# Assurant 4Q 2016 Earnings Transcript

## PARTICIPANTS

### Corporate Participants

**Suzanne Shepherd** – Vice President-Investor Relations, Assurant, Inc.
**Alan B. Colberg** – President, Chief Executive Officer & Director, Assurant, Inc.
**Richard S. Dziadzio** – Chief Financial Officer, Treasurer & EVP, Assurant, Inc.

### Other Participants

**Mark Douglas Hughes** – Analyst, SunTrust Robinson Humphrey, Inc.
**Seth M. Weiss** – Analyst, Bank of America Merrill Lynch
**John M. Nadel** – Analyst, Credit Suisse Securities (USA) LLC
**Jamminder Singh Bhullar** – Analyst, JPMorgan Securities LLC

## MANAGEMENT DISCUSSION SECTION

Operator: Welcome to Assurant's Fourth Quarter and Full Year 2016 Earnings Conference Call and Webcast. At this time, all participants have been placed in a listen-only mode, and the floor will be open for your questions following management's prepared remarks. [Operator Instructions]

It is now my pleasure to turn the floor over to Suzanne Shepherd, Vice President of Investor Relations. You may begin.

### Suzanne Shepherd, Vice President-Investor Relations

Thank you, Carol, and good morning, everyone. We look forward to discussing our fourth quarter and full-year 2016 results with you today. Joining me for Assurant's conference call are Alan Colberg, our President and Chief Executive Officer; and Richard Dziadzio, our Chief Financial Officer and Treasurer.

Yesterday after the market closed, we issued a news release announcing our fourth quarter 2016 results. The release and corresponding financial supplement are available at assurant.com. As noted in the release, beginning in the fourth quarter of 2016, we revised our reportable segments to align with the company's new global operating model. As a result, our reportable segments now comprise, Global Housing, Global Lifestyle, Global Preneed and Corporate *(In addition, Assurant Employee Benefits was a separate segment in 2016 and primarily includes activity for the two months prior to its sale)*.

In addition, we also enhanced our disclosures by adding key segment profitability metrics and other relevant data points to our financial supplement. Most notably, we now include the combined ratio for risk-based business and the pre-tax margin for Connected Living- our fee-based, capital-light offerings in Global Lifestyle. These metrics enable investors to better track our performance in these critical businesses.

As a reminder, net operating income includes contributions from Global Housing, Global Lifestyle, Global Preneed and Corporate, as well as interest expense. Operating results exclude Health runoff operations, the divested Employee Benefits business, the amortization of deferred gains from dispositions and other items that do not represent the ongoing operations of the company. Related prior period results in the financial supplement and the news release have been revised to conform to the new presentation. We believe these changes provide a more meaningful representation on our financials and better align with our new operating structure.

On today's call, we will refer to other non-GAAP financial measures, which we believe are important in evaluating the company's performance. For more details on these measures, the most comparable GAAP measures and a reconciliation of the two, please refer to the news release and financial supplement available on assurant.com.

We'll begin our call this morning with prepared remarks before moving to Q&A. Some of the statements made today may be forward-looking and actual results may differ materially from those projected in these statements. Additional information on factors that could cause actual results to differ from those projected can be found in yesterday's news release, as well as in our SEC reports, including Form 10-K and 10-Q.

It is now my pleasure to turn the call over to Alan.

**Alan B. Colberg, President, Chief Executive Officer & Director**

Thanks, Suzanne and good morning, everyone. Our performance for fourth quarter 2016 was in-line with our expectations. While net operating income was lower, driven by higher reportable catastrophes and lender-placed normalization, Global Lifestyle performance improved year-over-year.

As we reflect on 2016, we view the year as one of transition. Our efforts were focused on implementing the critical building blocks of our transformation and continuing to position the company for long-term profitable growth. The progress made this year to complete our portfolio realignment and implement a new organizational framework will allow us to do three things.

First, continue to expand in our targeted growth areas. Second, develop innovative solutions for our clients and consumers. And third, realize efficiencies in 2017 and beyond. While we have more work to do this year, the foundational elements are in place and have made us a stronger Assurant.

In 2016, we established a global business unit structure and completed the realignment of our technology, risk, strategy and Finance organizations. In addition, our Enterprise Transformation Office has already begun to help ensure we capture the value for a more integrated global enterprise.

