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Assurant 4Q 2021 Earnings Transcript

PARTICIPANTS

Corporate Participants

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Keith Demmings - President & Chief Executive Officer, Assurant, Inc.

Richard Dziadzio - Executive Vice President, Chief Financial Officer, Assurant, Inc.

Other Participants

Thomas McJoynt-Griffith - Analyst, Keefe, Bruyette & Woods

Michael Phillips - Analyst, Morgan Stanley & Co.

Tom Shimp - Analyst, Piper Sandler

Mark Hughes - Analyst, Truist Securities

Brian Meredith - Analyst, UBS Securities

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to Assurant's Fourth Quarter and Full-Year 2021 Conference Call and Webcast. At this time, all participants have been placed in a listen-only mode, and the floor will be opened for your questions following management's prepared remarks. [Operator Instructions]

It is now my pleasure to turn the floor over to Suzanne Sheppard, Senior Vice President of Investor Relations and Sustainability. You may begin your conference.

Suzanne Shepherd, Senior Vice President, Investor Relations and Sustainability, Assurant, Inc.

Thank you, operator and good morning, everyone. We look forward to discussing our fourth quarter and full year 2021 results with you today. Joining me for Assurant's conference call are Keith Demmings, our President and Chief Executive Officer, and Richard Dziadzio, our Chief Financial Officer.

Yesterday, after the market closed, we issued a news release announcing our results for the fourth quarter and full-year 2021. The release and corresponding financial supplement are available on assurant.com. We'll start today's call with remarks from Keith and Richard, before moving into a Q&A session.

Some of the statements made today are forward looking. Forward-looking statements are based upon our historical performance and current expectations, and are subject to risks, uncertainties and other factors that may cause actual results to differ materially from those contemplated by these statements. Additional information regarding these factors can be found in yesterday's earnings release, as well as in our SEC reports.

During today's call, we 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 yesterday's news release and financial supplement.

I will now turn the call over to Keith.

Keith Demmings, President & Chief Executive Officer, Assurant, Inc.

Thank you, Suzanne, and good morning, everyone. As I begin my tenure as CEO, I am extremely proud of the opportunity to lead our nearly 16,000 employees across the world as we support consumers' ever-connected lifestyles. As I reflect on Assurant's transformation over the past several years, not only have we evolved our business model, but also significantly expanded the breadth of our offerings and our customer base.

Today, Assurant represents a cohesive group of higher-growth, service-oriented businesses serving more than 300 million consumers globally. Collectively, our connected consumer and Specialty P&C businesses have generated and are expected to drive continued profitable growth and strong returns. As we position Assurant for 2022 and beyond, we see compelling opportunities to sustain growth, particularly with the convergence of the connected consumer in the global markets and geographies in which we operate.

Continued success will require us to deliver on our vision for the future - to empower leading brands to connect, protect and support their customers' connected lifestyles. Ongoing investments in our people and capabilities will enable us to meet our customers how, where and when they want to be met - differentiating our offerings through a superior customer experience. Continuously adapting to the changing needs of the connected consumer will be critical to achieving long-term growth.

To continue to capture new opportunities, I believe success will require - more than ever - our focus on five priorities: first, attracting, retaining and developing the best talent to unlock future potential; second, delivering a superior, digital-first customer experience; third, deepening our strong partnerships with major clients and prospects worldwide while also developing offerings and capabilities that continue to differentiate Assurant; fourth, accelerating the pace of innovation and prioritizing the necessary investments across our operations and technology; and finally, continuing to further embed and support sustainability and inclusivity for the benefit of all stakeholders and the communities in which we operate.

And already this year, we've made progress in our continued objective to build a more sustainable Assurant. I am proud of our recent recognition by CDP on our environmental impact and commitment, and our continued inclusion in the Corporate Equality and Bloomberg Gender Equality indices.

I want to take a moment to highlight our Lifestyle and Housing businesses and how we successfully executed our strategy throughout 2021.

Within Connected Living, our mobile device lifecycle management solution has enhanced our ability to introduce value-added services and capabilities to monthly device protection plans and trade-in and upgrade programs. This has helped expand our market share and further differentiate our offerings. We now cover almost 63 million mobile devices - a figure that has doubled since 2015 and increased 18 percent in 2021 alone.

At year end, we launched a partnership with Deutsche Telekom in Germany to provide an innovative mobile phone device protection and trade-in program. Assurant has already been recognized by Deutsche Telekom for our commitment to sustainability with a #GreenMagenta label - highlighting how our products and services make a positive climate contribution and reflect a responsible use of resources. This is another example of further integrating ESG into Assurant's business operations and offerings worldwide to drive more value for our partners and our consumers.

Throughout the year, critical investments continued to drive growth and differentiate the customer experience. Our trade-in and upgrade business -- now inclusive of HYL A Mobile - drove exceptional performance, processing over 25 million devices, supported by the rollout of 5G as well as our repair, asset

disposition and technology capabilities. We recently expanded our long-standing partnership with Telefonica to provide a comprehensive device trade-in program across several key countries in Europe and Latin America where Telefonica is a market leader. The program will enable Telefonica to access our leading trade-in technology. We also continued to integrate mobile service delivery options into our offerings through CPR's local same-day capability and the come-to-you repair capability through our acquisition of Fixt.

