

Melissa: Good morning. Welcome to Assurant Solutions and welcome to our beautiful Miami campus, and welcome to everyone who's joining us on the web this morning. We also want to welcome some of our Board members here today who are sitting over here on your right: David Kelso, Howard Carver, Carroll Mackin and Allen Freedman. Hopefully you'll get a chance to speak with them on the break.

Just last month you ranked us, in *Institutional Investor*, the second most shareholder friendly company in our sector. We're thankful for that ranking and events like this represent our commitment to continuing to provide you more transparency on our business and explaining how our unique specialty businesses work. Here we are, and I think the last time we saw you most recently in Springfield, Ohio, where we went through our Specialty Property business and we showed you that it was not your father's typical insurance company. And I think you'll see that here today.

So, here we are. It's Florida. It's sunny. It's warm and it's spring. What do you think of? Spring training. And, as they say in baseball, we're going to do it again. In 1957, they published the "Six Keys to Baseball Success" and do you know what the first one was? Learn the fundamentals. That's what we're going to do. Learn the fundamentals, the nuts and bolts of how these unique and diverse businesses work. Unique and diverse are two words that I'd also use to explain this experienced management team that I think you'll see today.

Now, before I jump in, let me refer to our Safe Harbor Statement and also for everyone here in the room today, we will have Q&A's after pretty much each of the speakers – sometimes after two speakers talk on a topic – we'll have a brief Q&A session of about five minutes. Don't worry if you don't get a chance to ask your questions. We will allow for a full Q&A panel with all the speakers that will come up here on the stage at the end. I just ask that you raise your hand, wait for the mic, and identify yourself so everyone on the web can have the benefit of your questions. And a real practical purpose, anyone who needs the restroom, it's to the left out this door right here.

So, back to baseball. We all know that a great team, it all starts with a great general manager and I'm pleased to introduce our general manager, our CEO of Assurant, Rob Pollock.

Rob: Thanks, Melissa. Glad you're all here. Got a chance to visit with a number of you as we started, so I'm looking forward to the day.

I want to get in and talk about fundamentals and ask what does our scorecard look like on the fundamentals. And *The Wall Street Journal* published something about three weeks ago, which ranked performance and the performance looked at a thousand large companies in the U.S. and we were grouped in with life insurance

companies. Over a three-year average, Assurant is number one in delivery. Had we been in the property casualty sector, our return would have been number one. On a shorter basis, if we look at one year, again in that life sector, we were number two. If we'd have been in the property casualty sector, we would have been number three. You can also compare those against what the Dow and S&P did and to me it says we've got execution going on those fundamentals.

It all starts with our strategy at Assurant and we think words are very important when we look at the strategy. And you're going to find our people know the strategy well. We're in specialty businesses and the reason we're there is we can build market leadership in those businesses. Focus is something you're going to hear a lot about today, and it's really all about how do you take and deploy your resources in a way that best meets shareholder needs. And we think we've done that and are going to continue to it. Diversification, a big theme both within Assurant, and you're going to hear about that within the Solutions business today. That diversification reduces volatility. Last, we have a number of core capabilities we leverage across the enterprise, and we're going to talk about those capabilities as they relate to the Solutions business.

I go back to that diversification. Our businesses are impacted by different factors. We think this is a big strength of the strategy. We know that people are concerned about the economy at points in time, but you can see our businesses are impacted by different factors. Again, that diversity reduces volatility. It makes us feel real good. The businesses do not all move the same way at the same time.

Core capabilities. We talk about highly disciplined risk management. You're going to get some insight in terms of the things we do within the Solutions business. We'll share those with you today. Integration of complex administration systems. This is how we work with our partners to make it easy to do business with and also to create long-term relationships with those partners. Finally, we are very focused on building strategic distribution relationships with market leaders. And we love this slide because it shows some of the household names you're familiar with and many of these names are Solutions' clients. In fact, you're going to see more of those names as they go through their business today.

We're very focused on these diverse businesses and, as importantly, where we should focus our resources for profitable growth. Here is a distribution of our profits, net operating income by the four businesses last year. And you can see that Property had a terrific year. But I'd remind you if you went back three years ago, the picture looked different and actually Health was our biggest contributor. One of the things we've talked about is that cycling analogy. You can think about our business as a group of cyclists where one takes the lead, then the next takes the lead, etc. And today, you're going to see how the Solutions business is positioning itself within our cycling pack and I think you're going to be quite pleased.

The orange or gold areas on this chart are the areas we've targeted for growth. Those are the areas we identified a number of years ago as presenting the best opportunities to build shareholder value. And today, those continue to be the areas we're focused on. As part of our strategy review process, we look at those things on a regular basis.

Results have been quite good on a number of different dimensions. Whether you look at our earnings per share, our return on equity, our book value per share, the results over the last several years have been very good and, of course, what you're all wondering is, well what are you going to do next, and we want to give you some insight into that because we think we can continue to be well positioned despite a change in the economy. And you're going to see that as we go through things today.

We're also very pleased with the performance we've delivered on return on equity. Here's a breakdown of our businesses. I'd point out that these business ROEs are unlevered. We hold all the debt at the parent company. We also have some expenses there. We have the runoff of some old businesses that run through the corporate results, but you can see those returns we talk about within the business are quite good and we will address where we're going within Solutions because we've been in a big investment mode within the Solutions business.

I want to take you back to 2005 and our Investor Day. At that point in time we identified a number of targeted growth areas. I hope you'll recognize by these slides that we've delivered on results by producing growth in those targeted areas. At the same time, when you emphasize some things, other businesses, which we saw not having as good of opportunities, we've just kind of managed for profitability. These businesses are becoming a smaller part of the overall puzzle. That was by design. When you focus your resources in some areas, you're not putting the full resources in others, and that's really because the opportunities were profoundly better in the targeted areas.

We're going to talk about Solutions today. Let me give a quick run through on some of the other businesses. The Property businesses, which we reviewed at last year's workshop: homerun, terrific results last year. Again, a number of things working in our favor within the business. The one I keep coming back to though is our share of the trackable loans keeps going up. We've built that leadership position and we continue to build upon it and produce terrific results.

Health business. Health sales have been up in the individual medical area, which we're emphasizing. I know there were the announcements about yesterday, today, Humana, WellPoint. I want you to reflect back. What have we been telling you? A much more competitive environment, we are going to price to produce attractive returns. If that causes us to walk away from a little business in the short-term, so be it. But we see that individual medical business as a specialty business. We think our knowledge base is better than the competitors and we feel we are

very well positioned within this business. You did not see a drop off or a major drop off in our profitability last year and it's because we maintained that pricing discipline. Combined ratios; envy of the industry.

Employee Benefits business. This is a business we retooled from a selling standpoint, focusing on the smaller case. We think that strategy's taking hold. We're going to start seeing growth in this business. We feel very good about it.

All of this, the business is all supported by a very strong financial foundation. Our balance sheet is strong. We're good at the risk management, we believe. You're going to see more of that within this business today and we've got strong liquidity. If you went back two, three years ago, you could borrow money. Cash had less importance. Today, everything's changed. We've got a liquidity crunch going on within the marketplace and we have excess capital. We like that position. We think that if opportunities are there, we're in a position to capitalize on them. So, I think, again, very prudent strategy. I think it's proven out.

I'm going to move over and talk just a little bit about what we told you about capital management, and it continues to hold. The first thing we do with our capital is finance the growth in our existing businesses. If you look at that targeted growth, those targeted growth areas, those have all required capital as we've grown them. We financed that ourselves. If we still have more capital, we like to make prudent acquisitions, and we've done a number of those over the last few years to build the businesses. You're going to hear about a number of those today because they're within our Solutions business. We like to experiment and test new ideas. Testing is really the buzzword here to me because we're always looking for new things. When you hear about some of the things going on within Solutions and in the warranty area, we are testing new concepts that build that warrantable goods marketplace. Finally, if we don't use the capital in the first three we get it back to you, and we've done that through share repurchases and through dividends. We'll continue to do that.

Investment portfolio. We have a very conservative investment portfolio. One of the things we've said is we take some risk in the business, let's not take risk in the investment portfolio unless we're being paid for it. Guess what? We didn't chase MBS. We didn't chase areas for those couple of risks because our investment people said we're not being paid appropriately to take those risks. So, what you should know is we have a very conservative investment portfolio. I'd stack it up – I said this at a recent conference – I'd stack our portfolio up against any investment or any insurance company's investment portfolio because, again, it's built on that solid foundation and a conservative approach to things.