A key milestone in our portfolio realignment includes the wind-down of Assurant Health, which is now substantially complete. We received the majority of the risk mitigation payments due from CMS, including a $14 million payment in January, and have only $17 million in net receivables still outstanding. At the end of December, less than 200 policies remained. And in the fourth quarter, we received an additional $120 million in dividends from Health, totaling $458 million for the year.

These dividends, along with nearly $900 million from the sale of Employee Benefits, contributed to our strong capital position, as did another $315 million from our operating segments. This allowed us to both return capital to shareholders and to invest in the Housing and Lifestyle markets where we believe we can outperform long term.

Let's shift now to some business highlights for the quarter and the year.

In Global Housing, we strengthened our leadership position in the manufactured housing market with the Green Tree Insurance Agency acquisition. With nearly $40 million in annualized revenues and $25 million in expected incremental premium, Green Tree expands our voluntary housing offering and deepens our alignment with this leading mortgage company.

In late December, we reached an agreement related to the lender-placed, multistate market conduct examination and a separate agreement with the Minnesota state insurance department. In addition to settlement payments, the agreed modifications put into practice, various procedures already largely implemented across Assurant's lender-placed business. We are pleased to resolve these regulatory matters.

Over the course of the year, we continue to invest in the transformation of our lender-placed platform to further enhance our strong customer service offering. We also increased our loans tracked to 36 million, up 8%, further solidifying our leadership position in this market.

Turning to our Housing fee-based capital-light businesses, multi-family housing increased revenues by 14% to $320 million in 2016. We now protect almost 1.5 million renters across a growing property management network and affinity relationship nationwide.

Additionally, mortgage solutions is investing in key technology enhancements to support continued growth across field and valuation services, and we added products and services through the acquisition of American Title. In 2016, the business grew fee income by 14% to nearly $330 million. Multi-family housing and mortgage solutions now account for 28% of the segment's revenue. And we continue to expand our business with new and existing clients, while adding innovative offerings.

In Global Lifestyle, we reinforced our competitive position in the mobile industry where we now protect nearly 32 million devices worldwide. In 2016, we processed 8.8 million devices at our repair and logistics operations in the U.S., helping to drive nearly 20% growth in fee income for Global Lifestyle. Recently, we also made a small investment in mobile device and asset disposition in South Korea, strengthening our footprint in Asia, an important priority for Assurant.

In addition to this acquisition, we also grew organically through expanded relationships and new offerings across mobile carriers, e-commerce and OEM distribution channels. At the same time, we are continuing to manage the impact of the declines in legacy businesses. Our focus remains on ensuring we have the appropriate platforms and cost structures in place across our operations worldwide. These factors, in addition to increasing scale, are important to margin expansion over time.

In Global Preneed, we now provide prefunded funeral insurance to 1.9 million policyholders across North America. Our breadth and depth of experience in this area, along with our long-term partnerships gives us the scale and data that enables us to help our clients grow their business. Our integrated approach also allows us to be a single point of contact for the agent in the funeral home, offering a seamless experience for the end-consumer.

As we continue to make progress in our multi-year transformation, performance is measured against three key financial metrics: net operating income, operating earnings per diluted share and operating return on equity. All of these metrics exclude reportable catastrophe losses, given the inherent volatility of the weather.

For full-year 2016, net operating income decreased by 9% to $379 million, primarily due to the expected decline of lender-placed. Despite lower income, operating earnings per diluted share increased modestly to $6.12, up from $6.06 in 2015, driven by our disciplined capital deployment. Full year operating ROE, excluding AOCI, was 10.5%. Fee-based capital-light offerings now represent 52% of revenue. Continuing to grow these businesses will be an important driver in achieving our goal of 15% ROE by 2020.

At the end of December, holding company capital totaled $775 million- this is after returning $995 million to shareholders in 2016. We've now delivered two-thirds of our commitment to return $1.5 billion of capital through dividends and buybacks by the end of 2017. We also deployed approximately $210 million in strategic investments last year to strengthen our offerings, capabilities and distribution in Housing and Lifestyle.