Demonstrating our commitment to improving the customer experience, CPR by Assurant ranked first in the 2022 Entrepreneur Franchise 500 for electronics repair. This is a testament to the success of our CPR franchisees, and our commitment to provide customers with exceptional experiences, services and support.

And we successfully executed on the major rollout of the in-store repair capability to nearly 500 T-Mobile store locations nationwide - showcasing our ability to adapt to rapidly changing consumer preferences. Over a period of 5 months, we recruited, trained and deployed nearly 2,000 technicians to deliver a seamless experience to T-Mobile customers in-store, while also converting approximately 10 million Sprint subscribers to Assurant. The in-store repair rollout will continue into 2022 as we further enhance the overall experience for T-Mobile customers.

Turning to our Global Automotive business, where we also have a strong track record of growth and innovation -- we've continued to capture market share and see significant opportunity ahead. In 2021, we grew global protected vehicles by 10 percent to nearly 54 million and increased net operating income by 21 percent. The Auto business is critical to the long-term success of Assurant and we should continue to benefit in the future from increased scale through our alignment with industry leaders, and our ability to support customers through digital channels.

Turning to renters, the business grew policies and revenue by 7 percent in 2021 - a testament to strong affinity and property management company channel relationships. We also secured multiyear renewals with two top 10 PMCs. Technology and innovation are critical components to our success in this business and we will continue to invest in our technology over the next several years to further enhance the customer experience for our 2.6 million policyholders. Investments in 2021 included the continued rollout of Cover360, launching new customer-facing sales portals and expanding self-service capabilities that leverage machine learning to enable automation of claims payments. Ultimately, our investments should increase policy attachment rates, which have not yet hit mature levels throughout the industry.

Additionally, in our attractive P&C offerings, including lender-placed insurance, we have maintained our market-leading position with large U.S. servicers and banks, tracking over 30 million loans. Last year alone, we renewed 10 clients and partnered with 2 new clients. As we look to 2022, we will continue investments in operations such as our customer-centric, single-source processing platform -- differentiating our tracking capabilities and improving efficiency.

Overall, I am pleased that our businesses delivered on our commitments for 2021 - as we delivered value for our clients and customers. We also further demonstrated the resiliency of our unique business model as we navigated the pandemic and managed inflationary pressures. Excluding reportable catastrophes, we generated 14 percent earnings per share growth - on the high-end of our expectations. Net operating income, also excluding CATs, grew by 11 percent to \$672 million dollars - making 2021 our fifth consecutive year of profitable growth.

Our balance sheet remained strong. Combined, our businesses contributed a total of \$729 million dollars in dividends to the holding company - representing approximately 100 percent of segment earnings. This allowed us to return a total of \$1 billion dollars in share repurchases and common stock dividends and complete our 3-year, \$1.35 billion-dollar capital return objective. In addition, we completed 60 percent of

the \$900 million dollars we committed to return through share repurchases, as part of the sale of our Preneed business. We anticipate returning the remainder by the end of the second quarter.

Next, I'd like to review some initial thoughts for 2022. As we look ahead to sharing our long-term vision, strategy and financial objectives at Investor Day in March, we can make an even more compelling case for the future. Given our ongoing shift to more service-oriented, fee-based businesses, we believe Adjusted EBITDA, rather than net operating income, is a better representation of how to evaluate our operating performance for the enterprise and segments.

In 2021, Adjusted EBITDA, excluding CATs, increased 9 percent to \$1.1 billion dollars driven by strong results in Global Lifestyle, particularly in Global Automotive and Connected Living, as well as a lower Corporate loss. In 2022, we expect growth in Adjusted EBITDA, ex. CATs, of 8 to 10 percent - a reflection of the strength of our business portfolio. Within Global Lifestyle, we expect Adjusted EBITDA to increase by low double-digits but likely not exceed the 12 percent growth we had in 2021. Segment growth will be driven by Connected Living -- particularly mobile - even as we make strategic investments to support new business, including continued investments in our in-store mobile repair capabilities.

Within Global Housing, Adjusted EBITDA, excluding CATs, is expected to grow mid- to high-single-digits, driven primarily by lender-placed from higher average insured values, operating efficiencies and improved results in Specialty offerings. Our Corporate segment is expected to generate a loss of approximately \$105 million dollars of Adjusted EBITDA, which is in-line with our historical levels.

Cash flow generation is also expected to remain strong - and is a core component of Assurant's financial profile, allowing us to continue to invest in and transform this company. As we look at our capital management priorities going forward, we will continue to be strong stewards of capital. Our goal is to continue to maximize long-term value creation through disciplined capital deployment, while also maintaining our investment grade and financial strength ratings.

Given the attractive business opportunities we see ahead, we expect a more balanced capital deployment mix - targeting compelling investments to drive long-term growth - whether organic or through M&A - as well as ongoing return of capital to shareholders. We believe this combination will enable us to sustain above market profitable growth and generate significant value for our shareholders.

We recognize that for periods of time, this may result in higher-than-average levels of holding company liquidity to ensure we have the flexibility to make investments that generate compelling returns while also returning capital, mainly through buybacks, given the attractiveness of our stock.

Lastly, I wanted to acknowledge and thank all who have supported my transition to CEO over the last several quarters - your feedback and ongoing dialogue has been incredibly valuable as we collectively look to build upon the success of Assurant for the future. And I want to thank our employees around the world for their extraordinary efforts in 2021, a year in which they again outperformed, despite the challenges of the pandemic.