Which brings all this in my mind back to why should you be here, and why should you be investing in Assurant? And I think there's just so many good reasons. We've got diverse sources of earnings coming out of these specialty businesses. We've built leading positions in a whole variety of different products

and services within those businesses. We have an experienced management team and you're going to get an opportunity to see the breadth and depth that Craig has built within the Solutions team today. I think this is an impressive group. I'd stack them up against anyone. ROEs, they're among industry leaders. That's something we talked about. We wanted to be in that top quartile. Again, we believe that's something we've delivered on for you. Our capital management strategy, it's transparent. It's laid out for you. Here's what we're doing. Here's what we're going to do with the money. That's how we're executing on things. And it's all built on the premise of a very conservative balance sheet. So, we think that is a very compelling rationale on how we have and how we will continue to build shareholder value. And what we're going to do today is give you more transparency and insight to the Solutions business.

So, before I introduce our next guest, I want to get into the spring training theme a little myself. And what I thought about is who are a couple of the baseball managers that I can think about who have married concepts with our business? One of the ones I think of right away is Lasorda, Tommy Lasorda. Tommy Lasorda, if you think about how does he match to Assurant's strategy? Well, Tommy built relationships with a strategic partner, Dodger nation, and the way he did it was bleeding Dodger blue. I'm like this guy was – I never understood we were connected. Another favorite manager of mine, La Russa, Tony La Russa. He was a risk manager. He would take data and analyze it to create match ups so that he got the most wins out of his team. So, the Dodgers have Lasorda, the Cardinals have La Russa, Assurant Solutions has Lemasters. And Lemasters, he does all the circles because he's dealing with multiple businesses within Solutions. You're going to hear about those businesses today. So, I want to bring up our manager, Craig Lemasters. Come on up, Craig.

Craig: Thank you, Rob. I never had any idea how much pressure having my last name start with "L" would cause one day, but thank you for that, Rob.

I had the good fortune actually of growing up in south Florida, so this is always like coming home to me, but one of my real fondest childhood memories is about spring training actually. And my dad would load me in the car every March and we would head to Dodgertown in Vero Beach. And as a kid my memory of that is just pure T fun. I mean think about it – beautiful weather – I'm hanging out with my dad watching baseball and it's not baseball in today's 70,000-person stadium. I mean its baseball connected. And I can literally remember being from here to Ed away from Don Sutton and some of the real greats of the Dodgers. And so my memory of that is just pure T fun. But as I got older I realized there's a lot more going on in spring training than just fun for kids. And what was really going on at spring training was about taking stock of sort of where the team is, looking at the players, both the veterans and the new guys coming up. It was, most importantly, about the future. It was about planning for what are we going to do to win the pennant? What are we going to do to possibly win a championship this year?

And so, the more I thought about what really is happening at spring training it really is what we're doing today, so I've changed the name of the meeting. The workshop is out. You're officially at Assurant Solutions spring training because that's what we're going to do today. You're going to get a chance to hear from our team. You're going to get a chance to hear a little bit about where we are, but you guys are pretty familiar with where we are. Most important, we're going to talk about the future and how we believe at Solutions we can not only win the pennant, but we can win the whole thing, and so, that's what we're going to do today.

I want to tell you a little bit about where you are. I've already had some great questions about the campus and a lot of nice compliments here. And it is a unique campus when we look across all of the AIZ family of locations in that this is our largest worksite. We have over 1,900 employees right here on this campus. But as the father of four young children, this next point is near and dear to my heart. We were actually the first public company that partnered with the public school system and built a school right here onsite exclusively for our employees. So, we have kindergarten through fifth grade right here on campus. And we actually have a daycare that starts, I believe, at six weeks or two months. So, when you think about that from a business perspective, a lot of companies talk about secession planning, but we really live it. I mean we get them at six weeks. They go to school and they go off for a little while and they come back and then have a great career. Another way to think about it, it's literally our farm system. Back to spring training, we've got our own built-in farm system here. One of the jokes and rumors for many, many years – if you noticed when you drove in, a lot of property out in the front of this facility where we could eventually expand if we needed to – but the rumor always was we were going to build a retirement home out there. So, I mean think about it. It's the ultimate then in succession planning. We called it the cradle to grave strategy. You literally never have to leave the compound. We didn't do that, by the way.

The other thing we have here is a complete fitness center and athletic facilities. We are a big company – or a company that believes big time in wellness and believe that healthy employees are better and more productive and happier employees. A quick footnote on that for you is that in the gym this morning at the hotel there was one – I think we have about 35 people – and so there was one of the 35 in the gym this morning with me. Now, I'm not going to embarrass the rest of you and point out the one that was there. But I would encourage you on the way out, the health club is right around the corner so check it out. If you have time, you can use the facility. But it is, it's a great benefit for our employees that we have that I think onsite and it really demonstrates that we're serious about this.

A lot of things that I'm excited about you all hearing today. And again, as Rob said, I want to talk a lot about the future and some strategies and some exciting things going on here today. When I think about all the things I'm excited about, the single one, the absolute number one is this right here: it's your opportunity to

hear from six of the leaders of Solutions, the folks that are really executing on our vision day after day. And, as you can see, it's an experienced team, lot of tenure here, but that's not the most important thing. What you will see and hear today, I believe – and I'm arguably very biased on this – but I believe is a group of some of the most passionate, energetic, dedicated, knowledgeable people that you will hear in any company. And as Rob said, I will stack my team up against anybody because this is what really makes a difference. So, I'm extremely excited that you get to hear from this group directly today.

My question about the future, I think is the same as yours and that is: how do we at Solutions build a long-term profitable growth platform, particularly in light of uncertainty in the economy? I think we'll all agree there's uncertainty in the economy right now. A couple of keys for us, and you will hear this theme throughout the day, for us to continue to do this, it's about our unique and specialty model. We don't play in mainstream markets. We never have and we won't in the future. It's about leveraging core capabilities. How can we take the things that we believe we're really good at, that we're investing in, and do that elsewhere? Finding new niches, new products, new opportunities. It's about aligning with market leaders: fundamental to our strategy is alignment with market leaders. And lastly, it's about leveraging all these things, not just here in the U.S., but as we invest in new markets overseas. You won't see us go do new things overseas. We're going to take our core capabilities here and leverage them in selected markets. We believe if we continue to invest and execute on these four things, what that will lead and continue to lead for us is this foundation of a long-term profitable growth platform that can withstand economic uncertainty. And you'll hear a lot about that from each of our speakers today.

So, where are we today? Sort of how does the Solutions pie get split up today? And I'll talk in a minute about how this has shifted over the last few years, but just to give you a sense, as you can see about half of our business is the domestic service contract business. But it comes in a whole host of ways. It's not just big-box retailers. There are major appliance, both OEMs and manufacturers, and retailers, computer retailers. Cell phones, we're excited about the mobile phone market. Not just the auto business, but specialty markets within auto. So, we have a lot of diversity, but it's almost half of our business mix based on our premium today. International, if we combine credit insurance and service contracts, makes up about 24% of our business. So, again, a big shift from the last few years. And, of course, Preneed, which we brought into Solutions almost two years ago, is a big part and a growing part of our company as well. And then our domestic credit insurance, while not growing largely because consumer loans and credit cards have not grown in the U.S. in the last several years, again, a pretty good chunk still of Solutions overall.

Take a quick look at four key metrics, obviously, that we pay attention to: the first two are really top line, across the top of the chart, gross written premium and earned premium. And I wanted to highlight for you really the three targeted

growth areas that we've been talking about for the last three years: the yellow line representing our domestic service contracts; the green line our international expansion; and then blue, Preneed. And you can see that certainly international and domestic have been up both on the gross written and the earned line. Preneed, pretty flat today, but again that's largely driven by the divestiture of homes by our partner SCI, and very much anticipated. So, we're happy with the top line growth that we've experienced. Net income has been relatively flat the last couple of years. And again, we've talked a lot about it and you'll hear more about it today, largely driven by the investments that we're making to build this long-term profitable platform. Same with combined ratios, they sort of bounced around in that range. Again, not where we want them to be. All the initiatives that you'll hear about today, and we've been talking about the last two years, will drive those combineds to where we want them to be, the high-90s for domestic and mid-90s for international, and that still is our goal there.

As we improve, obviously, our net income line and the combineds begin to drop, we maintain our goal of 14% to 16% over the next several years for our ROE. So, how are we going to do that? I want to share with you today some of our opportunities and the challenges to get to our ROE goal. On the opportunity side, it really is back to focusing on these three targeted growth areas: our SCI relationship, our international expansion, and our domestic service contract. Why? Quite simply because we are already at or approaching those targeted ROEs in those targeted lines, so we're going to continue to execute on those strategies. We want to maintain these relationships with these market-leading clients and the reason is, we have seen over time that the longer we keep these clients, the more profitable they are. So, you'll hear a lot about how we intend to do that. And again, we have a great track record of doing it, but it's fundamental to reaching this goal of 14% to 16%.