As we look ahead to 2017, we expect Assurant's net operating income, excluding reportable catastrophe losses, to be roughly level with 2016 earnings, also excluding cat losses. Growth in Connected Living, multifamily housing, mortgage solutions and our vehicle protection business will offset declines in lender-placed and other legacy businesses. We're already realizing savings from our enterprise transformation projects. While in the short-term, we are investing in procurement, IT and other initiatives that will drive profitable growth over time.

We also expect to grow operating earnings per share, excluding catastrophe losses, by double-digits this year primarily due to the share repurchase activity already executed throughout 2016.

Over the long-term, we are committed to growing net operating income and generating 15% average annual growth in operating earnings per share. We're confident the progress made in 2016 will enable us to produce meaningful operating earnings growth longer term as we progress further toward our 2020 objectives.

We believe our attractive business portfolio and a more efficient operating structure will produce more diversified earnings, while continuing to generate strong cash flow to support our disciplined capital management strategy.

I'll now turn the call over to Richard to review results for the quarter and the outlook for 2017 in greater detail. Richard…

**Richard S. Dziadzio, Chief Financial Officer, Treasurer & EVP**

Thank you, Alan, and good morning, everyone. Before I begin, I want to remind everyone that unless specifically mentioned, all of my comments are related to fourth quarter 2016 as compared to the prior period last year.

Overall, as Alan said, Assurant's results came in as we expected. We'll start with Global Housing, which produced earnings of $10.8 million, including $44 million of reportable catastrophe losses related to Hurricane Matthew. Excluding cat losses, net operating income was down $13 million. This was due to continued lender-placed normalization and additional regulatory expenses. The combined ratio, for Global Housing risk-based businesses, increased 15% to 105%, driven by higher cats. Excluding cat losses, the combined ratio was 88.8%, up 2 percentage points. This was the result of higher regulatory and new client on-boarding expenses. More favorable non-cat losses related to lower frequency and severity of claims, were a modest offset.

Multi-family housing and mortgage solutions generated a pre-tax margin of 11.2%, down 50 basis points. Expanded profitability in multi-family housing was more than offset by higher expenses needed to support growth in our field services and valuation businesses.

Turning to revenue, fourth quarter net earned premiums and fees in Global Housing decreased 5% primarily due to lower placement and lower premium rates. Our placement rate of 2.13% in the third quarter decreased to 2% at year-end. As we mentioned on our last call, we started to onboard 2.7 million loans in the third quarter at lower than average placement rates. These new loans drove about 9 basis point of the 13-basis point decline. The remaining 4 basis point reduction relates to the ongoing lender-placed normalization.

Now, let's move to revenue for our fee-based Global Housing businesses- multi-family housing increased 11%. This reflects double-digit growth in renters' policies sold through our affinity channels and property management network. For mortgage solutions, fee income was up 5%, including the acquisition of American Title. If we exclude the acquisition, mortgage solutions was down 10%, primarily related to lower volumes in field services.

As we continue to work toward our 2020 goal of 15% to 20% pre-tax margins in the Housing fee-based business, we will continue to invest in technology that supports business expansion while we also look to create efficiencies.

As Alan mentioned, we closed the acquisition of Green Tree Insurance Agency last week. Through this deal, Assurant will retain its existing book of voluntary insurance for borrowers' service by Ditech Financial Services. And we will have the opportunity to write additional housing business – all at attractive double-digit margins. Taking into account the amortization of intangibles, we expect this transaction to have minimal impact on Global Housing's earnings in 2017, and to be accretive over time.

For 2017, we anticipate a continued decline in Global Housing premiums and earnings, excluding catastrophe losses, as we move closer to a normalized steady state in lender-placed. Revenue growth in our fee-based businesses is expected to continue. And overall, we believe these offerings will account for a larger portion of the segment's earnings as we capture market share. Additional expense savings from initiatives implemented across our Global Housing are also expected.

Longer-term, we continue to expect Global Housing to produce a 20% plus operating ROE as we maintain our leadership position in lender-placed and grow our fee-based product and services.

Now let's move to Global Lifestyle. The segment's earnings increased by $15 million to $35 million. This was largely due to improved performance in mobile and service contracts, along with higher investment income from real-estate joint venture partnerships. Year-over-year, mobile improvement was driven by lower expenses, along with a more profitable mix of devices.