I will turn the call over to Richard to review the fourth quarter results, our 2022 outlook and business trends. Richard?

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

Thank you, Keith, and good morning, everyone. As Keith noted, we are pleased with our performance in 2021 which continued to reinforce the strength of earnings and cash flow generation of our business portfolio. Before we begin, I wanted to note that although we will transition to using Adjusted EBITDA for

2022, I will report fourth quarter 2021 results based on net operating income - consistent with our outlook communications during 2021. For the fourth quarter, we reported net operating income per share, excluding reportable catastrophes, of \$2 dollars and 49 cents, up 21 percent from the prior-year period. Excluding CATs, net operating income for the quarter totaled \$144 million dollars, and Adjusted EBITDA amounted to \$245 million dollars, a year-over-year increase of 16 percent and 8 percent, respectively.

Now let's move to segment results starting with Global Lifestyle. The segment reported net operating income of \$108 million dollars in the fourth quarter, a year-over-year increase of 23 percent. Growth was driven by strong performance in Global Automotive and Connected Living. In Global Automotive, earnings increased \$12 million dollars or 29 percent from fourth quarter 2020. The increase is based on three main items, including: first, continued organic growth across distribution channels, mainly in the U.S., including AFAS contributions; second, better loss experience from select ancillary products; and third, higher investment income.

Connected Living earnings increased by \$9 million dollars or 21 percent year-over-year, more than offsetting the implementation costs associated with the initial deployment of in-store device repair services with T-Mobile. These costs are primarily related to technician hiring and parts sourcing and will further impact Connected Living's earnings in 2022 as we continue investing in our in-store capability. The fourth quarter increase in Connected Living was primarily driven by 3 items; higher trade-in volumes, including a full quarter of contributions from Hyla and carrier promotions; higher international earnings, including improved performance in Europe and Asia Pacific; and continued mobile subscriber growth in North America, including growth from our cable operator partners. This quarter, Connected Living and Global Automotive results also included a modest tax benefit that improved earnings.

For the quarter, Lifestyle's Adjusted EBITDA increased 16 percent to \$159 million dollars. Adjusted EBITDA eliminates the segment's increased IT depreciation from higher investments as well as amortization resulting from higher deal-related intangibles from more recent transactions in mobile and Global Automotive.

As we look at revenues, Lifestyle revenues increased by \$168 million dollars, or 9 percent. This was driven mainly by continued growth in Global Automotive and Connected Living. In Global Automotive, revenue increased 12 percent, reflecting strong prior-period sales of vehicle service contracts across all distribution channels. In the US, we saw continued expansion from our national-dealer network and third-party administrators, while we benefited internationally from higher volumes with OEMs. As expected, our net written premiums - a key sales metric - continued to normalize compared to the third quarter but remained elevated. We expect continued normalization into 2022.

Within Connected Living, revenue increased 7 percent, primarily due to mobile fee income that was driven by strong trade-in volumes, including contributions from Hyla. Trade-in volumes continued to be elevated in the fourth quarter, supported by new phone introductions and carrier promotions from the introduction of 5G devices. Higher revenue from growth in domestic mobile subscribers was offset by declines in runoff mobile programs previously mentioned. For the year, mobile subscribers grew 18 percent to nearly 63 million, driven by growth in North America, including the transition of legacy Sprint subscribers. Excluding the Sprint transition, our North America device count continued to grow at a healthy pace and was up 8 percent, offsetting declines in other regions.

Looking ahead to 2022, we expect Global Lifestyle Adjusted EBITDA to increase by low double-digits. Growth will be mainly driven by Connected Living - and particularly mobile - from continued global expansion in existing and new clients across device protection and trade-in and upgrade programs. Given the strategic investments we are making across Lifestyle to support new business opportunities, including

in-store service and repair capabilities, we do not anticipate growth to exceed the 12 percent growth rate we had in 2021.

In Global Automotive, we expect Adjusted EBITDA to be stable in 2022 compared to 2021 as we overcome headwinds in investment income along with the absence of \$10 million dollars of non-recurring gains we recorded in the first half of 2021.

Moving to Global Housing, net operating income was \$80 million dollars for the fourth quarter compared to \$61 million dollars in the fourth quarter of 2020, driven by lower reportable catastrophes. Excluding catastrophe losses, earnings decreased \$7 million dollars, mainly due to higher non-CAT losses in our specialty P&C offerings. Non-CAT losses included an \$8.2 million dollar increase, primarily related to reserve strengthening for runoff claims within our small commercial book. As a reminder, this book stopped adding policies in 2019 but we continue to manage open claims.

Absent this reserve increase, earnings were relatively flat as growth in lender-placed offset modestly by higher non-CAT losses. Recall, certain factors in 2020 and the first quarter of 2021 temporarily depressed non-CAT loss levels. We do not consider those periods to be representative of historical and future trends. Earnings growth in lender-placed insurance was driven by higher average insured value of in-force policies and claims processing efficiencies, which were partially offset by the impact of the continued foreclosure moratoriums.

