

Melissa: Good morning. I'm Melissa Kivett, Senior Vice President of Investor Relations at Assurant, and I welcome you along with our 1600 employees here at our Springfield operation to focus today on our Assurant Specialty Property business and, more specifically, our creditor-placed homeowners product. Also, welcome to everyone joining us on the Web today who didn't take planes, trains and automobiles to get here to Springfield.

Let's talk a little bit about -- let me start first by referring to our Safe Harbor Statement, as well as the fact that we may provide some forward-looking information. While this is not a financial workshop, we may give some forward-looking statements and may refer to some non-GAAP financial information. At the back of your presentations, there is a reconciliation of the non-GAAP financial information, and you can also refer to our Web site at assurant.com for SEC filings.

Let me start by running through what our plan is for today. This morning we're going to have presentations by our Senior Management Team, and we'll take a break about midway through the morning, approximately around 10:10. We'll continue with presentations and we'll end at about 11:30. At that time, for everyone on the Web, we'll take a break. People here in Springfield will go on a tour of our SmartFlow Life Cycle. When we come back from the tour, we will pick up the webcast at approximately 12:15. At that time, everyone here will get lunch. John Owen will provide a summary of the tour for you as well as everyone on the webcast. He'll also provide a summary of the day's discussion and then we'll have ample time for Q&A. So during this morning's discussions, each presentation really kind of builds on each other, your questions might get answered as the presentations go on, but I encourage you to remember them because we'll give you plenty of time to ask your questions during that Q&A session.

For me, working at Assurant for the last 14 years, one of the things I really have loved about it is that practically every day I learn something new. Talking with you, our analysts, our investors over the last three years and getting all of your deep, probing questions has really helped me better appreciate and understand the specialty nature of our business. So what are we doing here today? Well, we're really focusing on that specialty nature. What's really unique in our approach, and I think through the discussion here today, while it's not a deep dive into your financial models, it's really a nuts and bolts approach of how does this business work, how do we make money, what are the drivers of growth. These are the things that you've told us over the last three years that you really want to know, that are really important, because we don't fit into that standard box when you compare us to other property/casualty companies in the industry.

So, in preparing for today, I think there's a couple of firsts. This is the first time we've been in the operations center. This is also the first time that we're providing access to another layer of our management team. Well, that management team, we've been working closely with you guys over the past several months, probably three to six months, and what I've learned is that I'm exhausted. Only kidding. These guys have actually been quite exhilarating; it's been really great working with them. They're not only a really competitive, driven team – which you'll see from their discussions about how they work with their clients – they're also industry veterans, they have a great depth and knowledge of the business. And I think the challenge for me in working in Investor Relations is how do we take all of this information that they have and really provide focus, much like we do in our specialty business? How do we make sure that today you walk away with a few key things, because otherwise we're just giving you lots of information and you walk away without really any knowledge. So we've really focused and tried to ensure that you have some really key takeaways.

Talking about great detail, there's someone at our company who has knowledge, who can dive deep with the best of them, knows the detail not only of this company business, but our other three specialty businesses and at the same time he has the ability to keep us focused on really what's important for the long term of this company, and that's our CEO, Rob Pollock, whom I'm pleased to introduce. Rob?

Rob: Thanks, Melissa. Wait, I want that. Just leave that here. Yeah, Melissa doing a great job. How many of you saw *The Wall Street Journal* today? I thought this was pretty cool. This is in the Midwest Springfield Edition, upper right-hand corner, “As Insurers Flee Coast, States Face New Threat,” talking all about the business you're going to see today. Okay? Talking about what's going on in different states, etcetera. I commend her for that placement. I thought that was pretty cool. She had to call in a few chips to make that happen. I thought it was really good.

Melissa mentioned we want you to take away a couple of things here today, and you're going to get that in-depth side. I have two things I want you to walk away with. I understand what's going on in your creditor-placed homeowners business, and you guys are a specialty company. Now, as we were driving in here today, I used to live actually in Cincinnati, and I drove by and I saw a Kroger's store and it got me thinking, gee, they kind of a big dominant grocery retailer here. Last week I was out in California, Napa Valley, Safeway, dominant grocery retailer out there. I also used to live in Minneapolis. SUPERVALU stores, dominant grocery retailer. I'm in New York now. We shop at Whole Foods. I would claim Whole Foods a specialty grocer, not to be compared with any of those other guys.

They're doing something different. What I want you to walk away with is we're doing something different here, and we're going to demonstrate that to you.

What I want to do now is a little bit of interplay between what we've got going on at the enterprise and then I'll drill a little bit -- these guys are really going to drill down on that creditor-placed homeowners business.

Let me start with, at the Assurant level, what are we trying to do from a strategy standpoint? We're focusing on specialty areas because we want to get the market leadership. You will see that today in this business. We think, just like all corporations, you've got to focus your resources on the best opportunities. What you're going to see with what these folks have done with SmartFlow is we've done exactly that in this business.

Now at the enterprise level, we're very interested in diversification. We have specialty businesses with uncorrelated risks, but these guys are looking to diversify as well. We'll talk about some of their new opportunities to do that. And then this whole issue of core competencies, and you're going to see the core competencies we talk about at the enterprise illustrated by these guys, we're looking to leverage them across the enterprise, and we're going to take -- I mean, these guys have already shared the SmartFlow technology with other businesses within Assurant, and we think we can share it across the enterprise.

Another big part of our strategy: we're really after untapped markets with unmet needs. If you go to the far right here, you're going to see this whole product development came about from serving customers who needed something that wasn't being met in the marketplace, and that is really the genesis of this business and you're going to walk away with a detailed understanding of that. We've got that in some of our other businesses too, and we'll peel back the onion on another one of these businesses at a future point in time.

Melissa is giving me the evil eye. Okay. What has this all led to? This has all led to a very strong financial track record. If you look here, profits have gone up quite a bit, we've split out Solutions and Property, the property business represents the yellow bars on the left, we've been able to grow profits. We're focused on how are we going to continue to do that. But it's been a strong track record. And I want you to walk away with we have opportunities for future growth. We have some milestones that have been achieved over -- since we've been a public company. We're very proud of joining the S&P 500. You know, *Fortune* puts out their ranking based on revenues -- we're about 300 there. *Forbes* did a ranking based on best management, and of the Fortune 500, we ranked 63rd, well within the top quartile, what we're shooting at, we're pleased with that. But it's all based on having opportunities, both domestically and intentionally, to continue that track

record. And these guys will talk about some things we have going on to continue that in the property business.

These core capabilities - we've talked about them at the enterprise level and they're very present in these businesses as well, and you're going to see each of these come to life within the Specialty Property business today. One of them we've talked about is that strategic relationship with market leaders. I don't know who saw the signs walking in, but we have customer care teams where a lot of those were illustrated on the way in. When you get the tour today, you'll see more of them.

So all this comes back to why invest in us? Alright, we've got some things at the macro level that apply, but there are particulars in this business that fit right into this in my mind. Industry-leading products and services, you're going to see that come to life today. You're going to see an experienced management team. It's always a little scary, we keep peeling back and the people we peel back are better than who you've seen, so I'm kind of getting used to this, but this is a very good and experienced team. The ROEs in this business are phenomenal and, you know, there's some volatility, obviously, with the storms, but the returns are quite good. And we are disciplined in everything we do and you're going to see that come to life here as well. So we think you're going to walk away with a better understanding of this business, we think that'll create a compelling reason to continue to invest in us.

So with that, I'm going to turn things over to John Owen. Now, John is someone who actually joined us in an IT role, and John was both a very good manager and a leader and we took a chance and said, you know what, we think this guy can do it on an operating business side, and he's done a tremendous job. What I like about John, though, is he knows how to have fun, too, and so Monday of this week, Melissa shows up in my office and goes, oh, my gosh, we've got a problem. And I go, what could that be? And she goes, I just got a call, John Owen has laryngitis. I'm like, he doesn't have laryngitis. He's just pulling your leg. And sure enough, that was John. He plays a lot of practical jokes. Anyway, he knows how to have fun and we're pleased to have him. I'm going to turn it over to John. Come on up, John.

John: Thanks, Rob. Good morning, everyone, and welcome to Springfield. For those of you who stayed at the Marriott last night, I hope you enjoyed the tray. We ordered that especially for you. If you were wondering what those little yellow earplugs were for, you now know. Now, my trick with that is how do you hear your wakeup call if you've got earplugs in? But again, welcome, we're glad you're here. We think you'll enjoy the day and I think the tour will give you a great insight into what we do. And one of my favorite books is Good to Great, written by Jim

Collins, and a key theme in Good to Great is having the right people on the bus. The other thing is, said a different way, is having the right people in the right position, and I look at Assurant Specialty Property and I feel really good that we have the right people in the right positions, and you're going to get to meet several of those players today.

If you look at my team, Gene Mergelmeyer, Gene has been with us, has about 20 years of industry experience, strong financial background, and Gene runs the creditor-placed homeowners business – years of experience, has been responsible for growing this business year over year. Next is John Frobose. John has got about 27 years of industry experience, strong insurance background, strong mortgage background, and John is responsible for -- he's actually the guy that goes out, renews the contract, brings in the new clients, and has been a strong contributor to the business.

Next is Mike Campbell. Mike Campbell has been in the industry for about 14 years. Mike's been with us for about a year, came to us as part of the Safeco acquisition where one of the things that I'll point out is with Safeco, we picked up a couple of really good things: one - we picked up some really talented people and two - we picked up a great book of business that's producing quite well for us.

Next is Gary Turner. Gary is responsible for all of the East Coast operations. He has got Springfield, Ohio; he's got Florence, South Carolina; and Duluth, Georgia. Gary's got years of experience and has been with this business since it was a very small business and has helped us grow it to what it is today.

Next is Mike Lawson and Mike's got 31 years of experience. Mike started right out of high school, he was about 12 at the time. Mike is the Site Manager for Springfield and Mike is responsible for taking this center from a very, very small few hundred employees to the almost 1600 employees we have today. So that's the team, you're going to get to meet them all today, either on the tour or presenting, they're a great team, they're experienced, and they really make it happen.

We're going to spend a lot of time today giving you a good in-depth view of what the SmartFlow Life Cycle is, and you'll hear that tour a lot. What is SmartFlow and how do we have a competitive advantage in the market? You'll also walk away with why can we win the business and keep the business we have? What are the competitive advantages that we bring to the table, both in people, process and technology? And lastly, we're going to take you on a tour and you'll get to see first-hand 47 million pieces of mail, at least the part that comes here, you'll get to see it go through the system, you'll get to see how we process it, and I hope it'll register that our system is better than anybody's in the industry.

We're off to a great start in 2007, and that great start is really off a good base in 2005 of \$143 million of net operating income and in 2006, \$241 million of net operating income. For the first quarter of '07, \$74.4 million, very proud of our quarter-over-quarter growth, and we think that trend will continue. We've got strong performance. In 2007, 1st quarter, about \$500 million in gross written premium. Of that \$500 million in premium, 64% is associated with our creditor-placed and voluntary homeowners, about 14% is our creditor-placed and voluntary manufactured housing and about 22% is in the other category. And the other includes items such as creditor-placed auto, our renters business, creditor-placed flood and several other of our merging products that are out there.

I've shared with you at Investor Day in March a chart that talked about there's roughly 100 million, plus or minus a few, single-family homes in the market today, and that includes single-family homes, duplexes, and some fourplexes. If you take that 100 million homes, about 62% have a mortgage and about 38% are owned outright. Now, if you equate that to premium, there's about \$58 billion of premium. Now that \$58 billion you would imagine the normal suspects - State Farm, Allstate, of the big guys - but we don't compete with those guys. That's not our competition. We're that less than \$2 billion niche market you see there, but we're not a head-to-head competitor with the State Farms and Allstates.

Now, why is that? If you look at our products and you look at the niche that we serve, Assurant Specialty Property's creditor-placed homeowners business, we don't underwrite in the same fashion that most other P&C companies do. They do detailed underwriting. We have a relationship with the lender. The lending institution is where our contract is with, and by having the contract with the lending institution, we have a broad spread of risk because they have a broad geographic book of business. Our policy is a structure-only policy. Their policy includes structure, contents, liability, and in some cases many other things such as temporary living expenses. We don't have that. Look at our business model, we continue to have a good spread of risk. We continue to get adequate rates and we'll talk about rates throughout the day, and we also have a good catastrophe reinsurance program, which I'm sure you saw the press release on our CAT program that came out last night. We continue to be aligned with industry leaders, and you're going to hear today why that is important.

Gene is going to share with you some information around what is the power of being aligned with the industry leaders and what does it mean to us? That alignment has built trust and years of relationships. And lastly, you're going to get to see some of the best technology that really does separate us from the rest of the industry, and you're going to understand why it can't be easily replicated and

you're going to understand the cost advantage it brings to this organization.

We continue to tailor our services to meet the unmet needs of our clients. As you walk around the building today, one of the things you're going to see is dedicated client teams, you're going to see a client sign and you're going to see people sitting in that area. They understand that client's needs, they're dedicated to that group, and they understand unique business requirements and they understand what's important to that client. And that's very powerful and our clients love it. These individuals have a strong compliance and value mindset. They're well-trained and they're well-focused on that client.

We've got highly-skilled operations, and you'll see that today. We have many other centers other than Springfield, Ohio. We have Florence, South Carolina; we have Duluth, Georgia; we have Santa Ana, California; and Tustin, California. These are all operational sites that do the same thing you're going to see here today, just for different clients.

