Assurant 2Q 2017 Earnings Transcript

PARTICIPANTS

Corporate Participants

Francesca Luthi – Executive Vice President, Chief Communication and Marketing Officer, Assurant, Inc.
Alan B. Colberg – President, Chief Executive Officer & Director, Assurant, Inc.
Richard S. Dziadzio – Executive Vice President, Chief Financial Officer and Treasurer, Assurant, Inc.

Other Participants

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

MANAGEMENT DISCUSSION SECTION

Operator: Welcome to Assurant's Second Quarter 2017 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 Francesca Luthi, Chief Communication Officer and Marketing Officer. You may begin.

Francesca Luthi, Executive Vice President, Chief Communication and Marketing Officer, Assurant, Inc.

Thank you, Dan, and good morning, everyone. We look forward to discussing our second quarter 2017 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 close, we issued a news release announcing our second quarter 2017 results. The release and corresponding financial supplement are available at assurant.com.

We'll start today's call with brief remarks from Alan and Richard before moving into 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.

On today's call, we also will refer to 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.

I'll now turn the call over to Alan.

Alan B. Colberg, President, Chief Executive Officer & Director, Assurant, Inc.

Thanks, Francesca, and good morning, everyone. Overall, our second quarter results were solid and demonstrated ongoing progress toward achieving our financial commitments for 2017 and beyond. While Global Housing experienced higher non-catastrophe losses, our other business segments performed in line with our expectations. For the full-year, we remain confident in our ability to maintain net operating earnings, excluding catastrophe losses, at 2016 levels and to generate double-digit earnings per share growth. This now reflects a revised outlook for our Global Housing and Corporate segments, which Richard will discuss in greater detail.

We are also well on our way to completing the $1.5 billion return of capital to shareholders by the end of 2017. As we progress through this year, we will continue to focus on leveraging our capabilities to expand in key Housing and Lifestyle markets to offset declines in our lender-placed and legacy businesses.

Let me now share a few recent highlights beginning with Global Lifestyle. Within Connected Living, we continue to strengthen our leadership position across the mobile ecosystem. Earlier this month, we launched a protection plan with Comcast for Xfinity Mobile. Going forward, Xfinity Mobile customers can access a premier suite of protection, support and upgrade services for their mobile devices. It's one of the most comprehensive protection offerings available, including coverage for accidental damage, loss and theft, as well as access to our technical support platform and self-diagnostic tools. In addition, Xfinity iPhone users have full access to Apple Care Services.

We are also continuing to expand our mobile franchise globally. As an example, we launched a new mobile and gadget protection offering in France with Darty, an electronics retailer at more than 350 stores in France. This program helps consolidate our position in France as a leading provider of mobile and extended service contracts sold through affinity partners. These new partnerships, along with contributions from existing clients, are expected to produce profitable growth in 2018 and beyond.

Now let's look at Global Housing. Despite the absence of reportable catastrophes in the quarter, results were impacted by a substantial level of weather-related claims, including various ISO events. While individually these events did not reach our reportable catastrophe threshold of $5 million pre-tax, they were nonetheless significant and serve as a reminder of the inherent variability of weather and the need for adequate protection for consumers.

This quarter, we finalized our $1.4 billion catastrophe reinsurance program, reducing Assurant's financial exposure, while protecting more than 2.8 million homeowners and renters in the U.S. and Latin America against severe weather and other hazards. We purchased the coverage on attractive terms to ensure we continue to protect their homes and personal property.

Looking at our multi-family housing business, we again delivered double-digit revenue growth year-over-year as we continue to expand our share with affinity partners and property management companies in the U.S. We now partner with more than half of the top 50 PMCs. To sustain our leadership position, we've invested in enhancing the consumer experience with more digital and self-service capabilities. We're also identifying potential international markets to capitalize on global rental trends.

Strong results in our multi-family housing business helped offset weaker performance in mortgage solutions, where market demand for origination and field services remain soft. In response, we've reduced expenses and are continuing to implement technology enhancements to drive additional efficiencies long-term.

So, let's look now at how we're performing against the key financial measures we use to track our progress. Net operating income, operating earnings per diluted share and operating return on equity. All exclude reportable catastrophe losses, given the inherent volatility of such events. Through the first six months of this year, our net operating income decreased 8% to $197 million, primarily due to expected declines in lender-placed. Despite lower earnings, operating earnings per share of $3.51, increased 5% from the first six months of 2016, driven by share buyback activity. Annualized operating ROE, excluding AOCI, was 10%, down from 10.5% for full-year 2016, reflecting higher average equity this year.