In January, we replaced our expiring reinsurance coverage, representing two-thirds of our 2022 catastrophe reinsurance program placement. We were able to continue placing reinsurance covering multiple years to mitigate changes in the pricing of cat reinsurance in any one year. Similar to prior years, the remainder of our reinsurance will be placed around mid-year. We will continue to evaluate the risks and rewards of purchasing additional reinsurance, as well as alternatives that could more meaningfully reduce our risk.

In Multifamily Housing, underlying growth in our affinity and PMC channels was offset by increased expenses, primarily investments to further strengthen our customer experience, including our digital capabilities. Global Housing revenue increased 2 percent year-over-year, mainly from higher average insured values and premium rates in lender-placed and growth in multifamily housing. This was partially offset by lower specialty revenues from client runoff.

For 2022, we expect Global Housing's Adjusted EBITDA, excluding CATs, to grow by mid- to high-single-digits compared to 2021. This is expected to be driven by three factors. First - Growth in lender-placed insurance from continued higher average insured values and gradually higher REO volumes due to easing foreclosure moratoriums throughout the year. Growth is expected to be partially offset by the impact of higher labor and materials costs. Second, expense savings initiatives, including our digital-first efforts focused on automation will have a positive impact, albeit partially offset by continued investment initiatives, particularly in Multi-Family Housing. And third, improved loss experience in our Specialty offerings related to small commercial.

At Corporate, the net operating loss was \$24 million dollars, an improvement of \$3 million dollars compared to the fourth quarter of 2020. This was mainly driven by higher investment income in the quarter from higher asset balances, including proceeds from the sale of Global Preneed. For 2022, we expect the Corporate Adjusted EBITDA loss to approximate \$105 million dollars -- more in-line with historical levels.

Turning to Holding Company Liquidity, we ended the year with slightly over \$1 billion dollars, primarily due to the proceeds from the sale of our Preneed business. In the fourth quarter, dividends from our operating segments totaled \$176 million dollars. In addition to our quarterly Corporate and interest expenses, we had

outflows from 3 main items: \$290 million dollars of share repurchases; \$39 million dollars in common stock dividends; and \$5 million dollars related to Assurant Ventures investments.

For 2022, we expect our businesses to continue to generate strong cash flow - at a similar rate to prior years. With the transition to Adjusted EBITDA, we expect segment dividends to be roughly three-quarters of segment Adjusted EBITDA, including catastrophes. This translates to approximately 100 percent of segment net operating income. As always, segment dividends are subject to: the growth of the businesses; rating agency and regulatory capital requirements; and investment portfolio performance.

As Keith mentioned, we expect to provide additional color for 2022, including our outlook on a per share basis that aligns with Adjusted EBITDA, and further detail regarding our longer-term view of financial metrics that support Assurant's strategic direction at Investor Day next month. As a result of the expected level of share repurchases, we wanted to note that we expect that our growth on a per share basis will significantly exceed our Adjusted EBITDA growth.

In closing, we are really pleased to have met our objectives for 2021 despite the difficult operating conditions brought on by the pandemic, and we are excited to be entering 2022 with the positive business momentum we have highlighted today.

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

QUESTION AND ANSWER SECTION

Operator: The floor is now open for questions. [Operator Instructions] Thank you. Our first question comes from the line of Tommy McJoynt from KBW. Your line is open.

<Q - Thomas McJoynt - KBW>: Hey. Good morning, guys. Thanks for taking my question. So, could you guys start off and just talk about the impact of inflation on your device repair and upgrade business? Obviously, there's different factors with replacement parts and higher labor and wages. So, if you can just touch on how you're managing those risks.

<A - Keith Demmings - Assurant, Inc.>: Sure, and good morning. Maybe I'll start, talk a little bit about mobile and then Richard, you can talk more broadly about inflation overall. I'd say, on the mobile business, it's had a relatively neutral impact on our financials. As we've talked about before, the business is largely reinsured and profit shared with our clients. So, you do see a little bit of impact on loss ratios when we're on risk, but it's been fairly immaterial as we look over the course of the last many months.

I would also say, from our perspective, we also think about delivering service to the end consumer and making sure we've got the right levels of inventory. So, that's equally important to make sure we're delivering and we've done a really good job stocking inventory, making sure we've got good lead time for parts delivery. From time-to-time, we do see delays in terms of claim fulfillment, sometimes that means repair might take a little longer, or we might have to replace a device versus doing a repair. But overall, customer service has been excellent and the NPS scores in terms of what customers are telling us have been really, really strong. So, that's more from the parts side.

I'd say in the labor market, no doubt, remains challenging, and this is true across all of the businesses around the world. I would say, really proud of how the teams have navigated, not just the labor market, but really the pandemic overall with work from home. I think because we kept health and safety at the forefront of everything that we did from a decision-making perspective, we've built an incredible culture within the organization, and I think we haven't seen a lot of The Great Resignation that you hear about

every day. We've done an incredible job kind of protecting our employee base. And in fact, we hired 2,000 employees to staff the 500 T-Mobile stores to do repairs, and obviously, including leadership positions, did that extremely well in a very challenging market. So, really proud of how we've navigated labor. And I think one of our advantages is the talent that we have. But maybe, Richard, just a little bit more on macro inflation and as we think about the Housing business as well.