We'll talk a lot about international today – again, a big part of how we get to this targeted ROE goal. Why? Because Mike's going to tell you about how we think about the fixed costs versus the variable costs, how we can better manage. I think some of the capital efficiency opportunities we have in international, and then ultimately gaining the economies of scale that we need to, again, cover those fixed costs, have our developing countries be contributors to the bottom line that will drive our combineds and ultimately our ROE. So, you'll hear a lot about that today, as well. On the domestic side, it's all about risk management. You've heard me talk the last couple of years about our success growing the top line in our warranty business. It's all about risk management. As we get better and better at managing this portfolio of products, it will continue to drive down our combined ratios in the domestic warranty business, which will drive the ROE. And ultimately we also want to continue to reduce excess capital in some of our legal entities. There's opportunities there. Obviously it'd impact the ROE, as well.

On the challenges side, there's a couple of pressures that we would continue to have on our goal and our journey to 14% to 16%. The first is we do have some

runoff of mature products that are below that goal of 14% to 16%. So, the good news there as those products begin to runoff, hopefully faster and faster in some cases, it will have a positive impact on our ability to reach the 14% to 16%, but those still have an impact today on the downside. On excess capital in legal entities, the good news is we have opportunities there to consolidate some of those and drive out excess capital, but timing is harder to predict in that and in some cases it's hard from a regulatory standpoint to get that done. So, it is a challenge for us and an opportunity. Long-term low interest rates. I don't think there's any big mystery there. The long-term low interest rates would have an impact on our bottom line, and again, a challenge for ROE improvement, as well. The next one is something we've talked a lot about and that's our investment in international. And again, us finding the right balance between the number of countries that we're investing in, when they breakout profitability knowing that will lower short-term results from a bottom line standpoint, but also not wanting to miss opportunities that are out there from a competitive standpoint. So, again, you'll hear more today about how we're trying to balance those. But clearly we get it in terms of the faster we can make these developing countries profitable and contributors, it will be a big, big impact on how we get along with this journey to 14% to 16%.

Now, the final point I mention is new business acquisition costs and that really comes in two forms. One is just our normal course of business. When we add, particularly warranty business, there is usually some upfront cost, perhaps through networks, setting up training organizations, and process, so there's some upfront cost that, again, has short-term pressure, but very prudent from a long-term investment to bring in new business. The other thing we've done quite a bit of and is a big part of our strategy going forward is mergers and acquisitions. Again, can have some short-term pressure, but when we execute on M&A, we believe it's the prudent long-term thing to do. But again, it can have some short-term pressure so we list that as a challenge.

The takeaway on our journey here is, one, I wanted to give you some more detail on some of the specific things we're working on. This is a subset, though, of many more items that we believe can materially impact our ROE over this several year journey to 14% to 16%, but we are still committed to that ultimate goal.

The change in our product mix is a real important notion to us and, as Rob said earlier, as an organization across all the Assurant companies, we're pretty disciplined about investing in things that have the growth potential in the future. What the other side of that means is we're not going to invest in some things that are not as big a part of our future. And I think a lot of companies talk about this, but it truly is a discipline. And so, I think if you look at the mix of business, you know, we said a couple of years ago we're going to focus on domestic service contracts, we're going to focus on international expansion, and our Preneed SCI relationship. On this graphic, if you look at those three buckets, it shows you that in a literally about a two year period, we moved from roughly 60% in these core

areas to over 80% in these core areas. So, we've had a pretty dramatic shift, and this is a real testament to my team that you're going to hear from in a few minutes, that they've had the discipline to focus on these and move resource into the areas that are a big part of the Solutions future. So, this is a real important notion for us, this changing product mix.

There's really three things that have to come together for us to really make Solutions work in terms of this long-term profitable platform. We have to be disciplined about our risk management. It is certainly fundamental to our international expansion; it's fundamental to the improving bottom line of our warranty business domestically. It is a core capability, but we have to stay disciplined to that. And we have to stay disciplined about our strategic distribution and partnering with only market leaders. That has been fundamental and core to our success over the years, and it'll continue to be. And finally, we have to embed ourselves with our clients and we do that through the integration of complex systems. And it's not just IT. It can be IT, but it can be a host of things that you'll hear about today. We can embed ourselves with training programs. We can literally embed our employees in retail clients. We have a whole array of systems on the backend to help our clients retain customers. But when we add all that up what that really means is we're in lockstep with our clients and we become a real important part of what they do. So, the integration of these systems is very important and fundamental to our success.

Now, when these three buckets collide – we're disciplined about risk management, we're partnering with market leaders and we're really integrating our core capabilities – when these collide, we call it our sweet spot and the reason is that's when we can sustain and maintain long-term profitable growth with our clients and that is the fundamental goal of what you'll hear about today at Solutions.

Real brief in terms of our focus today, as Melissa said, we want to give you a more in depth look at Solutions overall and what we believe are the unique business models that set us aside. I want to highlight some of our service, again, how we integrate ourselves with clients to keep them happy. The longer we have them, the more profitable it is, so we have great motivation to do that. I want to tell you more about how we make money. We've had lots of questions over the last couple of years because some of our businesses, while we believe are leveraging core things that we do, are fairly diverse and so we're going to spend some time today helping you better understand how we make money, how we define our competitive advantages in each of the markets that we serve. And then, ultimately, what do we think the long-term growth drivers are of our business. So, again, I'm just thrilled that you're here. We thank you for coming today and are very excited about the possibilities that we have today to further educate you on the future of Solutions. So, welcome to spring training at Assurant Solutions.

With that, I'll be happy to take a couple of questions before we move on with the rest of the agenda, if you have anything specific.

- Q: Hi, Keith Walsh, Citi. First on the ROE, is that – the 14% to 16%, is that a hard target and it's over what timeframe are you talking about here specifically? And then does the 500 to 700 basis point improvement that you've gotten there, does that assume similar equity levels, say as a percentage of what we have today, or are you assuming a draw down in equity within that segment? Thanks.
- Craig: Yeah, Keith, the 14% to 16% is a hard target. I mean we're big believers here about having hard targets when we set our mind to something. The timeframe is several years. And in terms of the mix of the equity part of that, yeah, as I said, there's some things that we can do to. We think to conserve capital both with the legal entities, some of our structures, even down to the deal structure, some of our action plans we're looking at, how we structure individual deals. With that said, part of the equation for us is growing the "R" part, which will use more capital so it's really both working in conjunction. But it is a hard target. And one of the encouraging things for me is, again, I don't have time to do it today, but it's a long list of things that we're actively working. And you'll hear from the team today, our focus is on driving more bottom line – we think we have a good platform now, is driving more of that bottom line – working real hard on the "R," and then we've got lots of great financial people in our company that are working the "E" part, as well. Ed.
- Ed: Just a quick follow up on that question. If we look at the chart it has you sort of getting to that range in 2012. I guess you could have just said long-term target is 14% to 16% and you did a chart that actually has a year. I mean should we be looking at that as sort of several years?
- Craig: Yeah. Well, the chart wasn't supposed to be that specific, Ed. You've drawn a nice line through that. But that's why I say it that way. It is several years. Some of these things, quite frankly, are just hard to predict, particularly on the "E" side and the timing of how we can be more efficient with the use of capital is challenging. On the "R" side, again, if you look at what the drivers are and I believe we're on the right path in terms of continuing to improve profitability on the warranty business, but again the timing of that is somewhat harder to predict because of the nature of how that business earns. And then, on the international side, I talked a lot about the fact that these countries are very different in terms how and when they breakout in profitability. And one of the things that we added to our agenda today that I think will give you a great example of that is Argentina. We're going to show you a little bit about how Argentina emerged in that profitability and I think it'll help you understand better the timeline. But the international breakout is going to be a big part of exactly what that day, month, and year is in terms of breaking into that category.