Revenue in Global Lifestyle decreased by 4%, mainly driven by premium declines from a change in program structure for a large service contract client. In addition, revenue was lowered by the impact of foreign exchange and also continued reductions in legacy retailers and credit insurance. This was partially offset by growth in our vehicle protection business as well as fee income from expanded mobile service offerings.

In the fourth quarter, as I mentioned, there was a change in a program structure for a large service contract client. While this change has no bottom line impact, it did reduce revenues by $47 million. We expect it also to reduce 2017 premium and expenses by $500 million. The revised contract does allow us to deepen our relationship with a long-term client.

This change will also affect our Global Connected Living pre-tax margin which we now expect to increase from 8% to 9.5% by 2020.

The combined ratio for the risk-based business, which includes vehicle protection and credit insurance, increased by approximately 100 basis points to 95.6%. A modest increase in vehicle protection losses was partially offset by better credit loss experience. Overall, the quarterly and full year combined ratios are within the 96% to 98% range, which we would expect to maintain through 2020.

The pre-tax margin for the fee-based business, or Global Connected Living, was up from negative 1% to a positive 3.7% this quarter. The key drivers were improved performance from both mobile as well as service contracts.

In 2017, we expect net operating income in Global Lifestyle to increase. This will come from Connected Living, driven primarily by mobile, along with higher profitability from the vehicle protection business and expense savings. At the same time, we'll continue to manage declines from U.S. credit insurance and lower production from North American retail clients.

Net earned premiums and fees for the segment overall will be down for the year, due to the client contract change. However, excluding this change, revenue is expected to increase from growth in mobile and vehicle protection. Our results are also subject to the impact of foreign exchange and variability in the mobile market. While fluctuations from year-to-year are likely, we continue to expect 10% average annual growth in net operating income over the long-term.

Now, let's turn to Global Preneed. Earnings increased modestly to $10.9 million, mainly the result of $1.4 million of investment income from real-estate joint venture partnerships. Underlying performance of the business was otherwise stable.

Total revenue for the quarter was up 7%. This was due in part to sales written in previous years that are now beginning to earn. In 2017, we expect fee income and earnings to grow in Preneed from increased production across North America and operational efficiencies.

Before turning to Corporate, I did want to point out one additional change. A part of our new segment reporting, the goodwill in former Solutions segment was distributed between Lifestyle and Preneed. Approximately $140 million of Solutions' goodwill has been allocated to Preneed as of December 31. Therefore, our previously announced ROE target of 12% is now 11%.

Moving to Corporate. The fourth quarter loss decreased $10 million to $20 million. The change was due to lower taxes and increased investment income from higher assets at the holding company. This was partially offset by an increase in expenses to support our multi-year transformation. For the full-year 2017, we expect the Corporate loss to approximate $70 million as expense savings are offset by investments to support our multi-year transformation.

Moving to Capital, we ended the quarter with $525 million in deployable capital at the holding company. We received $341 million in total dividends comprised of $245 million from capital previously supporting the Employee Benefits business and Health runoff operations, and $96 million from Global Housing, Global Lifestyle and Global Preneed.

For 2017, we expect the segment dividends will approximate segment earnings subject to the growth of the business and rating agency requirements. In addition, we anticipate receiving about $100 million in dividends from Assurant Health and Assurant Employee Benefits, pending regulatory approval.

Our strong cash flow generation during the quarter allowed us to, first, return $212 million to shareholders through share repurchases and dividends; second, to complete a tender offer for a portion of our senior notes maturing in 2034 reducing deployable capital by $125 million; and finally, to set aside $130 million in advance of the February close of the Green Tree Insurance Agency acquisition, as well as for the investment in mobile device capabilities. Through February 3, we bought back an additional 378,000 shares for a total of $36 million.

So, to summarize, there're few things we want to take away from today's call. 2016 was another critical year in our multiyear transformation. We're making great progress, implementing a stronger and more efficient operating model, and we are expanding profitably within our targeted growth areas. All of these elements, in aggregate, will help position the company for long-term profitable growth.

And with that, operator, please open the call for questions.

## QUESTION AND ANSWER SECTION

Operator: The floor is now open for questions. [Operator Instructions] Our first question comes from Mark Hughes from SunTrust. Please go ahead. Your line is open.