At the end of June, our holding company capital totaled $625 million, with $375 million available for deployment. During the past 18 months, we've now returned nearly $1.3 billion of capital to shareholders, representing 85% of our stated commitment, while continuing to maintain a strong balance sheet.

While we will continue to evolve our business as we build a stronger Assurant, we believe 2017 will represent the last major year of our multi-year transformation. We remain focused on driving profitable growth in 2018 and delivering on our long-term objectives for 2020. Our attractive business portfolio, innovative offerings and strong client partnerships, together with the more efficient and effective operating model, are expected to deliver greater and more diversified earnings. This should, in turn, continue to provide for strong cash flow generation and greater flexibility in capital deployment.

I'll now turn the call over to Richard to review our second quarter in more detail. Richard?

Richard S. Dziadzio, Executive Vice President, Chief Financial Officer and Treasurer, Assurant, Inc.

Thank you, Alan, and good morning. Let's start with a look at Global Housing. Earnings totaled $56 million compared to $57 million in the prior-year period, as declines in our lender-placed insurance business were mostly offset by lower reportable catastrophe losses. While we did not have any reportable catastrophe losses in the quarter, we had a $10 million impact after-tax from a higher non-catastrophe loss ratio. This stemmed in part from wind and hail damage related to 15 ISO events, all of which fell below our reportable threshold.

Looking at our key metrics, the combined ratio for our Global Housing risk-based businesses improved 30 basis points to 87%. This primarily reflects the absence of reportable catastrophe losses this quarter compared to $25 million pre-tax in the same quarter last year. This was partially offset by higher non-catastrophe losses and additional expenses to support new lender-placed loans.

The pre-tax margin for our fee-based capital-light businesses increased to 11.7%, up 50 basis points from the prior-year period. This was due to growth in multifamily housing, largely through expansion within our affinity channels.

While the performance of our mortgage solutions business improved from earlier this year, second quarter results remained soft due to continued weak demand for new loan originations and field services. Actions taken in the first half of the year reduced expenses and helped mitigate margin pressure.

Turning to revenue, second quarter net earned premiums and fees in Global Housing decreased 2%, primarily due to a 26 basis point year-over-year decline in the placement rate in our lender-placed

insurance business. We expect ongoing reductions to the placement rate in the range of 6 basis points to 7 basis points per quarter through the end of 2017. This is driven by client mix, including a higher concentration of loans with lower than average placement rates. As we move into 2018, we expect placement rate declines to moderate.

Looking at our fee-based capital-light businesses, multi-family housing revenue increased 15% during the second quarter. This reflects growth in renters' policies sold through our affinity and PMC channels where we now serve more than 1.6 million renters nationwide. In mortgage solutions, fee income was down 12% year-over-year, primarily related to weaker market demand and client volume for originations and field services. However, on a sequential basis, the income increased by 14%, reflecting seasonality and additional working days.

For the full-year 2017, we anticipate continued declines in Global Housing net earned premiums and earnings, excluding catastrophe losses. Lower premiums in lender-placed, as well as weaker demand within mortgage solutions, will present additional headwinds in the second half of this year. While expense initiatives are already underway, we do not expect that they will fully mitigate the impact of lower revenue in 2017.

Overall, we remain focused on driving profitable growth in multi-family housing and realizing operating efficiencies across Global Housing to deliver on our long-term target of 20% ROE for the segment.

Now, let's move to Global Lifestyle. The segment's earnings decreased by $10 million to $40 million. This was attributable to an $18 million one-time tax benefit recorded in the second quarter of 2016. Absent this item, earnings increased $8 million, primarily reflecting higher contributions from our Connected Living business, partially offset by less favorable loss experience within vehicle protection. Specifically, Connected Living results benefited from ongoing expense savings, a one-time adjustment from an extended service contract client and modest growth within mobile, as we ramped up new programs globally.

Revenue for this segment overall decreased, entirely due to a $138 million reduction in net earned premiums associated with the change in a client program structure implemented late last year. As a reminder, this change also extended our relationship with an important Connected Living client and had no impact on earnings. Excluding this change, revenues for Global Lifestyle were up $59 million or 8%. We were pleased to see growth across all of our key lines of business globally, though this was partially offset by foreign exchange volatility largely associated with the pound.