- Ed: Can you tell us or specifically today if you could take out all the capital that you think you should be able to take out, what type of impact on ROE today would you have?
- Rob: Just two things that I think are important for people to realize here. First, in this business, the business we are writing today is at or above those targets. So, when Craig's up there talking about these targeted growth areas, we are writing new business at those levels. We're going to give you more background on how that emerges over time, but we're comfortable we're writing the new business today at or above those levels. In terms of the equity, I think what Craig wants you to take away here is we're working on the denominator too. We want to be as capital efficient as possible. This is a moving target. In the U.S., we capitalized to those best capital ratios and they change every year. So, we are on them and we're going to work them as hard as we can. We're also expanding internationally and he's going to work on that real hard, too. So, I think the big take away is we know we can write new business at or above these levels. We pointed out we've got some businesses that are in runoff that are below those levels and we're going to work all sides of the equation diligently.
- Craig: Let me move on now with our agenda and it's my pleasure to introduce Joe Erdeman. Again, we had some more questions, so if you would just hold those. We're going to have lots of time after lunch for our panel Q&A and happy to take more questions at that point.
- But I want to introduce Joe Erdeman, who's our Executive Vice President and President of our Service Contract business. Before I had the four small children, I used to get the opportunity to play golf a little bit on Saturdays and 15 years ago, almost to the day, I was playing golf with a buddy of mine and he brought along one of his friends and just sort of chatting with the guy during the four hour round of golf found out that he went to Auburn University, had a degree in finance, spent 11 years with Household, but seemed like a pretty neat guy. And the more I talked to him I realized he had a great sales and marketing background and I started to really like this guy. And, as Rob said, I kind of bleed Assurant. I'm always thinking who would be a great fit for Assurant. And by about the 17<sup>th</sup> hole, I'm thinking we ought to try to hire this guy. And it turned out by the 18<sup>th</sup> hole he says, "just so you know, I just applied for a job at Assurant Solutions." And I'm like, well, that's kind of neat because I was just thinking we should hire you. So, I found out who he had talked to, ran back to the office on Monday and asked the guy, I said, "do you remember Joe Erdeman, the guy you just interviewed?" He said, "yeah, I just haven't had a chance to get back to him." Well, we'd better get back to him because if he's leaving Household somebody's going to hire this guy. Well, fortunately for us we did get back to him. Joe did take the job. He came in as a sales representative out of our Atlanta sales center and literally worked his way up throughout the first 10 years of his career and progressively bigger and bigger management positions. Five years ago he took over our Service Contract business and he and his team really are responsible for this platform that we've

built that is growing so nicely in the Service Contract business. So, please welcome Joe Erdeman.

Joe: Well, good morning everyone. And Craig, thank you for the very nice introduction.

Some people go through life thinking you only need two tools: WD-40 and duck tape. If you have something that doesn't move, but it's supposed to, use the WD-40. If you have something that moves, but it's not supposed to move then you use the duct tape. Well, at Assurant, we believe that we have a better answer for the consumer in our extended service contract programs and the value that they provide.

Imagine, if you will, that you're Valerie Taylor and Ms. Taylor purchased a laptop from one of our clients. She was offered and agreed to purchase an Assurant extended service contract. Now, she took her laptop home and she's been enjoying it for some period of time, but about 18 months after the purchase she begins to have problems. She's not sure what's wrong with the laptop. She just knows it doesn't work the way that she needs it to and it doesn't work the way it did in the past. So, she pulls out all her paperwork from the purchase. Takes a look at it and realizes the manufacturer's warranty expired after 12 months, so that's of no use to her. She does remember that with her service contract she received technical support. Now, this is one of several ways that we can add value to this consumer. In fact, we can resolve eight out of every 10 customer issues with computer related products on the phone or over the web without the need for any repair at all. If the customer has an issue that's one of those 20% that needs repair, we have a service network that we can dispatch the issue to, that can complete the repairs efficiently and with great quality. Then, if we're not able to repair those few units, we also provide replacement as part of our service contracts, and the consumer will either receive the replacement item shipped to their home in the mail or they may be directed back to the retailer where they made the original purchase so that they can receive their replacement item. So, no matter if we resolve the consumer's issue over the phone or the web or through repair or by providing a replacement product, we have an efficient process that's easy for the customer to understand and, in many cases, they can track the entire service event over the web so they know exactly what's going on. This leads to happy customers. It reinforces their decision to buy service contracts. It also reinforces their decision to do business with our clients, which leads to happy clients.

Now, I have a lot more information to review on the service contract business today so I'll go ahead and get started. When you think about the service contract process from beginning to end, it's something I like to call the life of the service contract. It begins with our clients and the products that they sell to the consumer. It moves through the process to the offering of the service contract product and the eventual purchase of the service contract by the consumer. And then, the item

that the consumer purchased is covered for a period of time under a limited manufacturer's warranty. And then you have the service contract term of coverage after the manufacturer's warranty has expired. What's really important in its entire life is that Assurant, through our integrated model, is able to provide value to both our clients and the consumers throughout the entire life of the service contract. Some examples include, in the sales and marketing space, we provide support to our clients with our expertise in marketing and training through our strategic performance management approach. You're going to hear more about this as we go through our presentations today.

The strategic performance management is a process that we employ that transfers service contract selling skills and product knowledge to all the locations of our client. It's been proven to increase the sales of service contracts both at existing clients who have implemented the program and at new clients who come to us from competitors and experience a significant increase in the sales of service contracts. Once the sale has been made, the value that we provide directly to the consumer, moves to our Solutions centers. These are our inbound call centers and as the name implies, their sole purpose is to find resolutions to the problems of both the consumers and our clients. We take customer service calls, we dispatch issues for service, and we also provide technical service, as in the example I just gave of Valerie Taylor. If we're not able to totally resolve the problem over the phone, the value we provide the consumer moves to service delivery. Assurant manages a vast network of servicers, both national, regional, and local servicers, that allow us to provide quality service in all U.S. ZIP Codes.

Our strategic diversity is a key part of our overall business model and one that allows us to adapt to various economic cycles. For example, it's been well reported recently that the sales of automobiles have declined. Now, on the surface this may seem to provide fewer opportunities for Assurant to sell service contracts on cars. However, we know that in periods of slower sales, dealers place more value and focus and emphasis on programs like service contracts that drive increased revenue. And, with our expertise in marketing and training through our strategic performance management approach, we can actually add increased value to the dealer community. As a result, we may find that we're able to bring this new value to the dealer community and add new dealers to our customer base as a result of the current market conditions. On the other hand, the sales of high definition television sets are strong and are likely to remain so. High definition television sets are also one of the product categories where we see the highest acceptance for service contracts among consumers. So, in this case, we're likely to benefit from increasing sales of a product where consumers see value in service contract coverage. So, our diversity in the products that we cover, the industries we serve, the countries we operate in, and really in our products and services ourselves that we bring to the industry, we're able to have a well-balanced business model that provides for long-term profitability prospects.

Our diversity is also a key part of our overall growth, which has been very strong over the last four years. The key take away really is that we're not dependent upon any one product, any one service, or any one industry for our growth. A lot of our growth success is a result of our focus on four key drivers: growing our business with existing clients; adding new clients; innovating new products and services; and entering new distribution channels. Over the last four years, we've had multiple successes with each of these drivers. We've expanded our business and grown our production with existing clients. For example, with Home Depot we have coverage on carpet, power tools, lawn and garden equipment, as well as we implemented our strategic performance management approach to drive increased sales. Internationally, in Canada, with Future Shop, which is part of Best Buy, we recently took over in the last couple of years the underwriting of their entire service contract program. Now, this was in addition to administrative services we had already provided for several years. And at Radio Shack, where we provided underwriting for many years, we took over the administration of their service contract program that they had previously done in-house. This means we've been taking all customer phone calls, dispatching issues for service, and picking up these additional functions at additional revenue and profitability to our business.

Looking at the addition of new clients, we've added many new clients over the last four years. Internationally, Wal-Mart has agreed to become our partner in Puerto Rico, in Canada and, most recently, in Argentina. And we've had great success in the wireless marketplace, adding clients such as Helio and Cricket. Cricket is the seventh largest wireless carrier in the United States today. Our wireless success is also driven by our new product innovation in our AssureConnection product. In the past, wireless handset protection programs have been provided through insurance products. Our AssureConnection product is a service contract-based product. As such, it provides flexibility with respect to rates, marketing practices and licensing. So it's a different offer for the wireless marketplace and one that provides additional value to the clients we have in this market. It's an Assurant-only offer and we have a patent pending on this product.

Another key innovation was our ability to pioneer the accidental damage coverage for service contracts. This served to bring more value to our service contract markets and products in the marketplace, and served to expand the marketplace because of that additional value it brought.

We've also entered several new distribution channels over the last four years, including the recreational vehicle marketplace where one of our first clients was Route 66. We've entered the jewelry marketplace through a partnership with Finlay Jewelers. You may not be familiar with Finlay, but they operate the jewelry counters in many major department stores. And, our first OEM client in the consumer products category was TurboChef. TurboChef manufactures a line of ovens. They have both a residential line and a commercial line. The next time

you're in a Subway restaurant and you get a sandwich, ask for it to be toasted. That's a TurboChef oven and it's protected by Assurant.