And lastly, we have great proprietary technology, and you're going to hear that word proprietary a lot. This is technology that we've developed in-house. It's a combination of many components that have been put together over a long time period, and it really does give us a competitive advantage.

One of the things you're going to see today, you're going to see a lot of these little black boxes, and what you're going to see is the combination of some proprietary software and this little black box gives us a huge advantage. Let me tell you what this means from a cost standpoint. If I didn't have what you're going to see in this data center with all these little black boxes, I would need several thousand - I'm going to say it again - several thousand additional smiling faces. It would take a lot of people, and that's the power of what we bring to the table.

The catastrophe reinsurance program came out last night, we've got a comprehensive program. We're excited about the program we have in place, we've been very proactive this year in getting out and making sure we purchased CAT reinsurance at multiple timeframes, which we have. The program is in place, the Florida Hurricane CAT Fund component is roughly \$360 million excess of 80. Our per occurrence program is \$460 million excess of 90, and then we have some aggregate cover in addition to those items. Now, one of the things we like as our business has grown, so have we grown our catastrophe program. So as our business has grown, we've grown our program with it. And the other thing that I'll point out is Florida adding \$12 billion of capacity into the market was a good thing for Florida and Florida citizens, and it was a good thing for us as a purchaser of reinsurance because that's one of the primary reasons, that combined with a light 2006 storm season, that our CAT reinsurance costs have come down.

So good program, the rates were good this year and we're very happy with this program.

From a risk standpoint, what this chart represents, and I've shown it to you many times before, this is our overall exposure for all of Assurant Specialty Property. So it's the entire Assurant Specialty Property exposure. I'm giving you a year-over-year comparison so you can see and, once again, I'll go straight to the red zone which is where most of you go: 18%, we're hanging in there at 18% year-over-year as far as the coastal areas. The northeast coastal area has grown from 9% to 11%, the northeast inland has stayed consistent, central U.S. has stayed consistent at 20% and the western part of the states has gone from 35% to 34%. So it's stayed fairly balanced. Now, that's not by accident. We've taken deliberate steps, we continue to balance our risk with our voluntary part of our business, so when we have creditor-placed components and we want to allow capacity in certain regions, we go out and we do certain things that are voluntary. We either a) don't sell voluntary in certain regions or b) we will non-renew certain mobile home business in certain areas and we continue to do that.

The last thing I'll point out is as we get rate increases. And we've gotten several rate increases in different states and different product lines, that also will help up figure out how we're going to manage our capacity and what areas we will allow to grow, based on the rate increases we're able to get in the marketplace.

Lastly, we continue to grow to align with industry leader. You're going to hear that a lot today, it works. It works for us and it's been proven. We're very proactive with our risk management. We're always out looking for a better CAT reinsurance programs or a better alternative, and we're disciplined with where we allow our growth to happen. We continue to be focused on our growth initiatives and we've got several other growth initiatives out there, we're going to invest in resources and money on those. Today we're going to talk about creditor-placed homeowners which is key for us, and we continue to be focused on talent development, and I think you'll see some of that today when you get to meet some of the other team members. With that, I'd like to turn it over to Gene Mergelmeyer. And Gene -- I know many of you haven't met Gene before, but Gene has a need for speed. The guy really likes speed. In his personal life, he's an avid snowboarder. He enjoys riding dirt bikes out in the desert, and in his professional life, it's just like his personal life - a need for speed. He has grown this business, he's more than doubled this business in the last few years, and Gene has done a great job. Please welcome Gene Mergelmeyer.

Gene: Thank you, John and good morning. On Investor Day and in our annual report, we used a metaphor of a vineyard and the cultivation of specialty insurance businesses that have been blended to form Assurant. For you wine connoisseurs, a

fine Meritage so to speak. Well, I may be biased, and I know that Springfield, Ohio, may not be a Napa Valley, but we feel that the creditor-placed homeowners business is Assurant's private reserve. It's been cultivated and aged over many years, and it's one of our finest business line selections. I'm glad to be here today and hopefully share with you our unique business model, some of the competitive advantages that have made us successful, and how that benefits Assurant and hopefully many of you in this room. Today we plan to take you behind the curtain where mortal men have dared not go, to share with you a definition of our business and the industry that we service; how our products and our services benefit our clients, as well as their customers; how we drive revenue; and how we feel we're aligned to continue to win in this marketplace.

I'll start with a discussion and base of the lending process, the mortgage lending process, some of the entities involved and who our client is. It's important to note that there are a number of business models in this mortgage space. Some fill a complete comprehensive role of this entire lending process, while others will be niche players. Generally, loans are originated through a couple of different channels. The broker channel that can include correspondence, as well as wholesale channels, and then there's the direct channels which is typically like retail or direct-to-consumer models. The mortgage loan originator can vary widely. It can span from a large bank all the way down to a mom and pop mortgage broker and pretty much everything in between. Our client is the mortgage loan servicing operation, and that's the group that literally does all the processing for the loan. So everything from payment processing to the escrow management to collections and default to investor reporting and accounting and insurance management. And in most cases, they will outsource their hazard insurance administration to us in conjunction with their creditor-placed program.

Ownership of the loan can be held either in portfolio by a financial institution – so a bank or a savings and loan or a mortgage bank or they're typically securitized in a mortgage-backed security in the secondary market. And this is historically where the Fannie Mae's, the Freddie's, the Wall Street firms, Ginnie Mae's have played. Now, the owners of the loan also benefit from the work that we do from the servicers by having the loans or the properties that are collateralizing their loans adequately insured. Now, this market has seen a lot of consolidation, and that's been fueled by a couple of things: scale and also vertical integration. So a lot of the smaller financial institutions have gotten out of the servicing business because they just could not compete based on scale. So you've seen a lot of consolidation relating to that. The Wall Street firms have been vertically integrating, and where they normally only play it on the securitization side, over the years they've been adding servicing assets as well as origination assets. So you look at the Merrill Lynch's who bought First Franklin and their origination side as well as the servicing piece that they bought which was National City

Home Loan Services. You have Morgan Stanley who just bought Saxon's services and originates.

And then, thirdly, you're also seeing some of the equity funds and hedge funds starting to get into this market, primarily related to some of the subprime assets, Cerberus being a good example picking up GMAC and their subprime arm, Homecoming, and then recently announcing that they're purchasing Option One, so a lot of activity in this marketplace, pretty interesting - a lot of consolidation. So the servicer, the mortgage loan servicer is our client. And the biggest service that we do for them is the insurance tracking. And what we're doing is we're insuring that the properties that are collateralizing our clients' loans, are adequately insured in accordance with the contractual responsibility of the borrower that's identified in the loan document. So to do that, we're interfacing with the borrower and with a multitude of insurance entities to make sure that we have adequate insurance coverage. And this can include: we make sure that we have adequate coverage amounts, deductibles, we make sure that the carriers are adequately rated, we ensure that there's no exclusions like wind and, to the extent that that property is in a flood zone, we'll also make sure that there's adequate flood coverage on the policy.

We're going to talk a lot of about some of the automated tools that we use to track the insurance but, in general, there's a number of things that we can use. We use electronic data interchange with the major carriers, the State Farms, the Allstates, the Farmers. We receive insurance documents from the borrower, from insurance agents, from insurance carriers. We have Internet transactions that we do with carriers, we allow borrowers to interface with us through our Internet portals. To the extent we have open loans without insurance, we have automated processes where we interface with carriers and agents through the phone and the fax. We also have a series of letter cycles that we'll send to the borrower reminding them of their responsibility to have insurance and to get that insurance to us. To the extent that we get the insurance information, we're going to update the system which will automatically also update the lender system. And then to the extent that it happens to be an escrow loan, we're going to pay that insurance premium to the voluntary carrier out of escrow. After about 60 to 90 days, if we're unable to get the insurance information, then we will place a creditor-placed policy. As John mentioned, that policy will only cover the property and the structure. It will not include contents and it will not include liability to cover things like dog bites.

What I'll do for you now is contrast the differences and similarities between our creditor-placed products and the voluntary product in the marketplace. Underwriting. We do no underwriting at the individual property level. That's not to say we don't underwrite. We do underwrite at the client level and we do ensure that any client we take on has an adequate spread of risk and a good exposure.

Typical P&C policy issuing a homeowners policy is going to do detailed underwriting, including everything from property location and age of the property and roof type and claims activity, and a number of different things. Our coverage is structure only; a standard homeowners policy is going to be for structure, contents and liability. Our coverage amount is based on -- our coverage is actually a replacement cost coverage.

Now, due to the nature of our product where we have little to no contact with the borrower, we're using the last known insured value to estimate what that replacement cost is. That's something that's standard in our industry and is our best estimate of what that replacement cost could be. In any condition, the maximum coverage we have is the insured value that we assign. In a typical P&C company, they are also issuing based on a replacement cost, and this is something that they generate in discussions with the borrower and based on numerous industry estimating tools. Again, it's important, though, that the replacement cost is the cost to rebuild that structure. It's not the market value of the property which will include land and certainly other market factors. Our policy type is a commercial master policy that's issued to the lender to protect their interest in the property. Now, the borrower does get a certificate that evidences the insurance on their individual property, and they have the right to file claims as well. In the standard market, it's an individual residential property issued to that individual policy holder or borrower. Our rating is actually very simple. It's rated on a bi-state basis and oftentimes one rate per state. Now, that does vary in some of the coastal states where we do have territorial rating, based on location, to ensure that we're getting adequate rates in some of the higher-risk areas. The typical homeowners policy, customized rating by individual property, based on a lot of factors and certainly the underwriting factors that I mentioned above. The policy holder, certainly the borrower, gets a certificate that is for an annual term under our policy, and certainly in the standard market, most policies, homeowners policies are for an annual term.

I'm often asked is there any credit risk associated with the borrower and the answer is no. We are paid by the financial institution in full in advance prior to us issuing a policy, unlike a standard market where the agent or the carrier does have to collect the premium from the borrower. And what about market participants? This business fits very well into Assurant's sweet spot. We're a very specialized insurance business. We have the opportunity to - and do - lead the marketplace and there are very few competitors, unlike the standard market where there are thousands of carriers varying by state with the largest national carrier, of course, being State Farm with somewhere around 20% or so of the market share.

So how do we generate revenue? It's really pretty simple, and there are two components for the most part. We earn service fees for the outsourcing services

that we provide, including the tracking services and ancillary services which can include things like lost draft processing or insurance line setup, and then we'll also earn net earned premiums on the creditor-placed business that we write and the resulting underwriting income.

As John mentioned, we've had tremendous growth and we have doubled our business in the last few years, so what I want to do is cover for you some of the major components that have driven that growth, and when I do that, I'll also try to share with you some of the macro economic factors that are out there today that could influence our business and try to discuss some of those things for you as well. I've categorized them in basically four areas - loans tracked, insured values, replacement rates, and also our premium rate.

As you can see from the chart, we've had significant loan growth. A compound annual growth rate of 13% in our service loans compares favorably to the industry that's growing somewhere around 8% over the last four years. How have we done that? We've been successful. When it comes to new business, we've been very successful. In the last three years, if we have received a request for proposal from a prospect and we participated in that proposal process, and that prospect decided to change vendors, we got 100% of that business. I think that's a pretty strong statement. Our competitors have basically gotten no new business in the last three years where we've competed. The Safeco acquisition has also been successful. That added 4 million loans to our portfolio.

Let's talk a little bit about subprime, because maybe I get a few questions about it. I think it's important to note that when you look at where some of the trouble has occurred in the subprime industry, it's really been around the origination side of the business. The loans that are in-force today still need to be serviced. And who's our clients, it's the loan servicers. So far, we have benefited from the consolidation that's occurred by some of the subprime companies in the market, where some of our current lenders have picked up some of the servicing from some of the entities that have had trouble. Another thing that's important that doesn't get broadcast a lot, originations are obviously down, but so are payoffs. There's been a practice in the subprime industry to refinance some of their subprime customers on a regular basis. Well, when the origination money dries up, all the refinancing dried up as well, so you're also not getting the payoffs. The bottom line is that our inventory of subprime loans has remained stable, even through the first quarter and all the new stuff.

One of our core competencies, as John mentioned, as Rob mentioned, has been our alignment with industry leaders, and that's not something that happens by chance. It's something by design. You can see that there has been considerable consolidation in the marketplace. The top servicers now control over 95% of the

servicing market right now. Having 17% of the top 25% prime servicers and 14% of the top 25, and that number is changing, we have benefited from that type of consolidation. And we also believe that we're going to continue to benefit from the consolidation. I'll give you an example. Recently, I think you might have heard that CitiMortgage purchased ABN AMRO's Mortgage operation. I'm actually happy to say that we were just awarded that business, and we are replacing the prior creditor-placed carrier on that business and we'll be adding an additional 1.5 million loans to our portfolio.

We also think it continues to go farther than that. We see some of the industry leaders also stepping up in some of the subprime space. Last week it was announced, CitiMortgage originated \$8 billion of subprime loans in the first quarter, up 29% from last year. Chase originated \$3 billion in the first quarter, up 11% from last year. So we see them kind of stepping in as well and we also hope to benefit from that.

So are you getting enough growth factors? We've got more, we've got more. Insured value has also been a factor of our growth. In March of '05, our average insured value was just over \$110,000. In December of '06, it's just over \$135,000. So what's driving that growth? Effectively, we believe it comes down to two different areas. One is cost. Materials costs have gone up based on worldwide demand. Labor costs have continued to increase. The other thing that's happening in the industry is there's a concerted effort by the voluntary agents and carriers to make sure that there's adequate replacement costs on the voluntary policies, driven in many ways by the policy holders who many of them found themselves under-insured in some of these recent natural disasters.