Turning to key performance metrics, the combined ratio for the risk-based businesses, which include vehicle protection and credit insurance rose 120 basis points to 97%, driven by less favorable experience in vehicle protection. We expect our combined ratio to remain within a range of 96% to 98% long-term. The pre-tax margin for our fee-based Connected Living business rose to 6.4% from 3.2% last year, approximately 100 basis points of this increase was driven by the change in the client program structure referenced earlier. The balance reflected expense savings within extended service contracts, the one-time adjustment referenced earlier, and growth in mobile, which was partially offset by investments to support new program launches.

For the full-year 2017, we continue to expect segment net operating income to increase from Connected Living, driven primarily by growth in mobile in the second half to 2017. Growth in our vehicle protection business is also expected to be a driver, along with expense management efforts already underway across Global Lifestyle. All of this is expected to help mitigate declines in legacy businesses. While earnings may fluctuate quarter-over-quarter depending on volumes, loss experience, and investments required to support growth, we are confident that the segment will continue to deliver earnings growth of 10% or more on an average annual basis in the long-term.

Now, let's turn to Global Preneed. Earnings increased $2 million to $13 million, primarily reflecting higher fee and investment income, partially offset by expenses. Total revenue for Preneed increased by 7%, driven largely by growth within our Canadian Preneed business. New face sales this quarter decreased by 3% year-over-year, reflecting lower volumes in final need policies. We believe this is just normal quarterly variability. Year-to-date, total face sales were up 1%. In 2017, we continue to expect fee income and earnings to increase in Preneed, driven by growth across North America and by operational efficiencies.

Moving to Corporate. Net operating loss decreased by $9 million to $11 million. As a reminder, in the second quarter last year, we incurred higher taxes and fees associated with employee benefits. Corporate expenses were also lower this quarter. We now expect our corporate net operating loss for this year to total approximately $60 million, a reduction of $11 million from 2016. Key drivers are lower tax and employee-related costs, as well as reduced corporate expenditures.

Moving on to capital. We ended the quarter with approximately $375 million in deployable capital. We up-streamed $160 million of capital to the holding company during the quarter. This included $89 million in dividends from our operating segments and $71 million of capital from health and employee benefits. We continue to expect operating segment dividends to approximate segment earnings for the full-year and in addition to receive approximately $15 million more from health and employee benefits as we release residual capital. During the second quarter, we returned $142 million to shareholders with $112 million returned via share buybacks, and the remaining $30 million through common stock dividends. Also, in July, we repurchased another $25 million of our stock.

To summarize, we've continued to make good progress in the second quarter and we delivered solid results. We remain focused on delivering on our commitments to shareholders for the full -year and on driving profitable growth in 2018 and beyond.

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

QUESTION AND ANSWER SECTION

*Please see footnotes at end of document for corrections

Operator: [Operator Instructions] Thank you. Our first question is coming from Jimmy Bhullar with J.P. Morgan. Please go ahead.

<A - Alan Colberg - Assurant, Inc.>: Hi. Good morning, Jimmy.

<Q - Jimmy Bhullar - J.P. Morgan>: Hi, good morning. So, I had a few questions. First, given the sort of change in the makeup of your LPI book, how do you think about placement rates? And if we stay in this type of a housing environment, barring a major correction, where do you think that the rate will stabilize? I think you've said 1.8% to 2.1% in the past, but it seems like it will drift a little bit lower than that, partly given some of the newer loans that you've taken on that have a naturally lower placement rate. And then, I have a couple of other ones as well.

<A - Alan Colberg - Assurant, Inc.>: All right. So, Jimmy, let's take that one and then we'll come back and you can carry on with the questions. So, if you think about the 1.8% to 2.1% placement rate that we put out, we put that out in 2011. And that was a three- to five-year outlook for where we thought placement rates would go. It's actually taken us six years to get into that range, given how the foreclosure crisis played out in the market. The way to think about it longer-term, this business is countercyclical. So, as long as the housing market continues to improve, you'll see gradual declines in placement rates, although

we do expect that to moderate as we get into 2018. And then, if we do get into any kind of housing issues again in the future, we'll see placement rates growing. But for now, expect continued gradual declines in the placement rate, moderating as we get into 2018.