So our success in each of these key drivers, over the last four years multiple successes, have really led to the overall growth success that we've experienced and the success that we've enjoyed. And our continued focus in these four drivers presents us with solid growth prospects for the future.

Now retail sales is a very important metric in our business. However, it's important to understand that Assurant is not dependent upon increases in retail sales to drive our growth. This is because of the four drivers that I just mentioned and our focus in each of those areas to drive growth and the diversity that I was talking about. We do recognize that there are other macro trends in our business – things like disposable income and interest rates do affect those retail sales. Also, the length of manufacturer's warranties may affect the way we structure our products or our ability to sell those products in the marketplace. Some examples, in the automobile business, we've seen some manufacturers increasing the length of their limited manufacturer's warranties on certain components. What we do is we structure our products as a wrap around the manufacturer's warranty. And many times, the changes they make to their programs create increased customer awareness of important coverage the customer desires, which creates opportunities for us. On the other hand, in the appliance industry over the last couple of years, it's been reported that appliance manufacturers are decreasing the length of their manufacturer's warranty. This is also beginning to bleed over into some of the consumer electronics industry. So, in this case, we may benefit as our service contracts become more valuable to customers who buy those products.

Technological innovation is another key trend. Because the newest, most complex, hardest to understand products are the ones where consumers see the most value in service contracts. And we're always looking at consumer demographics, so that we can see if the sales and service contracts are being driven by a certain pocket within the overall consumer population. In the past, it's been thought that the customers who bought on credit, those are the guys that wanted the service contracts because they wanted to have their protection and the use of their product through the entire repayment term. What we found more recently, is customers are buying for convenience and peace of mind, and the sales are coming in from a broad cross-section of the entire population. Some examples of the convenience factor would be the technical service I mentioned with Valerie Taylor. That comes with virtually every service contract we sell in the computer marketplace and it's something that most people don't realize. It's a great value to the consumer. And, if the consumer needs to get an item repaired, many times, if they don't have a service contract, they don't know where to go to get it repaired, or if the repair shop they took it to provides high quality work or gives them the best price – but we've done all that for the consumer with the management of our service network, quality work at an efficient price. So we provide that type of value through our programs.

Now there is seasonality to service contract sales throughout the year. This is true in the consumer electronics marketplace and others of the consumer products, as well as the vehicle marketplace. Now our current business mix is weighted very heavily on the consumer products side, so it drives our overall seasonality. We see two main spikes in volume during the year. The first occurs in late summer around the back-to-school season. It's heavily concentrated on service contract sales for laptops and other items that students use at school. The second and much larger spike occurs in the fourth quarter around the holiday season. These trends are important as we look at and analyze our past sales and look at predicting our future sales moving forward. The real proof in our growth story is in our results. And, since 2004, Assurant has increased our service contract market share by 20%.

The data on this slide represents some averages with respect to customer acceptance rates on various consumer product categories. Now, at Assurant, we have some clients that produce both above and below these averages. For example, if you have a retailer with a self-service environment, they would typically produce below these numbers. On the other hand, a retailer with a very active sales floor will produce at or above these numbers. The real key though is in going back to our four drivers of growth. Our ability to grow our existing clients' business, primarily through marketing and training expertise in strategic performance management, and innovating new products and services, allows us to bring more value to both the consumer and our clients, which can serve to increase these percentages and expand the overall market. In fact, with our strategic performance management approach, where we've implemented it, we've seen a minimum 20% increase in service contract sales. So it's been very valuable to the clients where we've implemented.

I know that all of you are interested in how we make money, so I thought I'd start with a high-level overview of the flow of funds. When a customer visits one of our clients and they buy a service contract, they pay a retail price to the client for that service contract. Now the retailer retains the margin, which is something that they set. That's booked on our financial statements as commission and it's a deferred cost of acquisition for the service contract for us. And then Assurant receives a net rate for the service contract or a wholesale price. We split that net rate into two reserves, one for claims costs and a second for administrative services costs. Both of these reserves are priced to cover all expected expenses and to provide a target level of profitability for our company. Then, if you look at our financial statement, you see earned premium and you see earned fee income. The premium is earned primarily after the manufacturer's warranty is expired. The premium consists of our reserves for claims costs and a recovery of deferred acquisition expenses. The fee income begins to earn the day the service contract is sold and it's earned pro rata over the life of that service contract. And the fee income covers the administrative costs, things like taking customer phone calls or loading data onto our systems, things like that. And then the third area of

profitability for Assurant – outside the two reserve buckets – is investment income that we earn on both of those reserves.

It's important to understand that in a growing service contract business, the gross written premium should always outpace the net earned premium. And that's because of the delay that I was referencing for the manufacturer's warranty and the earning of the premium. And the manufacturer's warranty varies by product. For instance, computers average 12 months. Automobiles could be much longer, 36 months or more. Then once that manufacturer's warranty is over, we begin earning the appropriate gross written premium for that contract and we earn it over the term of the service contract coverage. Then when you look at the picture in aggregate, when we sell service contracts, we reflect gross written premium during the period in which they were sold. At the same time, we'll set up an unearned premium reserve and then that unearned premium reserve begins to earn. As reflected in this information, on average, once we begin to earn that unearned premium, it earns off over mainly a three-year period. There's very little left at the end of the fourth year.

Now, this is part of our current business mix today in the average manufacturer's warranties that I was talking about. And that pattern could change if that business mix changes over time. The other thing that's important in this slide is that we've seen that the gross written premium has continued to increase over the last four years. You can also see that the unearned premium reserve has increased very aggressively over the last four years. That unearned premium is what will earn off over the next three to four years – that provides the revenue to our business. At the same time that we set up the unearned premium reserves, we also set up deferred acquisition costs, and we recover those over the same time that the premium earns.

Assurant uses quite a bit of historical information that we have aggregated over time in our systems to manage the risks on service contracts. We have a vast database of information of products and product failures that comes from a wide, diverse number of sources and we have domestic information, as well as worldwide information. So [this is] one of the industry's most widely extensive databases, product and product value information. What we do with this information is we produce quarterly business reviews for all our significant clients, and we share these with our clients. Now this is one difference from Assurant and many of our competitors who don't like to share all the program information with the client. When we share this information with a client, we manage the program together jointly, and we have common goals in the program. We use the data to identify loss trends and to predict what the future experience is going to be based upon what's happening right now. Then, if we uncover problems with that review, we work together to identify ways to resolve those problems and put the program back on the track to proper profitability. When we work on resolving the issues, we use our levers of profitability. Some examples of those are changing perspective rates on service contracts, changing the coverage

maybe on future service contracts that we sell in the program, changing or adding deductible levels, and improving claims administration practices to drive expense out of our overall business model.

Now our integrated model where we're both the underwriter of a service contract program and the administrator, we think is very important in risk management, and why we think it's a superior model to many of our competitors. This allows us to have all the information on the program that the administrator or the underwriter would have if they were separate, to be able to analyze all that data, to properly understand what's going on with the service contract program and to more accurately predict what's going to happen in the future. And then as we work through the administrative practices and the functions, we can change them more quickly to implement them and get the program back on track to profitability.

Having a lot of data is nice, but it's not the ultimate solution. You have to know what to look at, you have to know what it means and then what to do about it, to change things for the better in the program. All these points of data that we look at do boil down to two main things though, the frequency and the severity of losses. Frequency is the amount of times we expect a product to fail during the service contract terms. And, severity is the average cost of a claim on those products. When you multiply frequency times severity, you get loss cost. Loss cost is the amount of losses or claims we expect in connection with any service contract over its lifetime.

We believe there's a value chain in the service contract business. It starts with sales and marketing, travels through administration and service delivery, with risk management or underwriting being important throughout. Our integrated model, as I mentioned before, where we were underwriter or administrator, we provide marketing support, allows us to play a part in more links in this value chain than our competitors. We believe this is important because we bring more total value to our clients and to the marketplace in general, which has resulted in much of our success. We believe it also allows us to have more control over things and to provide for more stable service contract programs over the long term.

All the things that we do so well in this business have allowed us to maintain long-term partnerships with many industry leaders over long periods of time. In fact, our average partnership is in the area of six years right now. Our longest partnership is more than 20 years old. And just last year in 2007, we re-contracted four of our significant clients to extended terms.