<A - Richard Dziadzio - Assurant, Inc.>: Sure. Sure. Thanks, Keith. And good morning, Tommy. Yeah. Just in terms of the Housing business, overall, we have seen some increase in claim costs and that's a little bit of a headwind. But on the other hand, we've - as we talked about in our remarks, we have seen an increase in average insured values. So, that's to a certain extent, offset the pressure there. I guess, the other thing I would say, too, is, while, short term, we do feel some pressure from it, we have factored it into the comments we made today in terms of what we would consider to be the impact of inflation on our businesses in 2022 and the outlook that we gave, and also positive will be rising interest rates that will flow through to investment income.

So, the higher rates will be helpful both on the short and longer term on the cash that we have in hand today and also on new money coming in, for premiums coming in as we invest it. So, overall, we don't see a material impact in the short term or actually as we go further off. Thank you.

<Q - Thomas McJoynt - KBW >: Thanks. Appreciate the feedback. And then, just switching gears a little bit to the outlook and into the guidance on EBITDA. So, if I look over the past couple of years, the EBITDA margin, that's kind of been in the 10% to 11% range. When you kind of think of long term where EBITDA should go, do you think you should build in some margin expansion on EBITDA or do you think that 10% to 11% is kind of a good long-term rate?

<A - Keith Demmings - Assurant, Inc.>: Yeah. I guess a couple of comments. We will be obviously coming out at Investor Day in - on March 24 with a longer-term outlook. So, we'll be coming to the market with three-year longer-term financial projection. So, that'll be a great time for us to lay out our vision for the future. And, certainly, if you look at our outlook for 2022, strong EBITDA growth, we've signaled 8% to 10%. We saw a 9% in 2021. So, continued strong momentum in terms of driving EBITDA growth. And I would also say we're investing more as well organically to try and set up the future. And we'll talk a lot more about some of those investments and how we think about long-term growth trajectory emerging as we get back together in a few weeks.

<Q - Thomas McJoynt - KBW >: Thank you and look forward to speaking to you then. Thanks.

Operator: Your next question comes from the line of Michael Phillips from Morgan Stanley. Your line is open.

<Q - Michael Phillips - Morgan Stanley>: Thanks. Good morning. And actually, you had just touched on it, but maybe a little bit deeper if you could, Keith, on the guidance for EBITDA. I guess, I was curious and again, maybe nothing more than what you just said, but I'll say. Curious how much, I guess, overall investment we should think about is being done this year relative to, say, the amount that was done last year as we look at that 8% to 10% guide for EBITDA.

<A - Keith Demmings - Assurant, Inc.>: Yeah. I would say we expect to make more investments overall across the company in 2022 than 2021. We obviously had some material investments when you look at standing up service and repair with T-Mobile. There was a significant lift to do that, obviously converting the Sprint business. So, there certainly were investments in 2021. I would signal a little bit more investment to drive organic growth and I would probably highlight a couple of areas. Certainly, we're

going to continue to invest in service and repair capabilities, really building out the platform, the technology and the integrations. We talked about investments in digital-first in the prepared remarks. That's a really important priority for the organization. Obviously, it drives efficiency longer-term, but it radically improves the customer experience. So, that's a big priority.

We've got several new client launches that are planned, that obviously take a significant amount of energy to get right and make sure we execute and deliver, and then, investment in longer-term growth, new capabilities around the connected home, around innovation, to drive new product bundles and new cross-selling opportunities, and I would say, further scaling capabilities in Europe and Japan. So, there's a lot of areas that we're trying to focus on. There's a significant amount of long-term growth potential across all of our product lines. So, I would say a pretty balanced set of opportunities.

<Q - Michael Phillips - Morgan Stanley>: Okay. Thanks. That's all fine. I'm sure we'll get a lot more details in a few weeks. And you mentioned something in the opening comments as well. I want maybe a little bit more detail here, the expenses that you've incurred from the T-Mobile rollout, that was kind of pushed into 4Q and some are now into this year. Is that going to be more of a 1Q issue or that continue at that same level as we get past 1Q of 2022?

<A - Keith Demmings - Assurant, Inc.>: Yeah. I would say it'll moderate from what we saw in fourth quarter. We did a great job. That was a lot of work, as you can imagine, staffing up 500 stores over the course of really four or five months and then training, onboarding all of our leadership, all of our technicians, just an incredible effort. The first thing I would say, it underscores our ability to not only adapt to changing consumer preferences, but then drive significant focus on execution as a company.

And we did the same unit repair launch while we were migrating all of the Sprint business and while we were staffing up to manage all of the Sprint business as well, separate from same unit repair. So, a significant lift, certainly in fourth quarter, I would say it came in broadly in-line with expectations in the quarter, and it will certainly moderate as we get into the - into 2022. As we look to the first and second quarter, we'll certainly see more investment going forward and it will taper as we get through the rest of the year.

<Q - Michael Phillips - Morgan Stanley>: Okay. Thanks, Keith. One last one, more higher-level question, if I could here. You continue to outpace the market and growth and rental policies and pretty significantly. Maybe you can talk about that and is that something that you think you can continue to do over the long term? It's pretty significant your growth there versus the rental market in general. So - and you've done it for clearly for quite a while, but I guess should we expect that to continue for the foreseeable future?

<A - Keith Demmings - Assurant, Inc.>: Yeah. I mean, we've been really pleased with the performance this year. But as you say, over time, really good, strong, consistent growth and also growing market share. And if you look back over the years and we'll talk more about that, I'm sure at Investor Day as well, but really strong overall share gains in the market. And we've seen a lot of good trends as well.

