624.610, F.S. Upon examination, the Office determined that the Company was not entitled to the full amount of the

credit. The credit for reinsurance ceded to Midland has been reduced by \$2,770,542, and the credit for reinsurance ceded to Pioneer has been reduced by \$4,464,363. As discussed on page 2, the prior examination of the Company resulted in a similar finding. **We recommend that the Company take credit for insurance ceded to reinsurers only when the requirements of Section 624.610, F.S., have been met.**

Annual Statement

As reported on page 17, the Company filed its 2006 audited statutory-basis financial statements with the Office on August 29, 2007, rather than on or before June 1, 2007, as required by Section 624.424(8)(a), F.S. **We recommend that the Company file its audited statutory-basis financial statements with the Office on or before June 1 annually, as required by Section 624.424(8)(a), F.S.**

Policy Records and Data

As reported on page 17, the Company did not maintain records containing detailed policy data pertaining to a portion of its business, referred to by the Company as "non-system business," but relied on various administrators, agents, and other third parties to do so and to provide that information to the Company in summary form. The Company relied on the third parties to provide it with the total number of insureds, gross premium collected, commissions withheld, net premiums, and other information. This constituted a weakness in the Company's internal controls. As reported on page 3, the prior examination of the Company as of December 31, 2003 resulted in the same finding. **We recommend that the Company maintain records containing detailed policy data for its non-system business.**

Custodial Agreement

As reported on page 18, the Company was unable to demonstrate that an investment custodial agreement had been authorized by its board of directors or an authorized committee of its board of directors, and the agreement did not limit the authority of the custodian to exercise discretionary authority to effect securities transactions, as required by Rule 69O-143.042, F.A.C.

We recommend that the Company ensure that its custodial agreements are authorized by its board of directors or an authorized committee of its board of directors and that the agreements limit the authority of the custodian to exercise discretionary authority to effect securities transactions, as required by Rule 69O-143.042, F.A.C.

Properties Held For The Production of Income

As reported on page 24, the Company was unable to demonstrate that its property held for the production of income had been appraised within the last five years as required by SSAP No. 40.

We recommend that the Company obtain appraisals of such properties, as required by SSAP No. 40.

Amounts Recoverable From Reinsurers

As reported on page 24, the Company was unable to support the existence of three amounts reported in its 2006 annual statement as being recoverable from reinsurers. **We recommend that the Company accurately report amounts recoverable from reinsurers.**

Receivables From and Payables To Parent, Subsidiaries and Affiliates

As reported on page 24, the amounts reported by the Company as being receivable from and payable to its parent, subsidiaries and affiliates were each overstated by \$2,962,997 in the Company's 2006 annual statement. **We recommend that the Company accurately report amounts receivable from and payable to its parent, subsidiaries and affiliates.**

SEC Investigation

Assurant, Inc. reported that it and certain of its officers and former employees received subpoenas and requests from the U.S. Securities and Exchange Commission in connection with an investigation by the SEC into certain finite reinsurance contracts, as more fully discussed beginning on page 27. **We recommend that the Company keep the Office informed of the status of the SEC investigation on a current basis, and promptly notify the Office of any formal allegations or material findings that may result from the investigation.**

CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of **American Bankers Life Assurance Company of Florida** as of December 31, 2006, consistent with the insurance laws of the State of Florida.

Per examination findings, the Company's total capital and surplus was \$97,557,167, which was in compliance with Section 624.408, F.S. Its required minimum capital and surplus at December 31, 2006 was \$34,777,055.

In addition to the undersigned, the following participated in this examination: Christine N. Afolabi, Financial Examiner/Analyst; Highland Clark, LLC; Cathy S. Jones, CPA, Financial Examiner/Analyst Supervisor; Kerry A. Krantz, Actuary; Darlene L. Lenhart-Schaeffer, Financial Examiner/Analyst; and Richard J. Schaaf, CPA, CFE, Financial Specialist.

Respectfully submitted,

Russell K. Judge, Financial Examiner/Analyst
Florida Office of Insurance Regulation