So, in summary, we believe that we've been very successful and will continue to be successful because we bring value to both the clients and the consumer. To the clients, an example I used was our marketing value, training expertise, strategic performance management, driving increased sales of service contracts. To the consumers, we bring value through our solution centers. Our technical service

support in the example of Valerie Taylor, through our service delivery and the quality that we provide and the peace of mind. Our vast database of information and our expertise in analyzing this information and knowing what to do with it to positively impact profitability trends, gives us a great advantage in our risk management of our programs and the stability that we bring to the marketplace and to our clients. Then our proven diverse growth strategy, focusing on the four key drivers – growing existing clients, adding new clients, innovating new products and services and entering new distribution channels – has driven successful growth in the past and provides for stable prospects for long-term growth in the future. But the real proof in our overall model is understanding, or hearing from our clients about what they think about their growth strategies.

## VIDEO

Joe: Now, I have the pleasure of introducing our next speaker, Jimmy Atkinson. Jimmy is responsible for our vehicle service contract business and we're very fortunate to have Jimmy with us at Assurant, because he has 25 years in the auto and related industries. Jimmy started working in automobile dealerships in various capacities. He moved on into the service contract business with a company that would eventually become part of Assurant. He left for a time to work for an organization that focused on overall training in the automobile dealership marketplace and then came back to us to focus on our training programs, eventually became the head of our direct vehicle service contract business model and last year was promoted to where he's running the entire vehicle service contract business. So please welcome Jimmy Atkinson.

Jimmy: Thanks Joe. Thanks, good morning, thank you all for being here today, and thanks for that introduction, Joe.

You know, Greg and Rob talked about spring training and it is appropriate since we're in South Florida. And if you think about the state of Florida right now, hundreds of professional athletes are going through spring training, working on the basics, working on the fundamentals. And I've been a baseball fan my whole life and I've often wondered, over a period of a season, how many ground balls the average major league shortstop must take. And they do that over and over because practice makes – you guys are probably going to fill that blank in with perfect in your minds, because we've all heard that expression. I tend to think though that practice makes permanent rather than perfect. If you practice poor skills, you end up making permanent poor skills. An example of that would be, if any of you have ever seen me play golf, that would be an example. If you practice great skills, you get great results and that would be Tiger Woods playing golf. Quite a contrast. You can probably picture the difference between us.

When we think about our business – what I'd like to do over the next few minutes is talk a little bit more about some of the things that Joe brought up during his presentation, how we use strategic performance management to drive sales, both

within our existing clients and bring us new business; how we use our risk management and our data that we've collected over all the years to both do price modeling, to get the business priced correctly for our clients and for ourselves and manage the underwriting risk; and how we have to drive additional profitability to the business.

So let's start with talking about a dealership. I know many of you live in New York and you may not own a car. Do some of you own a vehicle, own a car? I heard Ed, you collect antique cars, is that right? A couple. Yeah, we don't write service contracts on them, just so you know. Probably put everybody's mind at ease. But do you drive a car around every day or do you have a car? Not in the city often. What do you drive though when you're out of the city? Not the vehicle, just the brand... Well, we'll move on. A little shy. Keith, what about you? Do you have a vehicle? A Pontiac. And how about you, do you have a vehicle? Anybody at this table? What kind of vehicle do you drive? Yes. Just the brand, just throw it out there. A Lexus, okay, all great vehicles. What do you drive? A Toyota pickup truck. So a varied range of vehicles and we're able to offer service contracts on all those vehicles with the exception of Ed's classic collection that he's shy to talk about.

So, you can probably all relate to a dealership. If you think about a dealership, whether it be an automobile, an RV, a power sports motorcycle dealership, think about it in two halves. And we sort of divided it up here to variable operations, which in the auto lingo that means the sales area – the new and used sales departments and the finance/insurance department, which is where we sell our service contracts, and then fixed operations which is service, parts and accessories. By the way, you may have noticed that we have a motorcycle in the back of the room – highly accessorized because one of the big areas in the motorcycle industry is selling accessories. And we're trying to get some ground swell support to get a petition going for Rob to ride the Harley out of the room on the way to the airport today. So if you guys would – what do you think about that? Is that a good idea? Yeah, Rob keeps going back to actuarial speak about risk management or something, but...

The reason this is important is, I was talking with Beth earlier today and what we need to provide to dealers today is a holistic solution that covers the entire dealership. If you read about the automotive markets, you know that the domestic side is struggling a little bit on profitability, many new cars are sold today at a loss. If they didn't have finance and insurance income, they'd be losing money. So it's very important that they're profitable in their fixed operations. So we need to provide training solutions, consulting solutions that addresses that, which we do.

In the industry, the average absorption rate for an automobile dealer is 53%, which means 53% of their expenses are covered by their fixed operations. Good dealers do 65%, 70%. Great dealers do 85% and higher. If you think about

covering 85% of your expenses out of your fixed operations, it makes it a lot easier for variable in the overall dealership to be profitable. So what dealers look for from us is to bring a solution that touches the entire store, not just one piece or the other piece. What we're able to do then is bring this diversification – we've taken it to additional industries – the power sports industry, motorcycles and ATVs, off-road motorcycles, as well as road motorcycles, the marine markets, as well as the RV market.

When you think about the challenges, and Joe was mentioning some of the challenges, obviously gas prices are a challenge. I know the gas is probably much cheaper in New York than it is everywhere else, right? No, probably not. Gas prices are a challenge as they rise. You would think, well, sales will drop and to some degree that's true. But for example, in the RV industry, we have seen motor home sales drop, but we've seen travel trailer sales increase. And since we offer service contracts on both, it hasn't had as much of an impact on our business, plus, because it's a fairly new market to us, we're still signing new dealerships and overall growing that segment of our business. So it's been a terrific way for us to continue to drive growth.

How do we do it? Well, one key is our people. When we hire people in our space we typically hire people who have retail experience so they cannot just kind of talk the talk with the dealership space, but they can go on the showroom floor, work side by side with them and walk the walk. So when we do training and consulting, we go into the stores at that level and work with them to show them how to do it as well as telling them how to do it, which generates a great respect within the industry, and as you saw from the video, we sort of take spring training to them every day. We help them practice the fundamentals throughout the year, so that they grow their business and they become more profitable.

Joe mentioned our partnership approach with our clients – whether it's one of our large retail clients, or even down to the dealership level – it's a true partnership in many ways so that we're sharing the information back and forth and growing their overall business, which helped us grow our business. Joe was kind enough to mention that I've done a little bit of speaking and training. We have a number of trainers on our staff to speak at national conventions and state association meetings to bring a representation in the industry up, the name recognition, but more importantly, to show the level of talent that we have so we can drive that down and help drive the growth in our business, both on our direct side with our dealerships, as well as on our indirect side through our TPA relationships, third-party administrators and so forth.

Joe mentioned strategic performance management. I want to slow down for just a moment and talk about that. If you remember the slide he had with all the different attachment rates across the industry for different products on the consumer product side, every time we've implemented strategic performance management, we've seen a minimum of a 20% lift. That's a pretty impressive

track record. We use it across our business in all of our spaces to do the same type of driver of growth. What does it do for our clients? Well, one is it accelerates the program growth, which means they sell more of our product, they sell more service contracts, which makes them more profitable at the retail level. It does impact the short term. We can help them sell more now. But also the program is designed to be long-term, so it sticks with the dealer, sticks with the retailer, so it continues to drive growth over the long term.

On the wheel you see behind me – it starts at the top with management support. You have to have upper level management support in order to drive change. We all know that. The key for us is getting in front of the key players, whether it be a large retailer, whether it be a dealership group or third-party administrator, to make them totally bought into the program so they will help to drive the change.

We have performance accountability. Whether it be looking at the metrics – we take large retailers, we may look at their top 100 stores and bottom 100 stores and share the learnings of the top to help them grow their business, help them understand how they can improve the performance of their teams. Or we could be looking at a dealership level, to go into a store, do an audit of their finance department to be sure they're offering the product to every single customer that comes through and purchases an automobile, an RV or a motorcycle.

It's also a fluid approach. We customize the training to what's needed in that particular setting. It's different for one of the large-box retailers than it is for one of the smaller, more specialty firms and different from an RV dealership. So we customize it to what's needed and we use the components that we need to in order to advance the sale. You see some point of sale marketing material. If you look in the back of the room, you'll see all sorts of – a small display of marketing material. Here in the facility – and I don't know if they have the secret pass, Greg, to get back to the warehouse – but there's an entire warehouse of marketing materials that we provide our clients. All the materials you see in here were produced out of this office.

And finally, rewards and recognition. You're going to hear later how in our Preneed business we drive it through that. We do it in our business through compensation plans, as well as rewards for our clients.