**<A – Alan Colberg – Assurant, Inc.>:** Hey, good morning, Mark.

**<Q – Mark Hughes – SunTrust Robinson Humphrey, Inc.>:** Good morning. Thank you. In the mortgage solutions business, you talked about lower volume in field services. Is this still a growth business for you? Do you have any visibility for expanded relationships in that area that can bring in new revenue?

**<A – Alan Colberg – Assurant, Inc.>:** Yeah, no. This is absolutely a growth business for us. If you go back to when we made our first acquisitions in this area now about 2.5 years ago, we knew that broadly the market would decline as foreclosure volumes normalize. But we had an explicit strategy to gain share by partnering with the leading companies that are already our partner around lender-placed homeowners. That's worked very well.

Part of the issue in Q4, you have some normal seasonality in the field side of the business where volumes are higher in Q2 and Q3 and lower in Q4 and Q1. But we feel very good about the progress. We have a new leader that just joined to try to really integrate all of the four businesses together and give us a platform to drive even further growth in that business.

**<Q – Mark Hughes – SunTrust Robinson Humphrey, Inc.>:** In the housing business, you talked about some higher regulatory expenses contributing to the 200-basis-point increase in combined ratio excluding the cats. How much of that carries over into 2017? With these settlements, how much is the incremental expense or revenue hit for the coming year?

**<A – Alan Colberg – Assurant, Inc.>:** So, I think what we've talked about there, the settlement has been fully now reserved for in 2016. So, as we make payments under the multistate settlement assuming it's fully implemented in March, there's no impact on 2017. And as far as regulatory, at this point, as you've seen, we work closely with all of our regulators. We cooperate fully when there're issues and questions, and we feel appropriate – we're in a good position with our regulators at this point.

**<Q – Mark Hughes – SunTrust Robinson Humphrey, Inc.>:** With the change in business practices, anything like that, does that have an ongoing impact on the margin or is it truly onetime?

**<A – Alan Colberg – Assurant, Inc.>:** The change in practices have already largely been implemented. We started five-plus years ago now evolving the product, evolving our processes, ending things like quota shares that have been in place. So, as we reach the settlement with the multistate, the practices that are memorialized there are largely the practices that are already in place.

**<Q – Mark Hughes – SunTrust Robinson Humphrey, Inc.>:** And final question, where do you think now we've bottomed out in terms of steady state in the lender-placed business, at what placement rate and when did that happen?

**<A – Alan Colberg – Assurant, Inc.>:** So, Mark, as we've said, we've been wrong often in the timing of the normalization, but not wrong on really where the normalization is headed. In 2011, when we put out the original 1.8% to 2.1% range, that was looking at the steady state kind of before the crisis. We're getting close to being in that normal range now. The 1.8% to 2.1%, we'll probably update at some point. We have substantially more loans now than we did in 2011. We've added a block, very large block, that is very low-

placement block. But the way to think about lender-placed normalization is, we're nearing the end. 2017 is probably the last full year of impact of that normalization.

**<Q – Mark Hughes – SunTrust Robinson Humphrey, Inc.>:** Thank you.

Operator: Our next question comes from Seth Weiss from Bank of America. Please go ahead. Your line is open.

**<A – Alan Colberg – Assurant, Inc.>:** Hey. Good morning, Seth.

**<Q – Seth Weiss – Bank of America Merrill Lynch>:** Hey. Good morning. Thanks for taking the questions. Just first on the placement rate and that 1.8% to 2.1% target. I mean, should we think of that as directionally being just a little bit lower just mathematically because of the addition of these $2.7 million low placement rate loans?

**<A – Alan Colberg – Assurant, Inc.>:** I think the answer is, we still feel good about the 1.8% to 2.1%. If we start to see that maybe it could be a little bit lower, we'll update all of you at some point. But right now, we still feel good about what we put out.

**<Q – Seth Weiss – Bank of America Merrill Lynch>:** Okay. Great. Thanks. And, Richard, I may have missed it. I apologize. The $775 million corporate capital position, I just want to verify that's net of the $130 million set aside, correct, that's already been taken out of the corporate capital position?

**<A – Richard Dziadzio – Assurant, Inc.>:** Yeah. That's exactly right, Seth.

**<Q – Seth Weiss – Bank of America Merrill Lynch>:** Great. So, as you think about your $1.5 billion goal of buybacks and dividends over 2016 and 2017, considering all the pieces of capital you have, which is substantial and considering substantial free cash flow capacity from operating dividends, how should we think about that goal? Is that a moving target which – seems like you could exceed here, or should we think about that $1.5 billion as really more of a set target with other money being set aside for perhaps other purposes?