<Q – Jimmy Bhullar – J.P. Morgan>: Okay. And then, on the mortgage solution results, they improved sequentially, but premium growth was still negative. So, how much of it do you attribute just to lower originations versus maybe a loss of market share or lower demand for the type of services that you provide?

<A – Richard Dziadzio – Assurant, Inc.>: Yeah, good morning, Jimmy. It's Richard Dziadzio. Yeah. I think, when we look at mortgage solutions, I would say, we talked about the headlines – the headwinds that we had last time in the quarter. Certainly, we have continued headwinds in both the originations and asset services, but I would say, we do feel that things have stabilized now. And in terms of quarter-to-quarter, we were up 15%. Part of that is just, as I mentioned in my earlier notes, additional working days. But in addition to that, we are investing, as we said, in technology and operating efficiencies. So, longer-term, we're still feeling good about the area.

<Q – Jimmy Bhullar – J.P. Morgan>: Okay. And then, just lastly on capital deployment. I think, if I look at your $1.5 billion capital deployment guidance for 2016 and 2017, it implies buybacks of roughly $175 million or so in the second half, so a slower pace than where you've been recently. Under what scenarios, would you do less than that, it seems unlikely, but under what scenario would you do less than that? And likewise, is there a possibility that, as you go through this year, barring no additional deals, that you end up doing more than the $175 million of the $1.5 billion total?

<A – Alan Colberg – Assurant, Inc.>: So, Jimmy, I think, I'd start by saying, we are focused on delivering on our commitment to return $1.5 billion to shareholders through 2016 and 2017. That's our number one focus. We will always look at how much excess capital we have and what's the greatest value we can provide to our shareholders, either through investing in organic growth, selectively doing M&A, as you've seen us doing, or returning the capital; and we'll continue that philosophy. But our number one priority is to deliver on that commitment to return the $1.5 billion.

<Q – Jimmy Bhullar – J.P. Morgan>: Okay. Thank you.

<A – Alan Colberg – Assurant, Inc.>: Thanks.

Operator: [Operator Instructions] Our next question is coming from John Nadel with Credit Suisse. Your line is open.

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

<Q – John Nadel – Credit Suisse>: Hey, good morning, Alan. Good morning, Richard. I had a couple for you guys. Richard, I believe you mentioned, but I might have just missed it, the significant non-cat weather, I think, you referred to $10 million. I'm not sure if that's a discrete higher level of losses in the second quarter, or if that's just explaining the variance year over year. Can you give us a little bit more color?

<A – Richard Dziadzio – Assurant, Inc.>: Yeah. No. Thanks, John, for the question. In terms of the non-cat ratio, it was up and you are correct, we talked about it being up 10% [(1)] in the quarter, and that's an after-tax number. And, in fact, what we saw and really what we see in the market is, there was, I would call it, a lot of weather in Q2. But we didn't have such weather to the extent that any one storm came up to our reportable catastrophe level. So, we didn't have any storms over $5 million that hit us. So, really what you see when you look at our total combined operating ratio, you see, we came in at 87% and that's against 87.3% last year. So, I guess, all -in, we're kind of at the same level.

<Q – John Nadel – Credit Suisse>: Yeah, and that was going to be my next point, right. I think, if I recall, I just wanted to confirm this. I think, the target for the risk business there is 86% to 88%. So – and that's inclusive of Cats, so we're kind of there, right?

<A – Richard Dziadzio – Assurant, Inc.>: Yeah, that's correct.

<Q – John Nadel – Credit Suisse>: Okay. Next one, just a housekeeping item. The one-time contract adjustment in the extended service contract business, I think, you mentioned a favorable item related to a single contract. Was that of any note in terms of size?

<A – Richard Dziadzio – Assurant, Inc.>: It was relatively small. It was the one-time adjustment, we talked about some last quarter. It was a true-up, when we go back and we work with the clients and true things up. For this one, it was an extended service contract, as I mentioned. And the amount of the impact was $2.6 million after-tax.

<Q – John Nadel – Credit Suisse>: Thank you. And then, I guess, one bigger picture question. The $100 million expense save target that I think you guys have talked about, and I don't recall specifically the timeframe, but can you give us an update on where you stand against that bogey, how we should think about the remainder of the delivery of that expense save over time?