So, again, what's driving this is the cost, and it's replacement cost that's driving the values and the insured values. I also get a few questions around well what about decreasing home prices, is that going to have a negative effect on your insured values? And my answer to that is no because, again, if you look at what is driving replacement costs, it's the cost of rebuilding the property. Materials costs are not going down. Labor is not going down. There is still a concerted effort by the agents and the carriers to get adequate replacement costs. State Farm is probably running commercials as we speak. They've found this is a source of growth for them as well.

Assurant is the leader in collateral-placed mortgages. Our 30 million loans represents about 65% of the trackable first mortgages in our marketplace. We have about 17% of our loans are subprime, and 83% of our loans are prime. And that's pretty consistent with the industry split. Now, credit quality does play a factor in our placement range. Our subprime business does place it somewhere around 3% to 8% versus the 1% to 2% in the prime market. And we do actually

see that increasing a bit. It's important to note that, again, we don't have credit risk related to subprime. We collect our premiums up front from the lending institution. It's probably also important to note that as Assurant, we don't have any significant subprime investments in our investment portfolio, somewhere around 1%. What's also important, I think, is the fact that we have consistent, on the insurance product, consistent combined ratio between both the prime and the subprime business.

I'm thinking you've probably heard something in the news around foreclosure activity lately. Well, foreclosures have increased, driven primarily by the subprime market, and it has been a growth factor for us as we continue to protect our clients loans. The graph shows the last five years of foreclosure rates. As you can see, the yellow or gold lines, actually the prime foreclosure rates have remained relatively consistent. The subprime foreclosure rates have been more volatile and have certainly shown an increase in the last couple of years. The 2006 origination year has been one of the worst years in terms of performance in recent history, and so that's expected to continue to drive foreclosure rates up in the next couple of years. We do provide real estate-owned coverage for a number of our lenders - not all of them, but a number of them - and we have seen growth in that business, again, primarily driven by the subprime side. The line in green represents our premium for real estate-owned as a percentage of our total book, and that has risen consistently with the last couple of years of foreclosure increases. Another important factor is the fact that our REO business does have similar combined ratios to that of our other book of businesses.

John talked about our risk management. We do have a core capability around risk management. Adequate rates are a key component of that risk-management discipline. A good example of that, and something I'll cover for you, is our recent activity around rate and product differentiation in the State of Florida. We worked very closely with the State of Florida to obtain some policy changes as well as rate increases for our creditor-placed homeowners book in the State of Florida as an admitted carrier. And that was actually pretty important for us to remain and have an admitted filing versus a surplus lines policy, which we could have done, but this allowed us to continue to participate in the Florida CAT fund and ultimately produce the lowest premium possible for our clients and their customers while at the same time getting adequate rates to support the risks that we have in the state. It's important to note that -- I'll summarize, I guess, some of the things that we were able to accomplish. We got a rate increase on average of over 20%, we increased our deductibles to 2% of the coverage amount -- I've got you writing -- and we also limited our pertinent structure coverage which is things like screens and things of that sort to 10% of the coverage amount. And it's probably important to note that that 20% rate increase is an average. We did get

higher rate increases in some of the higher risk areas to support the market conditions.

As John mentioned, regulations in Florida also established a new CAT fund which brought additional capacity of about \$12 billion into the marketplace. We benefited in a couple of ways from that in this model. We're able to 1) take advantage of a lower cost reinsurance layer and 2) that added capacity did help reduce some of the commercial reinsurance costs in our marketplace that has overall driven down some of our reinsurance costs. So the bottom line is really we feel that this had added some great value to our business. We've gotten some additional rates, we feel like this is going to improve our exposure in the State of Florida, make sure we have a premium level that's going to match the risk that we have in the state and, again, overall provide an advantage to us in our creditor-placed homeowners market.

I know I'm talking for a long time, but this is some of the fun stuff for me, so I'll try and get through this. I'll try and cover for you some of the competitive advantages that we do have, some of the ways that we're able to differentiate ourselves from some of our competitors and how that's really made us successful and also positioned us for further long-term goals. John mentioned people; I'll mention people. I strongly believe we have the best people in the industry and that has fueled our long-term success. The Safeco team: we've added some additional great people. The attitudes have just been terrific and they're really working to make sure we got best practices across our entire organization and it's added to our business model. My senior management team has 142 years of experience - we feel old - but probably more impressive, that's among six people with an average of about 24 years of experience in this industry. Not to be outdone, of course, is our operations group which has 153 years of experience. They're pictured there, very sharp looking. I'm not sure why they're all wearing black, but we'll ask them about that. But that, too, is spread among six people for an average experience of 26 years.

A strong balance sheet, we're strongly capitalized, that provides us with competitive advantages. One of our competitors in this space is an agency with very little capital structure. Our strong balance sheet is a competitive advantage for us. We're an independent provider. Our largest competitor is owned by a mortgage company who competes with many of our other clients. That has been a competitive advantage for us. We've been successful. I talked to you about our ability to win new business, but almost more important with our market share is our ability to retain the clients we have. We do a tremendous job servicing our clients, and we've proven that we can be market leaders and we have not lost any clients. We don't lose clients. The Safeco acquisition has been really successful. The premium side of the business has been there. The people have been great.

The integration has gone very well and according to plan. Certainly, more important, we've kept all of the clients except for early in the process we canceled a couple of accounts due to their risk profile, but we've kept all the other accounts. And I think they've seen, one, our dedication to the business and some of the things that we can bring to them through some of the things we'll show you today.

I mentioned customer service, we do a great job of providing terrific customer service to our clients' customers. Over a long period of time, we've met service standards through peak times, transitional times, and probably importantly, in our implementation of new accounts, and that continues to just give our clients very much confidence in us and in our organization and they are oftentimes our best sales tool because they're vocal and they will talk to our prospects and that's helped us be continually successful.

We talk a lot of about our risk management strategy, we do that on the insurance side, but I don't want you to think it stops there. We have tremendous operational risk management, so everything from backup generators in our service centers that will completely run our businesses for days to excess capacity, so if we have to move business for some reason to another service center, we can, our call routing capabilities, everything down to privacy issues and data encryption. We bring the whole package to our lender and it differentiates us and, particularly with some of the larger financial institutions, it's absolutely required now.

We talk a lot about scale today. We certainly have worked and over many years and we're very proud of the scale that we've been able to achieve. But at the same time, we recognized early on that as everything started consolidating, that this was very much a scale industry and so we believe our scale in itself gives us competitive advantages. We have the ability to invest in some of the technology that you're going to see today and spread it among a revenue base that's way larger than any of our other competitors, so we have the ability to differentiate ourselves and to do it cost effectively. So it's been an advantage. We have strong administrative skills and that has been greatly enhanced with technology, and I truly believe that we are the most efficient and have the most effective processes in the industry.

We're going to talk to you a lot today about some of our proprietary systems. You're going to talk about SmartFlow. It really is what we feel is the best in the industry. It's an automated tool that allows us to capture data using cognitive recognition instead of having to use formed templates, and it's an automated business rule processor that literally allows us to process 86% of the transactions without human intervention more effectively and more accurately than can be done manually.

We have a catastrophe Web site that we'll show you, just as a differentiator, we developed for ourselves for a risk management tool. We said, you know what, we can give this tool and we can adapt this to our lenders' portfolio that's going to allow them to be able to service their customers better and to be able to understand better what their exposures are in some of the natural disasters. And it's literally gotten rave reviews in the industry, from our clients, from our prospects, some of the investors have given us actual rave reviews based on the fact that they know that some of our tools are allowing some of their mortgage loan servicers to be able to provide them with better information.

We're going to show you our DraftTrac system which, again, an automated workflow process that has allowed us to do this more efficiently, handle lost drafts more efficiently, more accurately, and with better reporting, and we think it's state of the art. It is state of the art in the industry. So these things have just allowed us to really differentiate ourselves in the market and allowed us to win business and also postured us for continued growth.

John has mentioned, talked a little bit about our adjacencies – John has mentioned we have a number of them, as an example, our collateral protection business. which is going to take some time for that market to develop. But what we have done is we have literally taken all of this technology and we have adapted it to the auto marketplace to being able to track and creditor-placed on the auto side, and at this point we truly believe that we have the most efficient and most accurate process in that marketplace, and we're prepared to compete and win in that marketplace.

So I've covered for you a number of things today, I gave you a definition of our business, some of the players in our business, hopefully touched on how we've grown and some of the things that are competitive advantages that have allowed us to differentiate ourselves and certainly position us for additional long-term growth. On behalf of my team, I really appreciate you guys coming to Springfield, Ohio. We are very proud, if it hasn't shown, we're proud of what we've been able to accomplish and we really hope that you can walk away with some of the neat things that we think we've been able to develop, so I thank you. I think at this time we have a break.

Melissa: We're going to take a quick break now for people on the Web. We'll start back at 10:15. For people here in the room, logistically, restrooms are essentially on the other side of this wall, just walk around the block. If you want to get cell phone coverage, you can walk straight out this door, and I encourage you to please stay on the blue carpet. We want all the gray carpeted areas are work areas where we're trying to respect our clients' confidentiality. So we'll see you at 10:15.

BREAK

Gene: Okay. If we could get started going again. It's actually my pleasure now to introduce to you Mike Campbell. As John Owen mentioned, he is the newest member on my management team and came to us from the Safeco organization. I talked a little bit about the attitude of the Safeco people and Mike really set the tone. He kind of immediately came on board and tried to make sure that both the acquisition and our business was a success right from the start and that really helped in the process because it helped bring both their clients, as well as the employees, on board.

Mike was a key member of our mini van tour that we went out to visit some of the major Safeco clients right after the acquisition. Mike has three young kids and we had to keep forcing them to keep the car seats at home, but actually we took planes into the various cities, but because there were four or five of us we rented mini vans and we charted off to the hotels and to the clients and dinners and things of that sort. It actually wasn't one of the line items on the integration project plan, but it really ended up being kind of a good bonding session and probably a good team-building experience.

So I'm very pleased to have Mike a part of our team and appreciate everything he's done so far for our organization and with that I will introduce you to Mike Campbell.

Mike: Thank you, Gene. That's some introduction I have to live up to there. Thank you everyone. Welcome to Springfield, Ohio.

In the amount of time that it took Rob, John and Gene to share with you their presentations, the operations team has been actively servicing our clients. We've taken over 7,000 phone calls, processed nearly 50,000 pieces of mail and paid \$15 million in insurance escrow payments. It's all in a couple of hours' work for our industry-leading team. So what allows us to compete at this highest level every minute of every day? Simply put, it's leveraging our administrative skills with our proprietary technology and today we're going to share with you how our relentless focus in these areas gives Assurant a true competitive advantage.

You'll hear how SmartFlow, our powerful engine, drives our workflow. You'll also hear about the benefits of scale and how we've leveraged that in our operations, and finally you'll hear how delivering solutions for unmet client needs allows us to be a leader in this space. We feel all these points together will allow us to continue to grow this business and enhance our revenues.

When people come to Springfield you walk through the facility, you saw the people, you saw the signs and asked, well, what are you doing in this site? Gene alluded to it a bit earlier, but essentially we are acting as the insurance department for the mortgage servicer. Our core responsibility is tracking services. That's where we're tracking the insurance policies to make sure that coverage is in place. We take mail, faxes, customer service calls and we ultimately update borrowers' insurance information. Should we find that they've defaulted on a policy, that's where we'll issue one of our creditor-placed policies.

Additional services that we provide include insurance escrow payments. That's where the natural progression in our tracking services process is paying the premium. So that's what we do for our client. Loss track processing, Gene mentioned, another revenue source for us and a service that we've delivered to our clients, is where we administer payment when there's a loss on a borrower's property.

Both the borrower and the mortgage company have the responsibility of repairing that property and it can be a rather cumbersome situation to administer those claims payments to contractors and we've taken over that service for the lenders. And you're going to hear later today from John Frobose how we've leveraged our technologies to make it a truly effective process.

New loan insurance setup is another example of services we provide for our clients. New loan insurance setup is when the lenders board the loans, as Gene was kind of describing earlier, the services get the loans from the origination and we will board that new loan insurance information. And it's important to note when we board that information it can be coming from a variety of sources. It can be rather inconsistent. So when we board that information it allows us to put consistent information and when you have consistent information it helps out our tracking process. It helps reduce false placement, so it's a great service for the lenders, it's a great service for us.

When I was thinking about this tracking services model and delivering unmet needs for our clients, this is a perfect example of our tracking services model, and what we've been able to develop over the years, leveraging our scale and proprietary technology.

We built this model to go out and win business and compete and we've been very successful at doing that, but one of the outcomes from this is we actually were doing the services better than the lenders themselves. And the lenders recognized that and they asked us to do more and this continues to enrich our relationships as we leverage our expertise and our administrative skills in insurance.

Scale. Gene talked about scale and it is a tremendous advantage to Assurant and I can offer unique perspective being part of Safeco where Gene said we had about 4 million loans. Scale was very, very difficult to compete against.

Some of the obvious things that scale gives Assurant, and in many industries, first, we're able to leverage our expense over a larger revenue base. Our competitors don't have that. But what it gives our customers and why our customers are so happy about our scale is first, we're able to leverage best practices. We take our best practices from all of our accounts and we share that.