**<A – Alan Colberg – Assurant, Inc.>:** So, Seth, the way to think about the $1.5 billion was that's effectively the amount of capital that we generated through the sale of Employee Benefits and the wind-down of Health. And we made a commitment to all of our shareholders that over the course of the two years as that capital came in, we would return it to shareholders. And that hasn't changed.

If you look at the rest of our capital, we have the same ongoing strategy we've always had, which is, we're fortunate to have very strong businesses that generate a lot of cash flow. Priority number one is support the organic growth in our targeted growth areas. And then the other priorities are, continue to return capital to shareholders and look for selective M&A that can deepen or extend in Housing and Lifestyle. Nothing has changed there.

**<Q – Seth Weiss – Bank of America Merrill Lynch>:** Okay. Great. And then if I could just ask one more on the expense saves in the $100 million target over the long-term. I believe that's actually more of a gross number than a net number. So, if we're thinking about kind of the benefits on more for a net basis, how would we think about that?

**<A – Richard Dziadzio – Assurant, Inc.>:** Yeah. Seth, it's Richard. I think what we've seen to-date and what we've talked about to-date is the fact that we have started to save. But at the same time, we are in the process of transforming the company. So, we've done some pretty good things relative to, in our IT

area, in our finance, in our COO operation, et cetera. So, what we're seeing is, during 2016 and, as we said, in 2017, there's investment that goes along with the save. After that, we will see the save come out. We are targeting the $100 million. In the early years of that, though, I think part of it will be absorbed as we go forward through 2018, 2019, 2020, we will see some good saves coming out.

**<Q – Seth Weiss – Bank of America Merrill Lynch>:** Okay. So, is it fair to categorize that kind of long-term beyond 2020 that $100 million should all fall down to kind of the pre-tax number?

**<A – Alan Colberg – Assurant, Inc.>:** We've never said that. What we've said is that that's a growth savings target. And some portion of that will probably be reinvested continuously, but we expect a lot of it to fall to the bottom line as we get closer to 2020.

**<Q – Seth Weiss – Bank of America Merrill Lynch>:** Okay. That's helpful. I mean, the expense saves is a theme we're seeing really across the group, but we tend to see it the longer term targets on a pretty specific net basis, which is why I ask the question between gross and net. So, to the extent that could get refined in the future periods, I think that would be helpful in terms of thinking about the earnings power.

**<A – Alan Colberg – Assurant, Inc.>:** Seth, we agree. And we recognize that we owe all of our investors some more transparency on that. And as time goes by, we will definitely do that.

**<Q – Seth Weiss – Bank of America Merrill Lynch>:** Great. Thanks so much.

Operator: [Operator Instructions] Our next question comes from John Nadel from Credit Suisse. Please go ahead. Your line is open.

**<A – Alan Colberg – Assurant, Inc.>:** Hey. Good morning, John.

**<A – Richard Dziadzio – Assurant, Inc.>:** Good morning.

**<Q – John Nadel – Credit Suisse Securities (USA) LLC>:** Hey. Good morning, Alan. Good morning. I guess my first question is around Global Lifestyle. When you guys laid out your plans or targets for the old Solutions segment, you were talking about 10% on average annual growth in earnings. From that segment over a multiyear period of time, that was when the total segments was about $195 million of earnings, inclusive of Preneed. Now I think the target is still 10% earnings growth on average over time, but also the Global Lifestyle piece, which is earning about $150 million dollars, give or take. Is that the right way to think about it and to think about a much lower earnings growth rate for Preneed?

**<A – Alan Colberg – Assurant, Inc.>:** Yeah. So, let me just clarify our target, and then I'll answer your questions specifically, John. We put that target out for the legacy Solutions in 2013. At that point, the business was making about $130 million. So, over the three-year period, obviously, with some variability the legacy Solutions more than delivered on that commitment. But to your specific question, yes, Preneed is not going to grow as fast as Lifestyle. So, you should think about the 10% as a Lifestyle number going forward.