The product is - the attachment rates in the products have gone up over time, and that's certainly helping. We've grown our relationships with property management companies. And I certainly expect us to continue to drive policy growth and revenue growth going forward. That's another business that we're investing significantly in trying to evolve how we deliver services, thinking about investments in technology, investments in customer experience, digital integration with our partners and then thinking about other services that we can add that are relevant for renters. So, really excited about that business long-term and certainly expect momentum to continue as we move forward.

<Q - Michael Phillips - Morgan Stanley>: Thanks, Keith. Appreciate it.

<A - Keith Demmings - Assurant, Inc.>: Great. Thank you.

Operator: Your next question comes from the line of Tom Shimp from Piper Sandler. Your line is open.

<Q - Tom Shimp - Piper Sandler>: Hi. Good morning. Congrats on the strong quarter. So, very strong growth in Global Automotive. In the past, you've spoken about the increase in attachment rates from the high 30s to the high 40s, given the increase in prices and technology. Given the chip shortage, there's been a number of reports of buyers paying over sticker for new cars, and we've got used car prices up as much as 40%. So, do you believe this is having an effect on attachment rates? And maybe you could just give some general thoughts on whether the pie is getting bigger or whether Assurant is getting a bigger piece of the pie or both?

<A - Keith Demmings - Assurant, Inc.>: Yeah. I think, Assurant is definitely getting a bigger piece of the pie. I would say that attachment rates have probably drifted up more because of the mix business that we've seen a shift between new and used. And we tend to see slightly higher attach rates on used vehicles. So, if you think historically, we've had a 50/50 mix roughly between new and used cars. Today, it's probably 55% used, 45% new. So, that would create a little bit higher overall blended attach rate.

I wouldn't say that it's significantly changed otherwise. We've seen good, strong, consistent performance. And as always, it's a focus for our clients. We've gained market share, no doubt, in the market that we've seen a lot of consolidation in the industry. We're partnered with a lot of large publics, a lot of large dealer groups, and they're gaining share through acquisition. And I think we've seen more acquisitions in 2021 in terms of the big publics.

And then, also, our franchise dealers have been investing heavily in digital and also sourcing a lot more used car inventory directly from consumers. So, a pretty significant improvement in terms of the performance of our clients. And then, I'd say, we've also won new clients as well in the market, and it's a very fragmented market today. So, there's still a lot of opportunity for share gain over time.

<Q - Tom Shimp - Piper Sandler>: Okay. Great. Maybe moving to mobile, lot of moving pieces in 5G, what - after what seemed like a delayed rollout. There's an uptick in 5G promotions and activity around that potential catalysts. But then, we recently had the delay in 5G implementation due to the FAA. So, maybe you could frame for us how to think about the potential benefit from 5G, whether it's total covered mobile device count or trade-in volumes, how should we think about the cadence or the benefit to 2022 earnings and the years that follow?

<A - Keith Demmings - Assurant, Inc.>: Yeah, we had a significant success in 2021, certainly, with trade-in volumes at all-time highs and that's partly due to the acquisition of Hyla, and then, due to a number of other factors. You point out the promotional activity from clients, obviously the migration of 5G. We've seen clients put more focus and energy on trade-in. Obviously, it's got sustainability benefits, which is really important. It also provides digital access to consumers at more affordable rates.

So, there's a lot of reasons why I would say trade-in is generally growing as a category. We're seeing a lot more interest around the world with different partners. So, from that perspective, I feel really good about that trend continuing. And then, in terms of 5G, specifically, I'd say we're still fairly early in the cycle. You've got maybe 20% to 30% of postpaid customers in the key markets that we operate that have migrated to 5G networks.

So, there's still a lot more opportunity as consumers continue to upgrade devices and adopt 5G. So, we'll see continued promotional activity and we'll see a lot of trade-in volume as we move through 2022. That certainly underpins some of our thinking with our Connected Living growth. And then, I think, we'll see more globally as this continues to get focused.

<Q - Tom Shimp - Piper Sandler>: Great. Thank you for your answers.

<A - Keith Demmings - Assurant, Inc.>: Thank you

Operator: Your next question comes from the line of Mark Hughes from Truist Securities. Your line is open.

<A - Keith Demmings - Assurant, Inc.>: Good morning, Mark.

<Q - Mark Hughes - Truist>: Yeah, thank you. Good morning. You had mentioned that you're looking to evaluate perhaps alternative risk strategies in Global Housing, maybe a layoff of material portion of your catastrophe exposure is - as I understood you to say. I had thought that had kind of been put to bed, but it sounds like you're still working on it, still evaluating it. Could you talk about what you're thinking is there? How serious that initiative might be?

<A - Keith Demmings - Assurant, Inc.>: Sure. And maybe I'll start just, just reinforce a little bit about the business then and then I'll address your question. I mean, I would just highlight, it's a really unique, high performing business. If you think about the cash flows that generate out of our Housing business and the important role that we play in the mortgage value chain. So, we're really proud of the business and the result it's delivered.

And I would say, if you look at Housing overall, we talk about targeting a 17% to 20% ROE after a normal cat load. If you look at 2021, we actually had \$114 million of cat losses. So, more than what we would consider a normal cat load and still delivered a 16.5% ROE. So, broadly really strong business, great ROEs and generates a ton of cash flow. So, we really like the business for a lot of different reasons.