<A – Alan Colberg – Assurant, Inc.>: Yeah. So, the way to think about the $100 million, we set that out in Investor Day last year as a 2020 target. So, by 2020, we'd get to $100 million of gross savings run rate. And we have committed that, at our next Investor Day, which is likely early next year, we'll give a lot more granularity on progress. But, I think, we feel good about the momentum there. You saw some of the impact coming through in our corporate expense line, that's one of the reasons why we were able to lower the corporate loss this year. You've seen our Connected Living margin expanding, it's up, I think, almost 300 basis points versus a year ago - that's part of that. We are also investing, though, in the short-term. So, for example, this year we've been standing up and rolling out a procurement capability across Assurant, that's not going to generate any savings in the short -term, but will be a significant driver – or any net savings in the short-term, but it will be a significant driver over time. So, we feel like we're on track, but the majority of those benefits are going to flow through in the future years.

<Q – John Nadel – Credit Suisse>: Okay, that's helpful. And then, last one for you, and I don't know how much you can or can't talk about this, but the Xfinity contract sounds really intriguing. I'm just curious, whether you can give us any sense for the potential size of that contract over time in terms of impact to revenues or margins or how to think about that?

<A – Alan Colberg – Assurant, Inc.>: So, first of all, we're very excited to be in partnership with Comcast, it's a great addition to our client portfolio and we're well positioned to grow with them as they grow in this business. They have, I think, 15 million [(2)] odd potential – I think, that's the right number, but they have a large number of customers, so we have the potential to penetrate. And if we're successful, this could be a very meaningful program over time.

<Q – John Nadel – Credit Suisse>: And I'm sorry, you said 15 million?

<A – Alan Colberg – Assurant, Inc.>: Maybe 25 million, it's either 15 million or 25 million, apologizes, but it's a large number.

<Q – John Nadel – Credit Suisse>: Either one is a good number, thank you.

Operator: [Operator Instructions] Our next question comes from the line of Seth Weiss with Bank of America Merrill Lynch. Please go ahead.

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

<Q – Seth Weiss – Bank of America Merrill Lynch>: Hi, good morning. Thanks for taking the question. Most of my questions have been asked, but maybe just a couple of follow-ups here. Just on the placement rate discussion in LPI, with the 6 basis points to 7 basis points moderation, obviously, it will come below that range. Can you just comment how much of that is a business mix issue in terms of taking on this lower placement rate business and how much of that is perhaps what I would maybe categorize as the legacy portfolio coming in lower than what you have originally anticipated?

<A – Richard Dziadzio – Assurant, Inc.>: Yeah. Good morning, Seth. It's Richard. I'll take the question. In fact, what we've been talking about over time is the 4-basis-point to 5-basis-point decline in the placement rate. And that, I would say, really is the reflection of market conditions. And Alan mentioned it earlier in his comments about the improvement in the macroeconomic environment, in particular the housing market.

What we're seeing today and mentioned earlier is, we do have a mix of business, a different mix of business now. As you know, we brought on new clients at the end of last year and we talked about it at that time in terms of the overall placement rate being lower. So, as we see that working through, we're really updating the placement rate from going from 4 basis points to 5 basis points per quarter to 6 basis points to 7 basis points per quarter for the rest of 2017. And then, as Alan mentioned earlier in his talk, we do see that moderating in 2018.

<Q – Seth Weiss – Bank of America Merrill Lynch>: Okay. So, the moderation maybe going back to more that historic 4 basis points to 5 basis points decline until we get a turn in the cycle, is that fair to say, or moderation maybe even...

<A – Richard Dziadzio – Assurant, Inc.>: Yeah. No. I think, that's our current thinking is the 4 to 5 basis points longer-term, but again, it's macroeconomic environment, business mix, et cetera.

<A – Alan Colberg – Assurant, Inc.>: Yeah. And as we get into our planning for next year, and as always, with Q4 earnings, we'll provide a much more specific outlook coming upon next year.

<Q – Seth Weiss – Bank of America Merrill Lynch>: Okay. That's very helpful. And then, just a big picture question on the ROE and the long-term growth targets set back in early 2016 at the last Investor Day, you've revised that guidance – not that guidance, but you revised your general guidance a couple of times, particularly related to certain fee-based type products in the subsequent quarters here. So, in that light, can you just discuss what's gone better than expected from when you set that guidance in 2016, what's gone perhaps worse than expected and if you would still categorize the 15% long-term EPS goal as attainable?