**<Q – John Nadel – Credit Suisse Securities (USA) LLC>:** Okay. So, we lose a little bit of absolute dollar earnings as you look out the next couple of years unless Lifestyle grows faster than that 10%. Is that a fair way for me to be thinking about that?

**<A – Alan Colberg – Assurant, Inc.>:** Yeah, that's fair.

**<Q – John Nadel – Credit Suisse Securities (USA) LLC>:** Okay. And then you guys have provided us now global covered mobile devices, right, which was up a little over 1% year-over-year by year-end 2016. There's not a ton of history there, so can't really get a good sense for what the growth rate looks like over a longer period of time. What kind of growth rate in that particular line item do you guys forecast as sort of part of the underlying driver of achieving that 10% longer term growth in earnings for the segment?

**<A – Alan Colberg – Assurant, Inc.>:** So, you're absolutely right. There's not a lot of history to look at there. But the way to think about this is, we only entered this business really in 2008. And so, there has been dramatic growth over that time period. And we did on earnings call may be a year ago. Couple years ago, I think we said we had about 20 million devices at that point in time. So, you get a sense over the last couple years of the magnitude of the growth. And I'm not going to put out a specific number on what we expect that metrics grow out. But it's an important metric to look at as we try to just more fully penetrate the mobile ecosystem.

**<Q – John Nadel – Credit Suisse Securities (USA) LLC>:** Is it fair, though, Alan, to think about it as you guys probably expect more than 1% annual growth in that number?

**<A – Alan Colberg – Assurant, Inc.>:** Yeah. 2016 was a year where we were still working through the tablet program loss that we've talked about previously. But certainly, we have a history over the last eight years of outgrowing the market. And certainly, as we look at the opportunities we have in our various geographies, we still have that opportunity. The other important point is, it's not just the devices covered, John, we also are now increasingly doing a range of fee income that is not necessarily even related to a device that we covered.

**<Q – John Nadel – Credit Suisse Securities (USA) LLC>:** Okay. And I'm not sure if that's necessarily a segue to this question, but I was interested in – I think you mentioned in your prepared comments that your operations refurbished a little over 8 million devices during calendar 2016. Is that about right?

**<A – Alan Colberg – Assurant, Inc.>:** Yeah. I think we said 8.8 million.

**<Q – John Nadel – Credit Suisse Securities (USA) LLC>:** Okay. 8.8 million.

**<A – Alan Colberg – Assurant, Inc.>:** John, sorry about that. That was up from about 8 million in 2015.

**<Q – John Nadel – Credit Suisse Securities (USA) LLC>:** Okay. And it seems to me like that would be part of that other fee income that you just described, is that right?

**<A – Alan Colberg – Assurant, Inc.>:** Yes.

**<Q – John Nadel – Credit Suisse Securities (USA) LLC>:** Okay. Okay. So, is that a number that we can maybe track over time?

**<A – Alan Colberg – Assurant, Inc.>:** No. Let me talk through that with our team. And if appropriate, we'll disclose that as well, but let us look into that.

**<Q – John Nadel – Credit Suisse Securities (USA) LLC>:** Okay. And then just bigger picture, Alan, as you think about the flat operating earnings, I guess it's versus about $380 million in 2016, if I exclude all the tax, I think one-time unusual items the tax benefit, the legal costs, I think those were largely washing on a year-to-date basis. So, it feels like $380 million is the right baseline. First, I guess, I'd ask you if that's reasonable. And then second, as you think about flat for 2017, I mean, I suspect that that's not the kind of pace that you need and expect longer term beyond 2017 to get to that 15% ROE target by 2020.

**<A – Alan Colberg – Assurant, Inc.>:** Yeah. So, John, first of all, on the $380 million, that is roughly the right number to think about. And that's the way we think about it as we put out the outlook that it's going to be flat. If you think about achieving our longer term targets, we need to grow operating earnings. And we're very focused on that in addition to the disciplined capital deployment. I think we feel good about 2017. We're absorbing another and, hopefully, the tail end of lender-placed normalization.

And we're fully offsetting it for the first time in the earnings of the company through the growth in the areas and some of the efficiencies we are realizing that are starting to fall through to the bottom line. So, yes, would we like to do more in 2017? Always. But if you look at that outlook, we feel well positioned coming out of 2017 to really grow earnings in 2018 and beyond.