We also work with our innovation teams, another area, and we re-engineer processes for our lenders. We're able to do that because we have so many loans and we can invest in that and it's not something that our competitors are able to do as effectively.

Dedicated client teams is another area that scale really gives benefit to our customers. When you think about it you saw the signs and you came to our office. We have a large amount of clients and what we're able to there is we're able to take those resources and dedicate them to our customers.

When you have a smaller client base of 3 or 4 million loans, it's much more difficult to do. The biggest advantage I think that Assurant has as it relates to scale is in being able to invest in technology. We have a tremendous loan volume and revenues and we're able to continue to invest. I kind of view this as a barrier of entry certainly for anybody looking to get in this business. We have 30 million loans. We're able to invest in this technology and even some of our competitors, when you really look at this, they are so far behind us as it relates to this investment and the scale. This is a real advantage that we have.

To give you an idea of some of the numbers, first of all we service 30 million loans, we receive 47 million pieces of mail in our operating centers, 7 million phone calls and we pay over \$15 billion in insurance.

So I can personally say I'm very happy to be part of Assurant, and being on the side of scale. So we talked about investing in technology and we talked about how we've leveraged our proprietary skills and one of our core investments is in SmartFlow.

You've heard a lot about it, and so what is SmartFlow? SmartFlow is our automated and integrated system where we're able to update our borrowers' information first through data capture. We process all of our mail through our OCR engine, our optical character recognition.

We have interfaces with electronic data interchange and those are interfaces with some of the largest carriers in the country and we also receive faxes. We update that captured information through our powerful rules engine, and then it updates the borrowers' information.

So I kind of quickly stepped through that because I wanted to get to this. This is the schematic. Now, SmartFlow Life Cycle, kind of SmartFlow 101. I'm going to share with you this proprietary information. I'm not going to give you all the details because it is proprietary, but you're going to get an idea of how we've leveraged this to truly win business and compete.

First, to the left is where we capture our data, in the middle is where we use our powerful rules process and to the right is where we update insurance records.

So optical character recognition, or OCR, is a form of how we capture our data, and what's important to note here is first we process a million pieces of mail through this OCR every week and it's certainly scalable and we could add new business and it's easily done. But a lot of people use OCR technologies in a variety of industries, including our competitors, but they don't use it how we use it.

OCR is typically used by building templates to match forms. And in the insurance industry there are over 20,000 forms that you have to build templates for to accurately track that, so it matches up to a State Farm form. This is where the address is going to be, this is where the premium is going to be, this is where the coverage amount is going to be. With our OCR we have cognitive recognition and it will randomly search for key phrases, deductibles, effective dates, payments, and extract that data. We don't have to manage templates or a large template base and this gives us a true competitive edge.

Electronic data interchange. We service 30 million loans. We are the largest insurance servicer in the country. Hands down. And because of that we're able to leverage our scale and our core capabilities with some of the largest carriers.

These are our partners that will send us data electronically. Some of our partners are AllState, Farmers, State Farm and American Family. This is the most efficient way for us to process business and it's something we continue to push on, based on those data streams as opposed to documents.

The fax portals is the final way we receive insurance information. And through the fax portal you say okay, well that's great, you receive faxes. We used to receive faxes and we'd have a bank of fax machines. Now it's fully integrated into our workflow making us much more efficient and much more effective.

So those are the three areas of data capture where we receive the insurance documents. Then it hits what we call the brains of our SmartFlow Life Cycle and it's our rules-based auto processor.

I think to give some perspective of what's happening, we've just captured all the data and now we have a powerful engine that's going to automatically update this information. In the past, a processor would be at their desk, they'd receive the paper. It wouldn't go through those forms. And I'm going to grab something here. This was their procedure manual. So if they had a question on how to process something, this is what they used. Now with SmartFlow we have 400 rules developed from those procedure manuals and just think about what that gives us. It gives us consistent and accurate application and you're going to see the hit rate on that and it's tremendously powerful and it's something that our proprietary technology has a true edge and we feel very good about.

Now, we've captured the data, it's hit a rule set, and now it's automatically updating insurance records at something that I say is an amazing 86% of the time. So think about those 47 million documents that we received in our mail center, went through our OCR engine, and now they're automatically updated without processor intervention. So 86% of those 47 million documents, that's a big number. And I can tell you from a competitive standpoint we did not have proprietary technology at Safeco, we used outside services and technology. We came nowhere close to this 86%. So this is a true, true advantage, leveraging our proprietary technology. 14% of the time you hit an exception, maybe an insurance document didn't quite match, so they have to make a call, so there's our 14%.

So we're capturing data all the way to the left. We're updating with our powerful rules, remember the 400 rules in lieu of our procedure manual. 86% of the time we're updating this automatically, 14% of the time we have exceptions. So this is truly powerful proprietary technology that we have here and it is really giving us an edge in the marketplace. So, I'm going to talk about some of the competitive differences and I'd like to give a little bit of a before and after. Before SmartFlow how we processed business and how we process it now. And keep in mind some of our competitors are still in the before stage. They haven't caught up to where we're at today.

Misdirected documents were very common. You brought documents, you were handing documents to a processor, they had their big rules book next to them and that was something that happened quite frequently. Now all of the documents, all 47 million documents, are scanned into our system. Next, manual data entry – as you just heard, 86% of those 47 million documents are updated without processor

intervention – very, very powerful. Keying errors when you're doing it manually? We have a 97% accuracy rate. And inaccurate application of business rules. I keep going back to this, and I'm amazed every time I see it. Somebody has to go through that to figure out how to apply these business rules. Now, those are all automated and they work the same way for every document for every client. Very, very powerful. Inconsistent notes affect customer care calls. When you have a processor or a sea of processors updating these records, they are going to interpret how to key that data in and update a record – and they are all going to do it differently. Even though you have the best training in the world, they are going to have their own approach to keying something in.

So when we receive a call on that particular loan, this is in the past, the customer care rep would have to figure out how to interpret those notes. Now the notes get automatically fed into our system and the customer care gets accurate and consistent notes every time. I think that was my next point there. Training is the final area. We don't have to, when the procedure manual changes, we don't need to pull our entire processing group off the floor. We hand the new procedure to a rules administrator that will key that into the system and that's all we do. We keep going from there. So, truly powerful proprietary technology - we were able to get to this point because we leveraged our scale and our investments. And we feel it gives us a tremendous edge. So you saw the schematic, you understand the kind of before and after SmartFlow, now let's look at this industry leading technology in action.

VIDEO

Mike: I'd like to say it's an unparalleled solution that we can provide our customers. Think about it this way. What was once an insurance assembly line that was heavy in paper, heavy in process, heavy in a very thick rules manual, is now a fully automated process and it's something that truly gives us an edge in the marketplace.

You've learned today how scale gives us a big competitive advantage. We're able to leverage best practices, customer teams, as well as our technology investments, and our big investment is SmartFlow. It is scaleable. We continue to invest in it; not only do we continue to invest in it, we feel we have a big head start. We've been developing this software for over 10 years and think about the power of the business rules and what that means to us and how we're able to efficiently and accurately process information.

So leveraging our administrative skills and proprietary technology, as well as our scale, allows Assurant to process at unmatched levels for our clients every minute of every day.

So I appreciate your time in sharing this information with you and at this point I have the privilege to introduce a colleague of mine and that's John Frobose. John has many years industry experience. He's worked with Assurant for about 13 years and he is one of those key drivers. He has been part of our product line since the beginning and he has really helped us drive the growth that you've seen in the past few years. He works closely with our clients, developing contracts and products and he's done a fantastic job.

John and I got to know each other on that Safeco road show, if you will. We were in a mini van quite a bit for about six weeks and there's some stories I probably wouldn't share here, but the one thing about that tour, I noticed after our first or second dinner, John was spending a lot of time with the wine list and it's at that point I figure out that John has a real love and passion for wines and he does and he collects wine. So I think John was one of our biggest fans of the annual report, Rob, so just to let you know. Please welcome me in bringing up John Frobose. Here you go, John.

John F: Thanks, Mike. If risk management were to look itself in the mirror, it would see many faces. But to us it's not a house of mirrors. Risk management at all levels is a core capability. Rob and John have spent a little time today outlining to you how we manage and leverage and manage those core capabilities. I'm going to offer some detail and examples of how highly disciplined risk management is an integral part of all that we do.

Our creditor-placed risk management philosophy is pretty simple, but the execution is complex. And while we've spent a lot of time talking about how we effectively manage the portfolio risk today, I'll therefore focus a little bit on how we offer our clients peace of mind through innovative tools that help us accomplish both philosophical challenges and we'll also look at our claims management process because it's part of the solution and part of our success.

We'll start by looking at two great examples of where we've utilized our proprietary SmartFlow technology to create innovative tools to not only manage our own risk, but assist our clients in managing theirs. We'll start with our one stop shop for managing catastrophe risk, and that's our CAT website.

In the midst of the 2004 hurricanes it became clear to us that we needed to develop a tool to help us develop our catastrophe response plans. We needed to be able to take our in-force portfolio and get down to the property level detail to model potential impact prior to the storm and then have the ability to get detailed post-loss claim data at the summary level, at the detail level. We needed dynamic reporting.

This tool had to be available 24 hours a day, accessed from multiple locations, through any number of users. So we realized that the Internet was probably the logical solution for the delivery of the tool. We were about halfway through the development of the tool when a light went on. Wait a minute. Why are we doing this just for ourselves? Our clients' struggle as much, if not more than we do, in assessing and managing their own catastrophe risk.

We realized that using the power of the SmartFlow database and the rules engine that we put behind it, we could literally take our clients' complete portfolios, load them into the tracking and management tool, and allow them to assess and manage their catastrophe risk, report to their investors, get a snapshot of where they are from a risk management standpoint. Offer them a tool that effectively has the capability they've never actually had before and another great example of our being able to leverage core capabilities to assist the clients, but to take a second and see just what the CAT site can do. Two clicks.

VIDEO

John F: It's a really powerful tool and nothing like this is available to our clients and the capabilities were not available to them before and nothing like this is available in the marketplace, so it's been one of those things that's allowed us to clearly differentiate ourselves from our competitors. And, one of our favorites, Gene mentioned it already, is that our clients have actually begun using the web site, downloading it to their investors to kind of give them an indication of how capable they are at managing their own catastrophe risk.

It was a hidden advantage that we hadn't planned for and it's turned out to be a great one and the tools continue to be in development. There's so much more that we can do with it. As we speak, we're working on satellite imagery down to the property level. We're going to import data in from our DraftTrac system. There's just an unlimited amount of stuff that we'll be able to do with the web site as it grows.

Next thing I'd like to talk about is our newest innovative solution and the next generation in loss draft processing, which is our DraftTrac Enterprise tracking system. Before we get into and literally can be able to sort of understand what the power of the DraftTrac is, we really need to, I thought it was important to kind of take you through the loss draft process.

It's a significant responsibility that our clients end up having to undertake and it's not one a lot of people are aware that, in fact, they even have to do. But for all mortgage loans the process is identically the same. After the loss happens, the

borrower reports the claim to its insurance company, his or her insurance company. The claims adjuster goes out. Whether it be a voluntary carrier or us, the adjuster goes out and adjusts the claim and at which point in time the loss funds are made payable to the borrower and the servicer under the requirements of the mortgage clause under the homeowner's policy.

At that point the servicer becomes responsible for managing those claim funds and for monitoring the repair of the property to be sure that the asset is returned to its pre-loss condition. It's a very sensitive situation with the borrowers. Typically they don't know this is going to happen and they're not extremely excited about their mortgage company managing the repair of their home.

To give you an example, you have a house. It suffers \$150,000 loss – fire, wind – doesn't really matter. The loss draft fund, the claim is sent to the servicer. The servicer deposits it in a restricted escrow account and then the process begins with certain requirements. The borrower has to fill out forms at which point in time all the initial paperwork gets done. A third of the funds are released to begin the repair. The servicer is at that point in time responsible for managing, following up on a monthly basis and monitoring the repair. At the 50% point additional funds are dispersed to continue with the construction process only after the property has been inspected to be sure that the repairs are being done.

Finally, at the 90% point, the repairs are considered to be completed, inspected again, and the balance of the funds are dispersed. Very complicated. It's a time-consuming process. At best it takes months; sometimes it takes years based on the amount of damage to the house and it's complicated by the fact that most of our clients' loan administration systems do not handle this function well.

Some of them, in fact, didn't handle it at all and our clients were, when they were doing it themselves, our clients were generally doing it manually on spreadsheets and we realized, we looked at this, a great opportunity for us. We said, wait a minute now a) we know how to manage claims – we're an insurance company – so we have people all retrained in doing that and b) we're good at developing tracking and systems. Let's put a process together and offer it to our clients.

And in 2003 we rolled the original DraftTrac system out in 2003 and it was a pretty significant hit with our clients and in 2004 we gained commitment to do loss draft processing on an additional 10 million loans which was a great thing to us. Note the year 2004. What happened?

The storms hit and probably may not have been any more single event that essentially helped us strengthen our relationships with our clients than our ability to get them through the catastrophes in 2004 and 2005. If they had been left with

having to do this process manually themselves, it would have crushed them.

And they understood that and so literally we were able to add a great amount of value in bringing the process out. But, during that period of time, through 2004 to 2006, we ended up processing almost 600,000 loss draft checks and managing the repair funds for \$3.2 billion worth of repairs. Those are big numbers. A lot bigger than we'd ever anticipated that we were going to need to do as we'd gotten into this process.