In terms of the comments around the cat exposure, I would say we're always looking for ways to optimize the cat exposure. You've seen a pretty strong track record of reducing risk over the years. And that's not just as we've grown other parts of the company. We've significantly grown parts of Housing and then obviously Lifestyle, which don't have much of any cat exposure at all. We've also dramatically reduced or per event exposure from \$240 million to \$80 million over the years. And then, a lot of other decisions around multiyear coverage, exiting certain non-strategic cat prone markets, et cetera.

So, you've seen a lot of discipline, that will no doubt continue as we move forward, but we are always looking to see if there are further ways to optimize. Is there a risk reward trade-off that we can work with reinsurance partners in a different way to further mitigate the risk, further mitigate the volatility and try to drive the right most efficient, optimal outcome? And we're going to continue to look at that. I wouldn't say there's anything imminent that we're doing other than this is normal course for us and it's very important for us to be thinking about our reinsurance in our cat risk all the time.

<Q - Mark Hughes - Truist>: And then, you'd made a - I think, a point of saying that you were looking for a balanced mix of investments in share buybacks. If I did the simple percent and said, if you look at free cash flow for 2022, is that half share buybacks, half retained for investments or M&A?

<A - Keith Demmings - Assurant, Inc.>: Yeah, and we'll spend more time on capital management, certainly at Investor Day. I would say a couple of things. We're not trying to signal a dramatic shift in our

philosophy. That's point number one. We continue to be extremely disciplined as we think about capital management. So, that's not going to change. And ultimately, we're trying to maximize returns. I think what we're more trying to signal is an interest in maintaining greater flexibility.

There's lots of attractive opportunities in the market to drive growth and we want to have a little more flexibility to try and evaluate the best alternatives, but obviously, being extremely disciplined with how we think about long-term value creation. So, we'll talk a little bit more about our expectations for capital deployment in a few weeks, but that would probably be the bigger takeaway for me.

<Q - Mark Hughes - Truist>: Yeah. And then, just one, if I might. You talked about expanding the connected home. Does that suggest an appetite for maybe a broader home warranty exposure?

<A - Keith Demmings - Assurant, Inc.>: Yeah. I think where we play today around the connected home is more around the connected technology, the appliances, the electronics, that side of the business. We don't really have home warranty with our portfolio today and that's a big competitive market. There are many strong players in that space. So, I think there's an opportunity more uniquely for us as we think about building bundled subscription services to protect more broadly consumers' connected technology and other products that they have in their homes. So, that's more of the angle that we think is appropriate for Assurant and we'll talk more about that at Investor Day. But we definitely see interesting trends, a lot of appetite from consumers. We operate with a broad range of distribution partners. So, there's a lot of interesting bundled services that we think we can bring to bear for sort of the connected consumer of the future.

<Q - Mark Hughes - Truist>: Great. Thank you.

<A - Keith Demmings - Assurant, Inc.>: Thank you.

Operator: [Operator Instructions] Your next question comes from the line of Brian Meredith from UBS Financial. Your line is open.

<A - Keith Demmings - Assurant, Inc.>: Good morning, Brian.

<Q - Brian Meredith - UBS>: Good morning. A couple of questions here. First, well, Keith, I'm just curious on the repair centers in T-Mobile stores, is that an exclusive deal or could you roll that out to other customers? And what has, kind of, been the inquiries you've perceived on doing that? We think that a lot of the other customers would be really interested in that type of a program.

<A - Keith Demmings - Assurant, Inc.>: Yeah. I think you're right and we've certainly - and you've seen it with our investments dating back a few years, right. We invested in and bought a company called CPR. We also bought Fixt. So, we have walk-in repair facilities operated by Assurant. We've got come-to-you repair technicians as well and now, for T-Mobile, operating within their store.

Definitely think we'll see more and more interest from clients around the world as they think about the appropriate repair strategy and claims fulfillment strategy for each brand. So, definitely, it's client-by-client in terms of what's most appropriate and what vision do they want to create for servicing consumers. But I definitely expect to see more appetite over time.

<Q - Brian Meredith - UBS>: Great. And then, I'm just curious, one quick one, on the catastrophe reinsurance program renewal, it sounds like fairly similar structure to the program. What about the cost of it? What was the additional costs associated with it?

<A - Keith Demmings - Assurant, Inc.>: Yeah. And I would say we're really pleased with the renewal that we got. And Richard, I know, works closely on it. Maybe share a couple of thoughts, Richard.

<A - Richard Dziadzio - Assurant, Inc.>: Yeah. I think, as we've said before on renewals in the beginning, we have to invest and then, as we go along, we make profits over time, and it's gone really well, so to date, I mean, to-date. Our partners can deliver better solutions for our customers with what we're doing. So, it's not just in service/repair.

I think, today, we've covered most of it through the end of the year. We're probably about two-thirds of the coverage being placed. And we'll place the rest of it in mid-year, as you know. And we've had success in the pricing of it. We have a good stable of reinsurers. And if we look out in the market, we've had some reinsurers that - have some insurers have had trouble placing. We've placed 100%. We placed it at the low end of the market as well. We've had ranges from anywhere from 5% to 30% on reinsurance. So, we've done a really good job.