<A – Alan Colberg – Assurant, Inc.>: Yeah. So, Seth, first of all, I don't think we've changed other than the adjustment for the client contract change, so we did raise the Connected Living margin because the client contract change changed the group geography's accounting. So, we haven't changed our outlook from 2016 Investor Day that I'm aware of.

<Q – Seth Weiss – Bank of America Merrill Lynch>: I meant some of the specific business lines in terms of the tweaks you give on a quarterly basis, but not a change to that longer term guidance obviously.

<A – Alan Colberg – Assurant, Inc.>: Okay. And the only one we even changed on those, well, I think, was Connected Living because of the change in client contract. But if I go to the broader issue, so the most important commitment in our mind is grow earnings. And this year, as we've said, we now expect to be flat and we're well positioned for profitable growth in 2018 and beyond. The second commitment was grow EPS by 15% on average. We didn't achieve it last year. We are on track this year to deliver double-digit EPS growth. And then, if we can grow earnings and continue capital deployment, we'll be positioned to grow EPS over time. And then, we talked about gradually improving ROE to 15% by 2020. That's really a combination of where – we do have quite a bit of excess capital today, that's depressing the ROE in the short-term, combined with the growth in earnings, combined with the rotation as we add more lower capital intensive growth, we can see in line of sight over time to that. And then, the other major commitments we've made, like the $1.5 billion capital return, we're $1.3 billion through that at this point.

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

Operator: [Operator Instructions] Your next question comes from the line of Mark Hughes with SunTrust. Please go ahead.

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

<Q – Mark Hughes – SunTrust>: Hi. Thank you. Good morning. Yeah. It seems like the outlook for iPhone shipments is robust as we go through the next few quarters, especially later this year, early next year. Is anything you see in the channel that suggests more optimism, more potential for stepped up activity? Is that potentially a driver for the mobile business for you?

<A – Alan Colberg – Assurant, Inc.>: So, Mark, the release of new phones is always a significant event for us. It's too early to tell exactly what Apple will release and when they'll release and when they'll have availability, but the good news for us is, it will be a significant contributor. Exactly when and how much, it's too early to say.

<Q – Mark Hughes – SunTrust>: Right. And I'm sorry, I missed the early part of the call. Did you -you had mentioned in the press release higher losses in the vehicle protection business, a less favorable experience. Could you talk about that for a second? Is that just kind of a variability in the business, are you seeing some underlying changes?

<A – Richard Dziadzio – Assurant, Inc.>: Yeah, good morning, Mark. It's Richard. And yes, we did mention that, in fact, during the quarter, we had some increased losses from part of the – one of the products that we have in vehicle protection service business and it actually brought the loss ratio[(3)] up to 97%. So, we were at 92% last quarter. It did bring it up, but I would say that, our long-term expectation is that that business would be in the 96% to 98%. And we're also seeing some good growth on the top line there as well.

<Q – Mark Hughes – SunTrust>: Right. How about new business trends in vehicles, is that slow to mid, or are you still seeing growth in the new warranties?

<A – Richard Dziadzio – Assurant, Inc.>: We're still seeing growth really from a combination of things. Our business mix is as much on used cars as new cars. So, changes in new car sales don't immediately affect our business. The other thing about this business is the way it earns. So, sales that we've made often don't start to show through our earnings for a period of time. It could be years depending on the nature of the program. So, we've been expanding our market share, both in the U.S. and outside of the U.S., and we've got good momentum and growth in that business, which is continuing.

<Q – Mark Hughes – SunTrust>: Understood. Thank you.

Alan B. Colberg, President, Chief Executive Officer & Director, Assurant, Inc.

Thanks, Dan, and thanks, everyone, for participating on today's call. To recap, with another solid quarter, we've continued to execute our transformation and remain confident in our outlook for 2017. We look forward to updating you on our progress later this year. In the meantime, please reach out to Sean Moshier with any follow up questions. Thanks, everyone.

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

*Footnotes: Corrections to script

(1) Non-CAT ratio increased $10 million, instead of referenced 10%
(2) 25 million customers, instead of the referenced 15 million
(3) Combined ratio for the quarter is equal to 97%, instead of referenced loss ratio