So let's look at a couple of examples. This is an example of in our automotive space. We had a dealership that we've been marketing to for a year, year and a half and they finally awarded us the business. Well, at least they awarded us half the business. They said, "Well, I like the Assurant story, sounds good, so prove it to me. We'll give you one of our stores, we'll leave our other store with our current provider." So we went in and we implemented strategic performance management. We did the financial insurance deal audits I mentioned to make sure they were offering the products, selling the products. We did claim history reviews.

One of the things that we have in our segment in the vehicle space is 30 years of data. We've been in the service contract business for 30 years and so we can take that data and we know how to analyze the losses and help manage the underwriting side of the business, win the partnership with the client, because we tend to in some cases share that underwriting process. We can go into the service side of a dealership and know, for example, whether they're upselling or adding things to the repair orders that they shouldn't be adding. An example might be if you're in the parking lot out there, there's a little puddle of oil under every vehicle in the lot. There's some sort of a stain on the parking lot. Well, that may mean there's a leak and it needs to be repaired. Or it could just be there's a little bit of oil dripping from the car. Well, we want to make sure that they're not writing repair orders to fix all the leaks of everybody that drives in when it's not needed in the repair. Through the data we manage, we're able to get to that sort of level on our dealership level.

Doing profitability reviews. Joe mentioned our quarterly client reviews. If we take it all the way down in our dealership level to do ongoing reviews, to sit in with the dealer and say, "Here's how it's working, here's what's working well, here's what we need to improve on." And then finally, the training of the personnel, teaching people how to do the job more effectively. As I mentioned before, we can teach people all the way from greeting a customer, welcome to the dealership, all the way through the sales department and all the way through the service experience. So we can offer that complete training program across the industries that we serve.

Another example is one of our third-party administrators. They were a good company, they were profitable. When we took over the underwriting of that program, we sat down with them and said, "Let's take a look at your overall book of business, let's analyze it, compare it to what we know and see if we can help you make it more profitable." So we tweaked the pricing models for them. We went in and said, "Let's shorten the terms." They were writing a lot of used car business, so we helped to focus on the shorter terms so it earned more rapidly, and over a period of a couple of years we improved their profitability 83% and their contract growth grew 54%. So, by going in and using strategic performance management to analyze the business, we're able to help them become more profitable, which means that we drive more fee income and it makes us more profitable.

Let's talk about the value chain for a second. A minute ago I said we're customizable, we're fluid, and on strategic performance management we are. But on the value chain we're very committed to the discipline it takes to manage all four of these areas. We know that we're only as strong as the weakest link in this chain, so we're constantly focused to make sure that we touch each area. Our integrated model goes deeper than just us being the insurance company and us being the administrator in many cases. It also means that we have the staff and the

people who are associates or employees of Assurant in the field, rather than agents. This is a big plus when you're talking about managing these businesses. We're able to bring pricing and risk management expertise, as I've mentioned. We can help manage a program, help make it more profitable, again, from a large retailer level all the way down to the dealer level. And we constantly monitor results. I like to tell our team that we don't just follow-up, we have to follow through. We have to make sure that we deliver on what we told them, the client, over the long term, not just the short term.

So, our drivers of growth. We've got four key areas. We're obviously looking for new clients, which is at the top of this chain, or at the second one on the chain. We're always looking for new business. One key growth area for us though has been to grow the existing clients, which is at the top of the chain. That's where strategic performance management is so important. We have a lot of examples, and Joe mentioned several, where we've taken a client that is currently doing one thing with us and now they're doing three, four or five things. Just a quick survey. How many of you knew when you got your Subway sandwich toasted that we covered the oven? How many of you didn't know that? That's pretty impressive. We cover a lot of different things. That's the new distribution channels that we look at. In the automotive space we decided several years ago, we intentionally said, we need to go to adjacent markets. So we went to the RV market first and we've had great success there. We then went to the power sports, motorcycle market and now the marine market. We know that we need to keep driving through different distribution channels and we have to develop the different products in order to cover the models that are in that particular area. So all that comes together in order for us to be able to continue to grow the business.

What I'd like to do now is, we're going to take a few minutes of questions. I'd like to ask Joe to come back up and we'll take a few minutes of Q&A if you guys have some specific questions. Just wait until the microphone comes around.

Q: Jukka Lipponen, KBW. To Joe, I wanted to make sure one of the things that you referred to, being able to grow the extended service contract business, even in the face of declining consumer electronic sales in the weak housing market. Am I interpreting your comments correctly, like do you still expect to be able to grow your top-line in 2008, for example?

Joe: Well, we expect that, and first acknowledge that, certainly the retail sales in the housing industry are challenges, real challenges in the industry. But we believe that through our four drivers of growth that I mentioned, adding new clients, growing our existing clients' business, entering new distribution channels and innovating new products and services, we have a solid plan that can produce growth results and help us adapt through our diversification to various economic cycles.

- Q: And my other question is you showed the attachment rates. How would those compare with the attachment rate, say three years ago or five years ago?
- Joe: With many of our clients, as Jimmy mentioned, through strategic performance management, we'll be able to increase attachment rates over the past several years since we've been providing this program. So with our clients, we've seen, on average, a trending increase in the attachment rates and I really can't speak outside of our client portfolio. Jimmy, I don't know if you have anything you want to reflect in the auto business?
- Jimmy: Yeah, in the auto business it's kind of been up and down, but in the last several years it's been increasing slightly overall industry-wide. And, what we see – Joe referenced the longer warranties. Like Chrysler went to a life-time warranty. We develop wrap programs around that and limit the year term, but we see increases in gross when that happens because it tends to make the consumer more aware of the warranty through the sales process, and they're more interested, they'll listen about a protection beyond that in the sales process, at the F&I process, I should say, the finance process.
- Q: Beth Malone with KeyBanc. There's a been a couple of well-noted situations in the consumer electronics market. You have CompUSA, which was a client, go out of business and there is a couple of others that are challenged in this environment. How do you manage when something like that takes place? Do you move forward and find new customers, or is there a way to manage that downside with CompUSA?
- Joe: Well, with CompUSA, the first thing to think about, Beth, is that the immediate impact would be to gross written premium. Now there's still earned premium on the books. If you remember the slide that I used that shows how we set up the unearned premium reserve and it runs off over a period time, we'll still get earned premium from CompUSA over the next couple of years. And if you think about those reserves as I mentioned, about them before, that's properly priced to cover the expenses that we would expect out of the CompUSA block during that period. So we'll still have some effect in our earned business from CompUSA moving forward. And then, with respect to the gross written premium effect, you actually made an excellent point. As we go back to those four drivers of growth, yes, we are continually adding new clients, we're continually working with strategic performance management to grow the business we have at our other significant clients, entering new distribution channels is, as Jimmy mentioned, with the recreational vehicle and the power sports markets or I talked about in the jewelry market, and diversifying our growth strategy, so if we have an impact like CompUSA in one of those areas, we're not just depending upon that one area for our growth.
- Jimmy: We've got time for maybe one more question. There's – oh, right over here, I'm sorry.

Q: [Inaudible] existing clients. You talked about the administration and the underwriting. How much of your growth has come from penetrating or further penetrating those existing clients and how far are you relative to where you could be?

Joe: We've been very successful with the strategy that Jimmy and I had outlined in expanding the business with existing clients. I made two references. One was internationally in Canada with Future Shop or Best Buy where we did the underwriting for many years and then we took over the administrative services and it was a way to expand the business. The other example I used was Radio Shack, where we did the underwriting for many years and later took over the administration because we sold the value in those additional things that we do in the value chain. Now, with respect to overall penetration of the clients, we are the obligor on the service contract, or in effect, the underwriter in most all the consumer products business we do. And we also carry the risk on the vehicle service contracts. But then we look at the administration, we do a level of administration for every one of our significant consumer products clients today. And we're continually looking at ways to sell additional value in the other things that we do, we may not do for individual clients to continue to expand the business that we do today with all of them, which again goes back to our overall business growth being driven by each of those four drivers and working hard in each of those areas. Jimmy?

Jimmy: Yeah, I just think it's key that we don't just try to grow our existing clients, we have an intentional strategy to go into new areas like the jewelry area or going into different products with our clients like Joe mentioned with Home Depot, as well as the RV market, the power sports market, etc. Got one more hand up, so we'll take one more. I see he's already got a microphone

Q: Thank you very much. Steve Braham, TCW. My first question is with respect to accounting on the DAC that's on the balance sheet. Is that only retail commissions or is there an allocated overhead from startup efforts and all the rest?