So we realized that we had to do something with DraftTrac. We had learned a long time ago the powers attaching SmartFlow to our tracking systems. Why couldn't we do the same thing for the DraftTrac process? And we did.

This year we rolled out DraftTrac Enterprise which is the next generation of loss draft processing and it's truly a state of the art system. It eliminates redundant data entry. The operator doesn't have to key anything in. The data is pulled over from the SmartFlow database into the draft tracking database.

Mike went through for you how those business rules worked. Same thing works at the back side of DraftTrac. Automated rules processing, eliminating the need for as much human intervention, very specific, less margin for error.

And attached to it are very dynamic reporting tools giving our clients and ourselves the ability to manage where we're at in that process because it's an important thing and it moves around and it can be very, very sensitive at the time of catastrophe and it sets the new industry standard.

It's a great example not just DT itself, but what we've done with the loss track process. It's a great example of our ability to leverage our core capabilities to meet unmet client needs.

And I'd like to finish today just giving you a little bit of background on our claims management difference.

Because of the nature of our relationship, we really represent the lender to our borrower and because of that it's important for us to be very, very good at what we do because it's reflected in the entire relationship.

So we've had to design processes and do things to differentiate ourselves from our competitors, certainly in our market, and we believe industry-leading in the insurance market in itself and one of the key ways we've been able to do that, certainly in our specific creditor-placed space, is because of the fact that we have the power and the scale of the entire Assurant Specialty Property business.

We've been able to place 135 of our own field staff adjusters on the ground throughout the United States and in those gold states that you see, there's 34 of them, and these people are trained specifically in our policy language.

They're trained in the unique nature of our borrower/lender relationship which is different than what the independent adjusters that our competitors are left using understand, plus they're held to the same service standards that we hold ourselves and it's much more controllable when they're your staff as opposed to an independent adjusting staff.

And I think the proof is in the results. As you can see on the graph on the page that through 2005 and 2006 despite the hurricane losses incurred and reported during that period of time, we were able to close 80% and 85% of our losses, respectively, in those few years within 30 days. That's unheard of and there isn't good industry data as to that, but given just because of what you hear and what you do in the marketplace, I can tell you that that's an industry-leading stat.

And a couple different examples of how we try to differentiate ourselves. A good one is when we finally were able to get to New Orleans post-Katrina and get into the Ninth Ward. It took us a long time, obviously, to get in there as it did with all carriers. Instead of going in and looking at the properties that we were aware that we had losses on, our decision was take our in-force policy list with us, split them up among our adjusters, and actually look at all the properties that were there because we were pretty certain they were going to have losses. And so we did that. We went in and just literally proactively went out and sought out every one of our possible properties, did the adjustment, and had checks in our clients' hands for the most part before they had actually even had losses reported to them by their borrowers. And that was pretty powerful. It was one of the clear ways we were able to differentiate ourselves.

My favorite is a little thing. A little idea we had in the midst of the 2004 hurricanes. If you remember, they were still repetitive and hitting the same properties in generally the same geographic location over and over again. We realized that the sooner we could get those roofs covered, the better the borrower would be and the more loss medication we could do for ourselves.

So we initiated what we referred to as Project Tarp. We went out and bought a ton of those big blue tarps. Stuck them in locations throughout the southeast, predominantly Florida, and arranged a contractor that within 24 hours we could get those roofs tarped if necessary. If a borrower called, and the borrowers could be pretty stressed out in a situation like this, we could actually offer the service and tell them. They were having trouble getting contractors. Nobody wanted to tarp roofs. They were busy doing other stuff. So we were able to say, okay, great.

We'll get somebody out there 24 hours. We'll get a tarp on your roof. It was a great tool for the borrower and literally helped us mitigate a lot of post-initial loss damage. Just another great example.

And then, of course, we've alluded to it before, CAT response and planning. We built the web site for what purpose? So that we could essentially be able to leverage our field staff and get them to the site based on the expectation of damage that we knew we had relatively predicted well based on the tool and we'd have a very designed and very specific process that we practiced actually. We practiced it a couple times last year even when there wasn't any CATs just to be sure that it worked.

And one of the things that we learned, another post-Katrina message that we learned, we spent almost two weeks in a hotel in Jackson, Mississippi with no power, no electricity, no phones, and realized that this isn't going to work in the long-term. We're going to have to have a central hub, communication hub, to use in the event of significant catastrophe where power is unavailable. We literally went out and bought a trailer that we call the CAT response trailer now.

And it's available to be hauled in to any of these locations. It's got power, it's got back-up power, it's got communication. We will use it as our central hub for internal and external communications. It's also a source of immediate contact with the borrowers. The borrowers can find us. They set these little insurance cities up in these big cities post-catastrophe, and it gives us a presence there. We bring water, we bring flashlights, we bring playing cards for insureds and toys for kids and that kind of things to try to minimize the stress, but also give us a command center to work through our catastrophe process. And I think really, when you look at our claims management difference and everything we're doing and the execution around thereof, it's a great example of how we've learned to leverage our core capabilities to execute for our clients.

And in summary, highly disciplined risk management. You've seen it. You've seen how we integrate it and weave it tightly into our relationships with our clients and all that's driven by complex systems, innovative our own huge differentiating factors for us and it's core to all we do. Thanks.

Now, the fun part. I'm going to bring Melissa up. She's going to set you up for the tour.

Melissa: Thanks, John.

John F: You bet.

Melissa: Okay. Great. Well, we've concluded the section on our presentation. So everyone on the web, we'll be breaking now for a tour. We'll be reconvening here and the webcast will start up again, I'd say at 11:45.

[Tour instructions]

So, 30 minute tour. We'll bring you back here. You can grab lunch where you grabbed breakfast. Set up to eat as soon as both tours end. At 11:45 we'll start back up.

John Owen will provide a summary of the tour for everyone who was here, but also for people on the webcast and then we'll open it up for a full Q&A with our whole panel of speakers this morning.

BREAK

John: Let's go ahead and get started. Welcome back from the SmartFlow Life Cycle Tour. I'd like to welcome back everybody on the web. I'm going to recap kind of what we saw on the tour and also hit some of the highlights on the creditor-placed homeowners business and the outlook.

One of the things I wanted to make sure everybody understood – because we got a lot of good questions on the tour, a lot of great questions, and if we didn't get your answers on the tour, we'll get them here today because we've got plenty of time for questions but we in the mail services area, the thing I want you to walk away with is we get 47 million pieces of mail. We're not a template-based organization. We go into data capture and we go into data capture that big stack of paper on the floor, I want you to remember competitors and other players in the industry have to create a template for every one of those 20,000 different forms out there to find the information before they can even get it in their system.

Our system uses cognitive recognition and one of the easiest ways I can explain that, because several of you watched the screen and you watched the system go through and pull off the data and find it, the easiest way I can explain to you how it does it – because I got a lot of questions on well, how does it actually do it – is think about how you as a person would look for a policy number if I asked you to find a policy number on a piece of paper. The mind process and the thought process that you would go through is what the system does. It looks for all the algorithms and all the variations of a policy number and the other 60-something plus fields and we have a database and it searches just the same way your mind would search and that's how the system does the data capture.

Now, once we get the stuff, it's now in the system. It's now imaged. We have it through EDI meaning the Allstate and State Farms of the world. They have

electronic data. They send it to us electronic. We have the 47 million pieces of paper. It comes to us in paper and we convert it to a digital image.

The faxes, I want to make sure people hear this because I had some people ask me, well, do you print the faxes and then scan them? No, we do not. The faxes come straight through the system. They stay electronic. They're never printed. And they go straight into SmartFlow. They go straight into the business rules process.

Now from data capture you get to the power center. You get to the computer room, which we love taking people in that room because you can see firsthand a system that takes all that digital information and now applies it to hundreds of business rules. And think about if a person had to do that. Think about if you were a new employee and you walked into our company and I said: "Welcome to Assurant. Glad you're here. Welcome to the company. And by the way, I'm going to hand you this manual and you're supporting Citibank and by the way, here's Citibank's 400-ish rules. Get familiar with them because every piece of paper that comes through here you have to check and make sure that you're following the prescribed procedures that that client outlines." Imagine if you had to do that.

Now we've taken that and put it into automated systems so the system goes through and compares all of these rules in this book to every piece of mail that comes through here, every piece, and it does it automated and it saves a lot of headcount. So for us to sit there and talk about SmartFlow is cool. Okay, it is cool. Now here's the power of it. The power of it is it saves us a lot of money in headcount. If I didn't have this, I would have to have literally thousands of additional employees. Secondly, if I didn't have this, there's no way my quality could be as high as it is today because the system does it accurately and consistently every time. And let's face it, as good as we may think we are, I guarantee you we can't process 400 rules the same way, every day, day in and day out, 15 hours a day. Plus, you get sick, you go on vacation; SmartFlow doesn't get sick and it doesn't go on vacation.

Now, the last thing you saw in the computer room when we were in the power center is the customer care, and you saw what was happening. We were literally, that right-hand screen in the power center, that's the client's system. That's not our system. That's us taking SmartFlow and literally updating the client's system. So what you were seeing was the actual Citibank system or Chase system or the servicing system that was getting real time updates every time one of those pieces of mail was processed, instantaneously. So if a call comes in and they want to see what happened with that piece of mail, it's real time; they can do it.

Now, this entire process, and this is what was amazing to me the more I think

about it, the entire process for 86% of that work gets done in three days or less. So from the time that mail gets here and to the time the client's system is updated, it's three days or less. That's amazing.

Growth continues in our creditor-placed homeowners business. We talked a lot today about the drivers of growth, and I wanted to reiterate the drivers of growth in our creditor-placed homeowners business, first being number of loans tracked. Being aligned with the industry leaders, that's the model we've gone after. It's been deliberate and it's paid off for us, and as Gene mentioned this morning, it continues to pay off for us. We picked up another 1.5 million loans because we're aligned with one of the industry leaders that picked up that piece of business.

In the subprime space, we've had several subprime carriers that have consolidated with some of our larger carriers. We've picked up those loans. Policy placement rates remain consistent: 1% to 2% placement rates in the prime and 3% to 8% placement rates in the subprime. To say that another way, for every hundred loans we track in a prime portfolio, we'll place one to two policies. In a subprime portfolio for every hundred loans we track, we'll place somewhere between three and eight policies. That's remaining consistent.

Now one thing that's changing, foreclosures. As properties move into a foreclosure process, it goes through that process and it does vary by client the length of the foreclosure process and they then move to real estate-owned status, if we don't have a policy in place on that property when it goes to real estate-owned status, we will place a policy in the majority of our clients' cases. So as foreclosures increase, we will write more policies.

Rate increases. We're diligent about our risk management and we've been very proactive about getting rate increases. Creditor-placed homeowners, Gene shared with you, we've got a 20+% rate increase in the State of Florida. We've also made policy provision changes, deductible changes, and also have capped certain things like those wonderful screen enclosures on swimming pools. So we've made a lot of changes and we're being very focused on rates.

Now, if I step outside of the creditor-placed product and go to other property products, we've been diligent about getting rate increases in other states and other products as well. We've gotten increases in Louisiana, Mississippi and Alabama, and other product lines and other parts of the country.

From a total insured value standpoint, total insured values continue to go up. In the first quarter, TIVs were up 6%. So TIVs continue to grow and that's another driver of our growth.

If you take our core capabilities, we talk about a lot with you guys and you put down solid things you can point to: we've got the Florida rate increase; we're maintaining our spread of risk, I showed you that on our map that shows exposure; we've got 135 dedicated field staff, and that number will grow; we continue to be aligned with the industry leaders; we've added new loans; and we've won new business. And the last thing on that chart, SmartFlow is a differentiator for us. We win business and renew contracts because clients come in here and see the same thing that you saw and they see the quality in the service and they stay with us and that's how we win new business.

We also have taken this model and we've leveraged it beyond just creditor-placed homeowners. So what I like to say is in a coverage required model, like in a creditor-placed homeowners, we excel. Anywhere there's a coverage required model, we've taken this model, the people, the process, the technology, and we've exported it to other things in our business. Creditor-placed manufactured housing uses the same type of process. Creditor-placed auto, which we talked about today, same technology, same people, same process and the same facilities. Our renter's business, our creditor-placed flood and several other of our merging products, we've leveraged what we've done here and we're repeating it in those areas.

It's one thing for me to sit up here and tell you what we think we're good at and talk about our capabilities. But it's another thing when you get clients to say it. These are some client testimonials from some of our big clients and they were nice enough to be willing to put their picture there with their comments.

The first one, "We've experienced a reduction in client service issues and attribute this to the benefits of routing our hazard insurance workflow through SmartFlow." You can look at one from Chase, "These folks have risen to the challenge..." And these are our customers, these are our partners and we work very closely with these individuals and many other clients. We've got a great relationship with them, but that relationship is built because we deliver for them. But they're great partners. We appreciate their business and we really like it when they say nice things about us and it's nice to have them do that.

At this point in time I'd like for us to go to the Q&A and I'll invite Rob and the rest of the team back up and we'll move to the Q&A process. If you're going to ask a question, please wait for a mic so that the people on the webcast can hear.

Rob: So despite our best efforts to answer every question, I know this group will have questions. And I see that Keith Walsh has the mic. So Keith, start us off.