**<Q – John Nadel – Credit Suisse Securities (USA) LLC>:** Got it. That's very helpful. Thank you.

**<A – Alan Colberg – Assurant, Inc.>:** Thank you, John.

Operator: Our next question comes from Jimmy Bhullar from JPMorgan. Please go ahead. Your line is open.

**<A – Alan Colberg – Assurant, Inc.>:** Hey. Good morning, Jimmy.

**<Q – Jimmy Bhullar – JPMorgan Securities LLC>:** Hi. Good morning.

**<A – Alan Colberg – Assurant, Inc.>:** Good morning.

**<Q – Jimmy Bhullar – JPMorgan Securities LLC>:** Hi. How are you? So, just a couple of questions, and they're similar to what's been asked before. But as I think about your long-term EPS growth guidance of around 15%, and especially beyond 2017 and 2018, when you've gotten the full benefit of the rapid share buyback plan and you're buying back just based on your free cash flow. It would seem like you would need to grow your operating income at a, sort of, mid to maybe slightly high single-digit rate. And that just seems hard to imagine given that a big part of your business isn't going to be growing that fast, which is the lender-placed business.

So, where do you really see a lot of growth in the business that you think can offset the slower growth maybe in lender-placed as well as in Preneed if you are to achieve your 15% long-term target?

**<A – Alan Colberg – Assurant, Inc.>:** So, Jimmy, first of all, you're absolutely correct. We need to grow operating earnings. And that's what we are very focused on as the leadership team. If we get to the future, which we expect where we no longer have the drag of lender-placed normalization, we're already realizing very strong growth in mobile Connected Living and vehicle protection services and multifamily housing and in mortgage solutions. And you can find that with the expense efficiencies that we talked about beginning to drop more to the bottom line. That's how we get to the earnings growth that's needed in 2018 and beyond to deliver our EPS commitment.

**<Q – Jimmy Bhullar – JPMorgan Securities LLC>:** Okay. And then within the Lifestyle business, are there areas where you think you're going to see a pickup in growth beyond what you – obviously, forex headwind might abate, but beyond that, are you seeing like the mobile business or are there other parts of that business where you're actually expecting an acceleration in growth despite the fact that in a year or two years the business is going to be larger overall?

**<A – Alan Colberg – Assurant, Inc.>:** We've had strong growth in mobile. We've had strong growth in service contracts on the digital side. We've just been dealing there with the legacy retailers in decline. That's another headwind that we've been facing that's closer to the end than the beginning. And then if we look at that business, we think we're well positioned to continue to grow across those products: mobile, service contracts, vehicle.

**<Q – Jimmy Bhullar – JPMorgan Securities LLC>:** Okay. And then just lastly on buybacks, I think if we look at your guidance for the $1.5 billion of capital deployment in 2016 and 2017, that implies buybacks of around $400 million this year. And you can correct if I'm wrong, but then also should we assume that if there aren't any large deals or a number of small deals that some of your free cash flow would go towards buybacks for this year as well?

**<A – Richard Dziadzio – Assurant, Inc.>:** Yeah. Good morning, Jimmy. It's Richard. Yeah. I think I'd go back to Alan's earlier answer. I mean, one of the things that we did earlier last year was we put out that target of $1.5 billion. And we got ahead of it in 2016, roughly two-thirds. And I think your math is correct saying, we have $500 million to go. We have about $100 million in dividend. And that gives us $400 million left to meet that that target that we put out. So, we are focused on that and meeting that.

But what we'll do during the course of the year and we do it often, I can promise you is, is to look at where we are with our level of deployable capital, look at the internal investments we're making, look at the M&A possibilities that we have and think about the best use of that capital and also, in particular, thinking about giving it back to shareholders.

**<Q – Jimmy Bhullar – JPMorgan Securities LLC>:** Okay. Thank you.

Operator: And we have no one left in queue at this time. I'll turn the call back to Mr. Colberg for closing remarks.

## Alan B. Colberg, President, Chief Executive Officer & Director

Thank you, everyone, for participating in today's call. We look forward to updating you on our progress in May. As always, you can reach out to Suzanne Shepherd with any follow-up questions. Thanks.

Operator: Thank you. This does conclude today's teleconference. Please disconnect your lines at this time and have a wonderful day.