<Q - Brian Meredith - UBS>: Got you. Got you. So, towards the low end of the market. Great

<A - Richard Dziadzio - Assurant, Inc.>: Yeah, yeah. Single. Single - I put in that kind of the mid- to high-single digits overall. So, in a really good place.

<Q - Brian Meredith - UBS>: Terrific. Good outcome. And then, I guess just my last and maybe you'll be touching this in Investor Day. When I think about your 8% to 10%, EBITDA ex-cat guidance, for 2022, should I think about that as more margin driven or revenue driven?

<A - Keith Demmings - Assurant, Inc.>: I mean, we're - certainly both. I mean, we're going to grow revenues as a company, but we're also expanding margins. If you think about the makeup of our business, we typically have grown profitability at a quicker pace than we've grown revenue just based on some of the ways that revenue flows through the P&L. So, I do expect to see margin expansion in terms of the breadth of services that we deliver to clients over time. So, definitely growing revenue, but growing margins quicker than revenues, which has typically been the case.

<Q - Brian Meredith - UBS>: Great. Thank you

<A - Keith Demmings - Assurant, Inc.>: Thank you.

Operator: And your final question comes from the line of Grace Carter from Bank of America. Your line is open.

<Q - Grace Carter - BofA>: Hi, good morning. I'm looking at the guidance for amortization of intangibles next year. I was wondering if we could clarify any assumptions regarding bolt-on M&A that are included in that estimate. And just given recent market volatility, if we could talk about just the outlook for bolt-on M&A opportunities in the Lifestyle business and if valuations are any more attractive now than they were a few months ago?

<A - Richard Dziadzio - Assurant, Inc.>: Keith, do you want to take the first part in terms of next year?

<A - Keith Demmings - Assurant, Inc.>: Perfect.

<A - Richard Dziadzio - Assurant, Inc.>: Yeah. Just to start with the numbers, I mean, it doesn't - the numbers that we've given in the earnings outlook really doesn't include any future acquisitions we buy. It's really the current acquisitions where we've done and how it kind of goes forward. So, I would just

say, remember, we've done deals at the end of last year where we have HYL A and AFAS and that's going to be running through.

<A - Keith Demmings - Assurant>: Yeah. And in terms of M&A, obviously, we're always looking in the market for attractive opportunities and valuations certainly move around. We've seen really high expectations at times and more tempered at others. But I would say we're definitely interested in acquiring strategic capabilities. You've seen us do, I think, some really good, strong foundational acquisitions, if I think back to the Warranty Group, which was a big scale play, gave us a great overlap with our current geographies and really a global leading position around Auto; the acquisition of HYL A that really scaled us as the global leader in trade-in, right on the front edge of the 5G super-cycle. You saw the acquisition of AFAS, which gave us real strength in the US auto market to complement the acquisition of the Warranty Group. And then, some of the mobile acquisitions I talked about, CPR and Fixt, really just important capabilities and set the foundation for what we're doing today with T-Mobile.

So, I think we're going to continue to look for those types of acquisitions and we always try to find multiple ways to win. How do we get access to new clients or new distribution channels, new capabilities that can wrap around the services that we already provide, and then, clearly looking for low risk in terms of integration, execution, and financial performance. So, we're always looking for those types of deals. That's why, we want to maintain flexibility. But as you've seen, we will continue to be disciplined and we will try to find really strategic opportunities to drive that growth.

<Q - Grace Carter - BofA>: Thank you. And just another one, looking at the Housing adjusted EBITDA guidance for next year, it sounds like the combined ratio might drift a little below the historical guidance of 86% to 90%. I was just wondering how sustainable maybe a combined ratio below that could be, and just how we should think about that going forward just giving ongoing changes in the mix of business with multifamily housing kind of outgrowing lender-placed?

<A - Keith Demmings - Assurant, Inc.>: And Richard, do you want to talk a minute on that?

<A - Richard Dziadzio - Assurant, Inc.>: Yeah. I think the historical guidance that we gave 86% to 90% is a long-term measure, and I would kind of base things on that. Obviously, it depends on the mix we have within the business, and I think you're exactly right. As multifamily grows, that kind of comes into the waiting on it. But I think what's more important too, is there's that - there's the one part, which is the combined operating ratio, the 86% to 90%. There's a second part, which is the premiums. And as we see markets changing over time, as we see, the forbearance and moratoriums running off and we see the inflation average insured values and whatever, I think we're going to see premiums move up as well. So, in terms of profitability, when we're talking about lender-placed, for example, we are talking about, looking at higher, higher, better performance in next year, and that is going to be driven by higher average insured values, the non-cat loss ratio staying at above current levels, and that will help profitability overall. And in addition to that, obviously, we're working on our expenses as we go along in the operational efficiencies that we cited are helping the bottom line as well.

<Q - Grace Carter - BofA>: Thank you

<A - Keith Demmings - Assurant, Inc.>: Great. Thanks, Grace. And thank you, everyone, for participating in today's call. We're very pleased with our performance in 2021 and excited for another year of profitable growth in 2022. We're also looking forward to our upcoming virtual Investor Day on March 24, where we'll have the opportunity to share the Assurant vision, our strategy and multiyear financial objectives. So, stay tuned for registration details coming out soon. And in the meantime, please reach out to Suzanne Shepherd and Sean Moshier with any follow-up questions. And thank you very much. Have a great day.

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