Keith: Thanks, Keith Walsh, Citigroup. John, it seems like retention is really strong in this business for you guys. Can you walk me through a timeline of like how an

account would switch, how you'd steal an account away from one of your competitors? How long does that take? What are some of the barriers? And then vice versa, how if they could steal business from you?

John: Sure. When you look at -- when you've got to look at this business and you look at the nature of our clients, we're aligned with the industry leaders. So they're large accounts. So the lead time, if you will, to get in and build a relationship with the Citibanks and the Chases of the world, it does take an amount of time and it is a process. It could be a few months or it could actually be a couple of years for some of these accounts to get in and prove your capabilities, to prove your process.

And the other thing is, it's kind of a trend that's evolved over the years. At some point in time a few years ago, many of the large financial institutions decided, "You know what? I'd like to offload some of my back office work." And that was one of the things that really kind of changed as a dynamic for us is several large financial institutions said, "I want to get rid of headcounts." And when we came to the table with a system and a process that could get them comfortable that we could do it with as good a quality or better quality, we got those people on board. And that model's kind of carried on for years now.

Now, I'll answer the backside of what happens and how tough would it be to get an account away from us. Our competitors are always out there trying to get into our accounts. And our best defense continues to be exceed service levels, do the job at service levels as best we can, exceed service levels. And the other thing that has helped us out a lot is we're always trying to bring innovative things to the table. CAT website, that's something that if a client were to leave us, they couldn't get that anywhere else in the industry.

Now you could say somebody could try to replicate that, but they wouldn't have the 30 million loans and the information of all the other insurance carriers that we would. So DraftTrac, CAT website, those are all barriers to entry, SmartFlow. They can't easily replicate those.

Gene: I'll just expand upon that a little bit if I could. You asked about competing and how we win business. There are barriers to moving this business. There's a lot of work involved. There's a lot of processes. We're constantly processing a lot of information. And for us to take business from our competitors, we have to be better. And that's what we've been able to demonstrate. It's hard to move business and that's why we haven't lost any clients. But by being better, that's how we've been able to go out and get new business and that's been really the key to our success.

Answer: Even if our competitors do a good job, and most of them believe that they do, we have to look at offering new solutions, new technologies as a way to lure those clients, those prospects to our creditor-placed service buyers to beat competitors out.

David: This is David Lewis, SunTrust. Two questions, one easy one. When was the 20% average rate increase in Florida implemented? And then secondly I want to touch on kind of the placement rates. I know that in your prime market you've got 1% to 2%. But that's a pretty big swing if you're looking at 1% to 2%. Where are we at now? If you go into a softer underwriting cycle, wouldn't it move closer to 1% or maybe the higher end? And the same thing, where are we at maybe in that 3% to 8% placement rates of the subprime? And clearly foreclosures are going to be a positive for you for some time, but can you give us an idea, it comes about a year after, right?

Rob: Sure. Let me start and then I'll turn it over to Gene and he can talk about things a little bit. But remember our clients provide us the definition of what their prime and subprime portfolio is. So if someone takes an all-pay loan, it may be in their prime portfolio. Somebody else may put all-pay in their subprime portfolio. That's why you're getting variations.

I tend to think about it, I mean I think we have the capability to take everyone who's out there and put them on a graded scale, David. So things are some of them going up, I think probably less in prime than in subprime. And Gene outlined and talked a lot about that 2005/6 loan vintage as probably having more problems associated with it. So, just like when we're in our other businesses, we talk about this in Health, it's really important to track issues by month, issues by year. We've got the same thing going on in this business. It's the application of that same kind of risk management skill and we've got the data to drill in and understand that.

So Gene, you want to talk about that in a little more detail?

Gene: Sure. A little bit more in macroeconomic terms, I think to the extent that there was a significant softening of the voluntary market, that could raise some decline in some of our penetration rates. But some of these, again, these are historical factors that have remained relatively consistent over time. Certainly harder economic times would probably force that penetration up a little bit.

The 3% to 8%, there is a varying degree of subprime. And that is going to vary by client. And those clients keep changing a little bit, too. We are noticing, we talked about being aligned with industry leaders, a lot of these industry leaders are investing more in subprime. Whether or not they're carrying them on their

balance sheet is kind of hard to pick out when you read the news articles because they'll talk about, "Well, we have no exposure to subprime." Well, they may have originated a whole lot of subprime loans, maintained the servicing on them but have securitized them in portfolios. So that's what they talk about. We see them gaining a lot in the servicing side.

So as their portfolios change then it's kind of changing the impact of our penetration of those portfolios as well.

John: Gene, why don't you -- I don't know if we hit on your part of your question around the when would the rate increase take effect -- Gene, why don't you talk about that?

Gene: We've actually got those implemented through May 10th and what will happen is there will be a series of letters cycled so it will take 60 to 90 days before we'll start to issue under those new rates. And then throughout the year we'll kind of replace the existing policies with renewals and new policies at that rate.

Chris: Chris Wenzel, Och-Ziff. Question on the end user of this product, the homeowner. I can't imagine a lot of people would make a conscious decision to have coverage from Assurant given the alternative to pay less for more coverage in the voluntary market. Outside of the real estate-owned book can you talk about the pattern? Who, why do people own this product? Why don't they buy the voluntary coverage? Are there patterns or certain triggers that you've identified to why people?

Rob: Right, sure. I mean I think a couple of important points here. First is we are not the insurer of last resort, which some people go, "Oh, you must be that." No, we're not that at all. We're the insurer of the non-responder. Our job is to notify on behalf of the financial institution the borrower when we find out their insurance has lapsed. And we do that and we do it accurately and timely. And we tell them, "We know you don't have insurance. Please send us proof of coverage."
We'll send them upwards of three letters, right? Right. We'll call people. We have a variety ways of contacting them. These people do not respond. And when they don't respond, we send them a policy in the mail. And that policy they receive, no contents, no liability and here's the price. It's all right up there in front of them. For whatever reason, maybe it's convenience, they just say, "Okay."
Because remember, I think as Gene, Mike, John all pointed out, our job is to make sure that lender's interest is protected and insured. And that's what we set out to do.

Chris: Well, let me ask you, is the duration of the policy for the placement rate effective

when the homeowner becomes more distressed and perhaps has to make a decision between paying the homeowners' premium and paying a mortgage?

- John: One of the things I want to point out, the process and the agreement that we have with our clients is to ensure that the lender's interest has a policy. And we have a very good tracking process and we're diligent about trying to make sure the coverage is there. We don't spend a lot of time mining our data, trying to figure out behaviorally why people do the things people do. That's not our agreement with the loan institution, the lending institution. It's if they don't have coverage we're going to place it, we're going to be professional, we're going to be polite and we're going to make it happen in an orderly process. We don't get into the reasons or why they do or they don't.
- Gene: That said, I can also say that we go out of our way to make sure that we're getting appropriate insurance information and not false placing. That's another way we gauge ourselves and our success is to make sure that if that person has outside coverage, we get it and we update the loan. And we actually have a whole none and done philosophy which is we're going to do everything in our power to make sure we don't even have to bother that customer of our client if we don't have to. So we take extreme lengths to make sure we get that insurance information.
- Ed Spehar: I have three questions. First, are you hearing of any new players entering this business, thinking about it and maybe the last time someone has actually entered? Second, some sense of how long it would take someone in this business to generate an adequate return. And then finally, John, when you talk about your growth drivers, is this business, could this business be a long-term double digit growth business even if some of these ancillary creditor-placed lines are not successful?
- Rob: You've got several pieces. I'm going to dish them out a little bit. And these guys aren't ready about hearing the new players, I'm not but Gene, John, Mike are all closer to it. They're all shaking their heads.
- Mike: I think it's what we've talked about earlier today. Absolutely the scale that we have and the investment that would be required to get into this business, now that wouldn't necessarily prohibit someone from trying to get in this business, but it's really about leveraging our relationships and administrative skills too. Somebody coming fresh into this business will not have that. Assurant's been doing this for years and years and years and that's the big disadvantage to companies coming in. I don't know, Gene, if you'd like to add.
- Gene: I would just say it would be very, very difficult.

John Frobose: It's easy to be a carrier. You could create an insurance program, not build a mechanism that you walked through today to try to do the tracking piece in this business.

John: Yeah, I think the big barrier to entry is what we've said over and over: People, process, technology. It would be very, very hard to replicate that and do that in a model that could make money.

Rob: To continue on with it, if you think about our fiscal discipline, we're going to add these new loans in with ABN AMRO. There are going to be upfront costs associated with bringing that portfolio on and we're going to expense those through the income statement before we get revenue. A new player would face all those same challenges. So oh, could they get that? I guess they could come up with some game breaker we're not thinking about. But I think we are very well protected here and I think what we're doing to further provide for unmet needs of our clients just makes it harder and harder and harder for them to think about entering because they've got to build that base thing and we're onto thing two, three and four.

John: Yes, that's a key point because we're not stopping. I mean we're constantly out there trying to come up with something better. And SmartFlow, a better image capture, or a faster capture, a better way to do it, CAT website, we'll have -- there'll be a new version of that, there'll be a new version of DraftTrac and our goal is to be able to do it better than anybody else so we can get more services in here.

Rob: Last, if I think about can we continue to grow this, let's think about a couple different things: alignment with the industry leaders. We're aligned with all of them, so if there continues to be consolidation, we're going to benefit. Second, population and percentage home ownership has been increasing. There may be some kind of a temporary setback in subprime. I think lenders will raise underwriting standards and their goal is to figure out how can we get more people insured. So I think there is the potential to continue to grow. I also think what you see going on with the additional services we're talking about adding, these all provide additional revenue opportunities.

John: I mean even if you just look at originations, originations for new homes are, historical levels were like 1.4 million and 1.5 million units. That's down to the forecast for '07 and '08 is like 1.1 million to 1.0 million. So is it down? Yes. Is it still growth? Absolutely. And our lenders are going to get their fair share of that million-plus new housing starts. And they're going to get their share of the purchase transactions, which are not the new homes but the existing homes that are out there being purchased and moved around.

- Gene: A good way to look at that is the fact that historically, and even forecasted, this market that we support is growing at 7% to 8% on its own. So then you start adding things like rate increases and insurance value increases and some of those other things, it's not unrealistic that it gets pretty easy to support those levels of growth.
- Ed Spehar: Just on how long would it take for that company to generate that return? In your historical experience, how long would it take to generate that kind of return?
- Rob: It took a while. I mean I'll tell you, I remember the days as we were developing SmartFlow when it's like the engines aren't going to take it because we had to get it scaled up to support all the processing. Ed, I think it's a tough. You can throw a lot of money at it. Okay, now you've got to land some clients.
- John F: Imagine how this industry changed. We were a lender-placed carrier a long time before we were an outsourcer. So we had the lender-placed insurance model already operating and revenue driving out of that model and were able to fund the development of outsourcing, the outsourcing capability with that model. Somebody would have to build both models simultaneously. I think that would be difficult to do.
- Rob: Now, saying all that, we're paranoid about everything, Ed. And we worry about competition in all our businesses all the time. And I think that's what keeps the kind of things, the new developments you're talking about coming out of the pipeline.
- John: Ed, you're making me worry. Are you telling me something I don't know?
- Gene: I can also tell you that if we had one driver in our business unit – and that is no complacency. And I -- we preach that every day and all these different developments, I mean it's ours to lose is the way we picture that, and we're just going to continue to keep getting better every day and try and stay ahead of our competition and we feel confident we'll be good at that.
- Melissa: Hey, this is Melissa. I'm going to jump in as Bill Wilt. He apologized for having to leave a little early but he was kind enough to leave a few questions I get the pleasure of asking you guys. Along that growth theme, is there a point at which growth in the creditor-placed market becomes too much from a risk management perspective? I guess Rob or Gene.
- Rob: I'll start with that and say to me we've outlined how we provide risk protection, not only operationally but with reinsurance. We saw the cost of the reinsurance

program go up quite a bit in '06. We were able to handle that because of the specialty nature of this business. This business produces phenomenal returns. We realize that there will be some volatility to the results based on storms. We think that the investors can understand and appreciate that. I think the big key is, and hopefully we've been able to demonstrate that, this is not a property casualty business in the traditional sense at all. This is about a lot more than that with huge administrative sides and components to it. Would I like to see this become a bigger percentage? I want them all to grow. So but if this comes bigger, hats off to them.

John: The thing I think is powerful is the fact that within Assurant Specialty Property we have multiple products and having multiple products allows us to balance our spread of risk between voluntary and creditor-placed and so we can do it by geography. We can also do it by voluntary and creditor-placed. So all aspects of the business growing, we like that. It helps us balance the overall book.

Q: Somewhat of a follow up to the prior question regarding differences between voluntary versus creditor-placed. Comparing your product to voluntary the content side your frequency is zero, liability side frequency is zero. On the building or structure side, are there any meaningful differences between creditor-placed and voluntary, either frequency severity? And lastly, is your traditional loss ratio balance not as applicable here?

Rob: Yeah. Well, a couple different things. There are, if you break down a traditional voluntary policy in my mind, there clearly are a lot of issues around moral risk. I think most of those issues go away when, well, let's see, I might decide to do something to my home but none of my contents are going to be covered so I've got to move those all out before I do anything. I think largely the moral risk goes away, which we like a lot about things. I think that the frequency severity being at zero is quite appealing to us because we're not doing any of that underwriting and this is a way we can facilitate that through policy design. The loss ratio is much lower because all the administrative work is much higher. There's a lot of work to doing all this tracking, even as efficient as we are at it. Yeah, we look at the combined ratio of the two and the combined ratios in our business are very favorable.

Jukka: A couple questions. Jukka Lipponen of KBW. On the other people coming in now, why wouldn't a primary carrier and some of them obviously have huge resources, if they see you having a very profitable business, why wouldn't they potentially think about trying to overtake you with your business?

Rob: Sure. Well, I think a couple different things. But I'd start with, gee, I want to leave an area and I'm canceling policies in an area to deal with an issue I think I

have in the block. We're taking everything. So they'd have to have a change in mindset. I can tell you if you go and talk to the voluntary carriers and tell them we don't do any underwriting, they think you're crazy. But it's because we're underwriting in a different way. They're underwriting at that policy level and we're underwriting under a whole different risk management approach. And then I think the fact that we're integrated with all these voluntary carriers, I don't think Allstate's going to go, "Sure, State Farm, we'll feed you information correctly," because we're head-to-head competitors. So I think there's some natural protections there for us.

Gene: I would say the other big factor is just all the administrative skills that we have. It's very -- it would be extremely difficult to replicate some of the things that we've done and put into place based on the business knowledge from many, many years that we've been able to automate. And I think that's a big barrier to entry.

Jukka: And then a couple of questions regarding growth, one shorter term and then one longer term. I know you don't provide guidance. Obviously we've seen huge growth in the last year. I don't know what kind of additional color you can give us on what to sort of expect without giving guidance, but obviously you've already...

Rob: There is no color Jukka we could provide, no guidance.

Jukka: You told us you've added 5% to your book with the Citigroup ABN AMRO and also you told us in your Florida book you've increased the rate by 20%. I don't know what the average rate increase normally is and what has it been in the rest of the country.

John: I mean I would just tell you go back to the growth drivers that we outlined. And you hit a couple of them. Number of loans tracked, we shared with you that number's growing. Rates, yes we've got some rate increases. If you look at placement rates, we've talked about placement rates. And lastly, TIV, we shared the TIV has continued to go up. So I can tell you where we are today. As far as the future, stay tuned to quarterly releases.

Jukka: The rate increases in the rest of the country?

John: We have gotten other rate increases in other product lines in other states.

Jukka: And then the longer term questions, you obviously have whatever the exact number of market share, 70% or north of it. You probably can't get the business that Countrywide generates on its own. So then do we run into sort of a wall at some point where you just cannot increase your share any further? And then

secondly, do you think this model is something that you can take international?

Rob: A couple things. The first challenge for this group is they're in the lead and we want them to improve their position. And I think they showed you today they've got lots of things in place to make that happen. When we get to the point of having -- I like to think about this as we are acquiring our competitors one client at a time, and these guys have had a remarkable track record of making that happen. When there aren't other clients to deal with, we'll come back and talk about how we're going to get growth in the U.S. in that business.

Internationally we've had the discussions. In fact, I think Mike, you've been given the gauntlet by John to think about that a little bit. Remember, the big key for this marketplace is the enabling legislation, the requirement that you must have insurance. We're looking at what markets might be most accepting of some move in that direction but I would say no near-term plans because we've got lots of other things to do.

Mike: Yeah, we have plenty of opportunities in the existing markets. It is something we're keeping a close eye on, and we've done some groundwork on the international front.

John: The other thing we're doing too is with other adjacencies, we think now is the time with our market position and what we have to go out and really drive to try to drive growth in the creditor-placed auto. We've got other areas like renters and several of the other areas we've already talked about that we're trying to, pushing very hard to leverage what works today and make those markets grow rapidly.

Gene: We think that's our best opportunity right now.

Steven: Steven Schwartz, Raymond James. Gene, do you mean to imply the number of loans outstanding in the marketplace is growing at a high single digit rate. Is that accurate? If so, _____

Gene: What I'm saying is the number of loans in the industry has grown at a historical rate of somewhere between 7% to 8%. We've had many outside studies that have looked at that and yes, it is predicted to continue to grow at that rate.

Steven: And then is that TIV increase, is that on top of that?

Gene: On top of that, yes. I was talking about number of loans and then insured value is another factor that's been applied on top of that.

Steven: Okay, great. And then maybe a little bit more esoteric. What can change your

combined ratio exclusive of CATs? And I would think that with really no competition. So it's really the rate increases you get to tie in with that. When you go for a rate increase [inaudible] given that you have such a niche book of business, non-responders they were doing their job [inaudible]. How do your negotiations go [inaudible]?

Rob: Yeah, well, I mean I guess I'd say a couple things and I think again, pointing out the specialty nature of this business, we are not subject to a softening P&C cycle. And I think that's the point you're making a little bit, Steven, is hey, I want to get share, "What do I do? I lower rates." We don't do that. We've got these contracts in place. They're in place for a long-term. Now, I will tell you that when the business comes up for renewal that is that we have to sit down and have long discussions with our clients and either bring additional services, etcetera. Gene, Mike, I don't know if you want to comment on that, but that renewal process is a tricky negotiation.

Gene: Sure. Like anything, we're constantly trying to make sure that we're providing profitable results. We attack it a number of ways though. We have rate flexibility. We're always -- we do that on a state by state basis and we make sure that we get the rate that we need. And to the extent that we have opportunity to get rate increases in a state, we will go for those. We also have the ability to adjust rates for clients. We mentioned it's a commercial master policy by client. We have scheduled rating that's available among each of our clients as well. So if we start to see some issues or if some portfolio changes occur on an individual client, we have the ability to adjust at the client level as well.

The other thing that we constantly try and do, and again, through a lot of the automation and things that you've seen here, we look at this on a combined ratio basis and we try and stay ahead of the curve by reducing our costs as well. And that's been another way that we've tried to attack it. And we attack all areas. I mean we look at our claims model and the ability to have our own field staff adjusters and be a little bit more efficient there, make sure that they're focused on exactly what our policy coverages are. We attack it in every way, every shape and every form.

Steven: A different question for you. What outside of cats could make your combined ratio move?

Rob: Oh, you could have a lot of frozen water pipes in the winter and have a lot of claims filed on homeowners' policies. Things that don't qualify as CATs can cause claims to move around a little bit. I think the example John brought up on loss draft. Gee, we introduced that program and guess what, the frequency of loss draft was a lot higher than we anticipated when we put the product out, right? We

had four storms roll through. So you could have an over-utilization of the service versus what we had projected when we priced the product. Those things can happen, too.

John: John Hall with Wachovia, two questions. First, are there other Safeco-like opportunities out there that you're thinking about or that might come up on the horizon? Secondly, I was wondering if you could offer a premium comparison between what a voluntary policy would charge versus what you would charge on your own policy? Are you offering less for more or less for the same or less for less?

Rob: Sure. Less for the same I would say. But I'll let these guys comment about that.

John: As far as other potentials, we're always looking for other good fits as far as merger and acquisition activity. Safeco was a particularly good fit for us. We got both a good book of business and we got some great people in the process. So that was a homerun for us. There are two other large players out there in the marketplace, ZC which is owned by a private equity firm and Balboa who is owned by Countrywide. And so far we've been successful at competing against them. And if the right opportunity came along that was a similar fashion to a Safeco deal, we would love to do something like that. But again, it would have to be under the right terms and the right situation and in the interim, we compete very well against them and we're, as Rob said, we're working very hard to get them one client at a time.

Steve: Steve Labbe of Langen McAlenney. How much of your business is voluntary and how do you actually acquire voluntary business?

Rob: Well, a couple things. The voluntary business largely comes from some of the other business segments we write in that are under John's area. We do some farm owners business, which is a voluntary coverage, a little specialty niche there that we've been in for a number of years. We do some of the manufactured housing which is vertically integrated at the point of loan origination on the manufactured housing side. We have relationships with Clayton, most notably in that area. But the number of new homes has gone down tremendously, a lot of it fueled by the growth in the stick house market or the traditional housing market. So that's the sources of the voluntary.

John: If you look at our disclosure of the three segments, we disclosed each one on the creditor-placed and voluntary, the segment on the homeowners side. There's a segment of voluntary on manufactured housing and there's a segment of voluntary in the other category. So there's pieces of voluntary in all three of those components.

Steve: And you also mentioned earlier that when you collect a premium for your creditor-placed business you get the premium upfront from your clients. Is there, therefore, a return of premium when there is a cancellation I guess in the coverage?

Rob: Mike, do you want to handle that?

Mike: Yes, when there is a cancellation of coverage we will refund the premiums back to a lender who in turn will refund that back to the borrower.

Steve: Do you have just the net on the risk premium?

Mike: Yes, it's all prorata based on time.

Rob: And one of the things to think about is when we write that initial coverage, it's usually we've notified and tried to find out do you have the coverage. When we finally ascertain they don't, it's going to a date that probably precedes by 60 days. So we charge back to that date because our promise to the lender is that property will be covered.

Answer: From the moment the last coverage stopped.

Rob: Correct.

Ed: Ed Spehar from Merrill. Just a follow-up on the voluntary versus creditor-placed. Could you give us some sense if you would of the total written how much is voluntary versus creditor-placed?

Rob: The majority is definitely the creditor-placed.

Q: Is it more than 80?

Rob: I don't think we've disclosed that and I don't have it off the top of my head.

Answer: About more than 50%.

Ed: And then the second question is on the ZC, could you give us some history of how long it's been owned by private equity, who owns it? I mean any indication of what might happen longer term with that?

Rob: Gene, John, one of you guys can...

- Gene: Has it been a couple of years now?
- John F: Probably been two years since the private equity firm bought it. They were originally a sub, an MGA operating as a wholly owned sub of [inaudible].
- Chris: Chris Wenzel. Just curious if you could talk about the advantages and disadvantages of writing this business on an admitted or non-admitted basis. And technically how would you write it on a non-admitted basis without acting as an agent and getting declinations, etc?
- Rob: Gene, do you want to handle that?
- Gene: I can certainly answer that, sure. Again, I think based on the nature of this product we feel it's very important, even from a compliance aspect that we use files and approved programs because our rates are approved by the states, again, just based on the more forced nature of our coverage. Secondly, things like Florida gives us the opportunity to continue to participate in some of their low cost reinsurance programs, which we think is important. It's actually when you look at it from a surplus lines versus admitted carrier it does go back to the fact that we're dealing with these master policies on a commercial basis. And so if we were, we would be issuing one master policy to a lender, it would not be too difficult I'm sure to get some declinations as it relates to that. We think it's a competitive advantage that we're continuing to be able to do this on an admitted basis. A number of our carriers do surplus lines in more states -- competitors.
- Rob: And I mean certainly I mean if we got to a situation where we from a risk management standpoint we deemed remaining an admitted insurer just we couldn't make the program work, we'd obviously have to consider ____.
- Gene: And we have the opportunity.
- Rob: And we can do that.
- Gene: We have surplus lines companies, agencies that are surplus lines agents. We have them set up for other business that we do.
- Chris: Why would some of your competitors choose to go the surplus line route? And is that an advantage, like a bargaining lever with the states or...?
- Rob: I don't know that I could address it with the states per se, but I think they view it as providing a lot of flexibility to move rates immediately. Now we've been successful at getting the rates we think are necessary and I think the advantages Gene outlined are the reasons we've stayed in that realm.

- Gene: And we've take a long-term view to this business and a long-term growth view. And I'll be honest with you, it was difficult to sit and continue. I mean it took a long time to work things out with the State of Florida. And we would have liked to have been able to move quicker and actually seriously considered having to go to a surplus lines policy. But we still felt like it was in the best long-term interest of the business to continue to do this on an admitted basis and we just worked hard to make sure we got it done.
- Jukka: Jukka Lipponen of KBW. Is there a big difference in placement rates that mean loans where the insurance premiums are escrowed versus where they're not escrowed?
- Rob: Yeah, John do you want to talk about that?
- John: If you look at the difference -- I'm going to talk about our portfolio. If you look at our portfolio there's not a big difference in escrowed placement rates and non-escrowed placement rates over time, not a big difference at all.
- Jukka: And then in the subprime market, if something like the Schumer bill was passed, do you think that that would affect your business at all? And if so, how do you think it would affect it?
- John: Based on the way I understand that bill and given the nature of our portfolio, I don't think it would materially change our book of business and our placement rates today because again, it's targeted only at, if I understand it correctly it's targeted primarily at the subprime market. So for every loan that's out there today, they would not go back and grandfather that, so it'd be on a go-forward basis. I think it would probably not impact us as much as it would just be another hurdle that subprime borrowers would have to go through. They've already raised the amount that a person has to put down. So they've already put a number of things out there. This would just be another on that list going forward on the origination side.
- Answer: Probably a good positive to a reduction in operating expenses just in letters and pieces of mail that we receive as part of a non-escrow process. You just get more mail. So there'd be upside to us probably.
- Rob: Yeah and I look at it and say, okay, so why are we introducing this? And the answer is well, people view that there is a problem in the subprime market and guess what, underwriting standards were lowered and there was an overextension of credit in the subprime market the last couple years. I think a tightening of the underwriting standards is really what's needed here and I think that's exactly

what's happening in the marketplace.

Jukka: Am I understanding correctly that at least the Schumer bill would only apply in -- the escrow requirement would only apply to loans that are so-called spread loans where the rate on the loan exceeds the rate on the ticket of maturity or duration in the Treasury rate by some margin. I don't know how much that is. And I don't know what percentage of the subprime market loans are so-called spread loans.

Rob: Yeah, we don't have it split that way but I believe that's our interpretation as well. Obviously the bill has to go through a process. Our belief, and I haven't talked with our government relations people this week, but as of a couple weeks ago we thought it was unlikely this bill was going to pass. Keith?

Keith: Continuing on subprime. Is it negative for you guys, [inaudible] originations in the industry and placement rates in the industry would come down, shouldn't they?

Rob: Well, I mean I'd say a couple different things. The slides that both Gene and John put up. Let's start with this is an inventory business. So if the number of originations slow down for long periods of time so that there are fewer loans outstanding, I would agree with you. On the other hand, I think what we're going to have happen and Gene mentioned it, John mentioned it, home ownership percentages over long periods of time have gone up. The way that's happened is that financial institutions have come up with more creative ways to bring people who otherwise would not qualify for a loan into the market. So near-term can these things? Sure. I think the long-term trend though is to continue to increase in home ownership.

John: Now there are two points I'd want to add to that though. You've got to think about what drives that loan volume. New housing starts is one, and that number is going to still be in excess of a million. The other thing that drives it is originations, and we hear a lot about originations going down. But there's two components to an origination. There's a purchase transaction and a refinance transaction, makeup when you hear the government stats saying loan originations are down by X%. It is down by X%. But remember, there are two pieces in originations, purchase transactions and refis. The part of that that's down is the refis. And the refis if you segment those two pieces out, refis are down quite a bit. Now, we're okay with that. We like refis being down because when refi process is booming, one of the things a person has to do when they go through a refi process is they have to go out and get proof of insurance. So there's a likely possibility if they had one of our policies they're going to get someone else's policy to meet the requirements of the refinancing. So I'm fine with the refi part coming down. It also generates less paperwork into our building. That 47 million pieces of mail,

when refis are booming, we get more mail because we get cancellation notices, renewal notices. And the other thing...

Answer: Mortgagee clause too.

John: Mortgagee clauses. It's just, it drives a lot of work into here. And the other thing, on the foreclosures, as foreclosures move up -- and I attended a housing policy council meeting a few weeks ago and the average foreclosure number that they shared was about 900,000 foreclosures a year has kind of been the historical level for years -- they're estimating about 1.1 million for this year and about 1.3 for next year. Now, again, that's their estimate out of the housing policy committee. Now what does that do for us? If those numbers prove to be true, if those are our clients with those individuals and their portfolios, if they do make it all the way through foreclosure to REO status and they don't have a policy of ours, we will place the policy. So that potentially could help us.

Keith: And the second question I've got, what's the risk when you look at your client facts, see that 38% ROE and you say, "I want a cut of that." Just like they did in the mortgage insurance industry, what's the risk of that happening?

Rob: Yeah, but I mean certainly I think continuing to be relevant to the clients is important and they're going to renegotiate. They see the returns. On the other hand, the things they don't like are volatility in earnings. And we know that catastrophes have volatility associated with them. Second, banks have not liked the headcount, that's a big reason we've got the Springfield center here today. I believe this was a center that originated when we took over a back office of a large bank.

Gene: And then it's really just around the administrative skills and the ability to service this business way better than they could ever have imagined servicing it.

John: I want to go back to the scale comment. If for someone to, if they -- banks said I want to get in this business, they can't negotiate the same level of CAT reinsurance that we could because we've got a very large portfolio and a large spread of risk. They would not have the scale to go out and do some of the negotiations that we do. And we're buying a plan that covers all of their interests and so the size and scale really does help us out from a call standpoint.

Melissa: Yes, Melissa again for Bill Will. On that point about coverage, can you estimate the savings to your 2007 premiums from the new Florida hurricane CAT fund there?

Rob: Well, certainly, I mean I don't think we can put a number on it but you can kind

of think about it from two components. One is they offered coverage at an attractive rate for storms in Florida. So that was a benefit to us. In addition, they freed up capacity in the marketplace which then bid on other programs. So Florida came in and said for the State of Florida we'll provide this level of protection at an attractive rate. I think they provide an additional, was it...?

John: \$12 billion.

Rob: \$12 billion of coverage. I think the people who had been in the market said, "Gee, I thought we were going to write that. We're not." And the way the bid process works for reinsurance is we put a rate out and we ask people will they fill a layer at a certain rate. The fact that there was a lot more capacity suddenly available in the traditional market helped us. But I don't think we're in a position to separate the two out.

Melissa: Just a question about SmartFlow. Thirty million loans you're tracking; eight million are tracked through EDI. What does it mean to the expense base if eight million through EDI goes to 10, 12, etcetera.

Rob: Gene or Mike?

Gene: Sure. Mike, why don't you answer that.

Mike: The eight million EDI transactions could include multiple transactions so that's not a complete picture. But EDI absolutely, we would love to see more EDI. We'll continue to drive our partnerships with carriers because if we can do it and eliminate paper, it just continues to make us that much more efficient in leveraging really our core capabilities around our technology.

John F: We've got to get the paper out, though, that's part of the process.

Mike: We continue to drive for that every year, every day.

Rob: So could we talk about what's required to go and get a carrier to sign on board for EDI and what are kind of maybe the leverage points to make them want to do that?

Gene: Well, I can certainly try and address that. Another advantage is scale. We can approach a State Farm and we can approach a small state. And with 30 million loans, I mean they're interested in talking to us. They would prefer not to send the paper just as much as we would prefer not to get it. Historically there has been -- originally there was movement on the premium remittance side. So they would send us the renewal information in an electronic manner because, and then we

would send it back to them with the money and it was a way. It was a big advantage for them because they could get paid all in one amount and they saw that.

But we've been able to work with them and, again, using our scale. So we've been able to expand the types of transactions that we've been able to utilize through the electronic process. So instead of doing just renewals now, we're doing cancellations, we're doing reinstatements. We've just opened up a new beta to do some mortgagee clause changes on an electronic basis. And our ability with our size to leverage with these carriers to where they can see the advantages from their standpoint and get comfortable that we can work among ourselves, turn off some of the paper, that's been a competitive advantage for us as well. And we do see it increasing. There is a level of -- it's once you get beyond kind of the top ten and incrementally each individual carrier is not adding quite as much value. So there is a diminishing return as we continue to go down the scale.

Rob: And as you can imagine, there's system work required by the carrier so there's got to be benefits to them to want to do this. So if I go in and say, "Hey, I've got five policies with you, send it to me EDI," they're like, "Get out of here. I've got like 100 things on my list that are more attractive from a systems paybacks point of view." On the other hand, when we go in with this loan volume, they sit up and take notice right away.

Chris: Three questions on the reinsurance decision making and it sounds like you guys think this business is not like a traditional homeowners business, it's more of a processing or at least it's an insurance business with elements of processing. And I guess my question is if you have a structurally lower loss ratio than a traditional homeowners business, why don't you buy more reinsurance and outsource that portion of your earnings and get capitalized at six or seven times and force investors to look at it more of the way that you do like processing?

Rob: Sure. Well, that's one of the big reasons we're holding the seminar today is we see it's not a traditional property and casualty business. Of course, you have to have capacity available to be able to buy down. We sit down and have what we think is protection we know we need to have to protect the company and then below that we kind of think that this is what things cost and we make buying decisions off of that. So could we buy it all the way down? I think in any particular year you can buy more down or not buy more down. But the market conditions can change and you've got to be in a position to respond to things.

John: And one of the things we're very proactive around, we have a CAT committee. And this catastrophe committee, they meet on a regular basis and look at reinsurance. It's not a one time a year look. It's a multiple times a year CAT

committee looking at what's going on in the market, what are the different alternative mechanisms that we might could put in place, what's the best time at the moment. And one of the things we've done this year is we've bought CAT cover at multiple points, which has helped us a lot to put our program in place and build it at multiple points throughout the year, as opposed to a one annual process. So we're always looking for different ways and seeing what's happening in the market and the CAT committee does a nice job of that.

Gene: And we will buy. We buy to protect our capital. And then we opportunistically buy to protect our earnings volatility. And if we think we're getting the right price, we'll buy low. But we're not in the business of sending profits to reinsurers.

Steven: Steven Schwartz, Raymond James again. Have you ever looked at placement rates based on ethnicity or heritage? Have those numbers ever been available?

Rob: We've not looked at them that way, no. Again, I think a lot of that goes back to our promise. I mean I think John really hit on this issue. There's a lot of things we could analyze around placement rates, but our job is not to drive placement rates. Our job is to protect the lender's interests. And so we don't -- we try to stay out of any situation that those questions may be raised.

David: David Lewis of SunTrust Robinson Humphrey. Gene, I think in your comments earlier you said that the RFPs you bid on during the 2006 period, you got 100% of those accounts.

Gene: Of the ones where they made a decision to move their business.

David: Is that primarily because of the servicing capability? Is there some pricing function within all accounts that may make it a little more attractive? Maybe talk about some of the reasons you're able to pick that up and why you will continue to see that process [inaudible] continued consolidation of your larger accounts [inaudible]?

Rob: I want to hear this too because Gene always tells me it's him.

Mike: I can give a little unique perspective as well because I competed against Gene and his team over those periods and we were bidding on the same business. And without fail, we would hear back when we did not pick up that business and they would come and see what you saw today. And they would see how Assurant was able to leverage the technology, proprietary technology and administrative skills. And unfortunately, we weren't winning the business. I don't know, Gene if you could add to that...

Gene: I don't know if I can -- I probably could...

Mike: Pretty good answer.

Gene: We have been able to differentiate ourselves and we also think our business model is more efficient. So I think we can offer a better service, certainly more robust at a better price.

Rob: And...? Look at all the unmet needs that have come up over the course of this business that we've added on as service. To me, I mean it's a virtuous cycle. We're bigger. We're better. We add services. We delight customers. That's a tough one to come after when you're Avis. I don't know how you do it.

John: And we have a lot of things in the works, too, guys, which we're not going to share with you by the way. We're going to get better.

Melissa: Along that line, Melissa again for Bill Will, Morgan Stanley, talking about loss tracking. You began that in 2004 with 10 million loans. Today, the fees from this show up as fee income? Where is it? Where are you recording this on the income statement?

John F: Actually we've been processing loss drafts back to '92 in varying capacities. We've grown over that period of time. And yes, we do get paid for it and it does show up in the income.

Ed: Ed Spehar from Merrill. I was wondering if you could comment on why would the zero to 49% [inaudible]?

Rob: Well, a couple things. If you look at two of the markets we outlined, remember, and you've got to probably go back because we haven't talked about this for a while. But in the manufactured housing business we've already vertically integrated at the point of loan origination. And everything we've talked about of when you make a home purchase you're required to have insurance. In that marketplace we went to the point of sale and said, "We can put a slick system in your office so that you can close the sale." And the pitch kind of goes like this, "You're about to buy the home. Do you have insurance?" "I don't." "Okay, well you can go get that or I can get it for you right here." And getting it right here was with us, so a very specialized approach versus going out and talking to an agent.

Ed: So it's what percentage of voluntary [inaudible]?

Rob: I'm sorry.

- Ed: I think in terms of future disclosure [inaudible] I think in terms of giving us the number of what is the creditor-placed versus the voluntary certainly helps the -- I mean the reason for this workshop was to show us how good the creditor-placed business is.
- Answer: Have we done that?
- Ed: [inaudible] 90% versus 51%.
- Rob: More than 51 and less than 90.
- Mike: Rob's starting to give a little there.
- Jukka: Jukka Lipponen KBW. When will you start actually recording revenues from the ABN AMRO business and how much are the expenses to get that business in your systems?
- Rob: Well, the last part we're not going to tell you. But the first part, Gene or Mike.
- Gene: Well, it will take some time. I think we're talking about an implementation sometime around September or something like that.
- John F: Two rolled in the books, two specific dates in September so that the portfolio will roll in in two chunks mid-month and then end of month. And then you'll have letter cycles after that. So it's 90, 60-90 days past that point in time is when we'll start to see revenue.
- Melissa: Melissa again for Bill Will from Morgan Stanley. Gene, you talked about the significant increase in total insured values from \$105,000 to \$130,000 over the past several years. Bill noted that it seems much larger than what the voluntary writers are seeing. Is that correct? Could you give more color on it?
- Gene: Well, I actually said it was from \$110,000 to \$135,000. But actually we do have some information on that and it does vary a little bit due to mix of business and things of that sort. But it's pretty consistent with what has happened in the voluntary market as well. It's been driven by a couple of states, primarily Florida and California. And again, it kind of goes back to some of the, I think some of the natural disasters have caused some of that increase. I think people have a different awareness to make sure that they're going out and making sure they've got adequate replacement costs in those. Some of the fires in California caused some of that. We saw some litigation with some of the agents. And so the agents have gotten a lot more diligent in making sure that there's adequate replacement costs.

Rob: Well, what were the takeaways we wanted you to walk away with here? Number one, how does our creditor-placed business work? I think that this team has done a good job of demonstrating what we're doing there. Second, we've been very focused on this is a specialized business that operates differently than other property casualty businesses. Hopefully you're going to walk away with that belief as well.

But before I finish, I just want to thank all of you for coming. I know this was not an easy journey. We really appreciate the turnout. We liked the questions too. And we liked the guidance questions because we know how to answer them. But in all seriousness, we are gratified by the turnout. This is great for our employees here. They all know you're here. They're pleased you're here and extend their welcome as well. So thanks for coming. We'll get something arranged for the next one of these sometime next year I was told on the break. And we'll look forward to all of you coming then as well. So thanks very much.

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