Joe: The DAC is, as I mentioned, retail commissions are a portion of the DAC, but there's also some other expenses which are deferred acquisition costs of the service contract business, yes.

Q: To follow-up on the DAC question, it looks like from the slides on page 23 that the growth in DAC has been greater than the growth in unearned premiums from '04 through '07. Does that imply a deterioration in the terms of trade, in other words, having to give a larger split back to the retailer?

Joe: Well, I mean, the retailer as I mentioned, the customer pays a retail price. And the retailers set that price and that can vary widely, it can vary by the retailer, it can

vary by the product that we write the service contract on because you have varying amounts of commissions within a portfolio on different products. It can even vary by the price of the product, so as our business mix changes, as I mentioned on that slide, some of those things may fluctuate over time and it depends upon where the growth is coming from in the business and how it's affected by that overall mix.

Jimmy: And the DAC is really related more, I think, to the gross written premium line and the net earned line is affected by the terms. And Joe put up the different links of manufacturer's warranties and kind of the tail we have because of the link to those as we earn the business.

Q: And my second question is...

Joe: Another point on that is, remember back to Joe's slide where the breakout of the monies – the retailer is adding the markup, so there'd be no deterioration in our book of business. So they're really establishing their own markup, which would create the variability in the DAC. But we're going to price prudently – and back to that risk managed model – we're going to price prudently for the loss costs and our administrative costs within the net rate.

Q: And if you would, there was very little explanation of the actual servicing component. Could you go through very briefly how many servicers you have in terms of what the concentration is by service network? I mean you seem to be – this is part of your business. And also, what percent of your business to your major service partners, you give to them, in other words, your concentration among providers and for a given provider, how much business you source to them?

Joe: As you mentioned, Steve, the service network, or the service delivery portion of our business is a very important one to our overall model and one that we take great pride in the network that we put together. I mentioned that we have servicers throughout the country, some of them are national servicers and some of them are central depots where the laptop repairs are done. And some of them are throughout the country where we provide repairs, both at the consumers' homes or at business locations. We have – I don't know the exact number, Steve, but have an excess of 20,000 servicers, I know, in the network. And they allow us, as I mentioned, to provide service in all U.S. ZIP Codes. Now when you talk about the concentration of our service business, with each of the entities, I guess, in the service network – which is the question – the folks that provide service to homes and businesses, for the most part, regional players, a couple of national players. We divide our business mix of service events around to various different service providers so that we're not, again going back to the diversification message, that we're not totally dependent upon any one provider as an important real link in our mix, if we had a problem with that one provider. So we manage risk in the program by diversifying the service events across those broad spectrums for

different servicers, and using ones that are, as I mentioned, national, local, regional. So we just have a good mix and that's really part of the overall risk management strategy and story for the business. And Jimmy, you might want to talk about the auto.

Jimmy: On the vehicle side it's just a lot easier because typically the first selling – we put up the example of the fixed operations – they have a service facility and we drive them back to those retailers. Although we do have some national networks for people who are traveling or outside of that area, but typically it goes back to that service provider. There's a time in the baseball game, you kind of get towards the 7<sup>th</sup> inning stretch and I'm kind of looking in the bullpen and every team has a pitching coach, and the pitching coach just made a call to the bullpen to get somebody else up here, I think, Joe. So I'm going to just bring our pitching coach back up here, Melissa Kivett.

Melissa: I know you probably have many more questions. I'll remind you that we'll have a full Q&A panel after lunch, but as the coach, it is time for that 7<sup>th</sup> inning stretch and I won't make you sing *Take Me Out to the Ballgame*, but everyone on the web and here, we'll start back in 15 minutes. So thanks.

BREAK

Melissa: We're going to get started again. Well, I think you've seen this morning the unique and diverse management team we have. And now we're going to expand it a little bit more and add some Southern, South Jersey, Cuban and Argentinean flavor to the group.

Part of the expertise of this management team that we've talked about this morning is kind of managing to a low cost model. And actually some of these guys I've learned the last couple of days are really downright cheap. And this next guy that I'm going to introduce, he actually takes great pride in this. Manny Becerra – I just learned from the story he told me yesterday – in his first two years here at the company he was in a finance role and the president of the company asked him to go on a new client call. Manny unexpectedly did not anticipate that the head of the company would be driving in his beat up old BMW. Now, just imagine Manny. This is one of those cars where you've got to reach your arm in the window to kind of open the door. It has no air conditioning. You're here in Southern Florida. He's got a handy piece of cardboard on the floor that he's holding up to reflect the wind and to cool off the president as they drive to this client meeting. Well, regardless, Manny still applies the same low cost discipline today. He's still with the company. He's a great guy. And as baseball has their Yogi Berra, here's our Manny Becerra.

Manny: I'm not cheap. I'm value driven. And I did learn after that that it was important that I get a new car in case he rode in it again because he did mention to me that – he asked me the question, “Are you really that attached to this car? Was this like

handed down by your grandfather? Or what's the story on it?" So I did buy a new car so that I would have a career progression.

I joined the company 17 years ago and one of the first things I was asked to do as a new member of the company was to join a task force and a very interesting task force. The purpose of the task force was to come up with a strategy to bring credit insurance to a free Cuba. Now, my parents are Cuban, all my extended family is Cuban and they had escaped Cuba in the 1960s to flee communism. And so being on this task force made me feel kind of weird because I had this image in my mind that one day I would be coming, landing in Cuba on a plane, opening up the doors, grabbing two credit insurance policies in my hand and declaring, "People of Cuba, you've been repressed for 40 years. I bring to you credit insurance." Not that great liberator moment that I was expecting for myself. So the idea was a little flawed. Not to mention, not the least of which was the fact that Castro would continue to rule the country for 17 years, a little premature. But there was one important concept that came out of that meeting that I thought was reasonable and continues today. And that is if we're going to do anything in another country, we're going to take some – we're going to participate in business in Argentina or anywhere in Europe, we have to bring those things that we know, the knowledge and expertise that we have developed here domestically to those countries.

So that's what we're going to do in Cuba and that's what we do actually internationally today. And we have a lot of experience, over 50 years experience in providing credit protection products to the industry here in the U.S. through a variety of financial institutions in a very complex regulatory environment. We also have proven our agility and flexibility in dealing with a changing market because in the late 1990s banks began to look at another product, debt protection, debt cancellation and debt deferment, which was a bank-made product in which they could offer similar benefits to their customers without insurance. And we changed what we did, applied our capability in order to become the first third party administrator of a debt protection program along with a major bank, which was Citi at the time.

So let me tell you a little bit about the difference between the two programs. Credit insurance is a product that provides protection for a customer should they experience a life event, and the typical life events would be death, disability or unemployment. And it promises to pay all or a portion of the customer's balance. In that relationship, we have a relationship with the financial institution in which they are the group master policy holder of the product. They are also our agent and distributor. We also have a relationship that's unique with the customer because they're the certificate holder of the insurance policy. Debt protection is different in that it is not an insurance product. It's a product provided by the bank. It's a part of their lending agreement, a modification of their lending agreement. They're the ones who maintain the unique relationship with the customer. Our relationship comes by way of the bank. We are the third party administrator with

the bank, and we represent them in bringing the benefits of debt protection to their consumers.

Our participation in the value chain changes too with these two products. With credit insurance we play a primary role in eight of the nine elements of the value chain and a very important role in sales and marketing, but the banks or consumer finance companies or retailers are the distributors. With debt protection, we play a primary role in four of the nine elements of the value chain, and we play some important roles in underwriting and risk management, a minor role in compliance and no role in any type of legal support. We can make superior profits when we help institutions find new ways to sell and market the product.

Regardless of which product you're talking about, it's critical that you focus on and that we focus on the value that we can create for our clients. And we do this in three ways. First, we're expected to provide superior customer care at a low cost. We're expected to help them mitigate their risk. And finally, we can create value when we enhance revenue for those customers. That understanding of value creation is critical to the way we structure our organization.

Everything revolves around value. So we have aligned our capabilities, our enablers and our activity around value creation. We've built a system of metrics that help us measure what we're doing at all levels. So we're looking for value, we look at business results. For capabilities and enablers, we look at performance of those capabilities and enablers. And we also measure the individual activities of our associates. As a management team, this helps us make strategic decisions as to what we're going to do next. It also helps us guide our employees in what behaviors we want them to exhibit, what actions we expect them to take and how to perform properly in the marketplace.

Now, around these concepts of value creation we've built a variety of capabilities. These are just a few of them and I'm going to highlight a couple of them. One capability that we've developed that we're extremely proud of is our decision sciences capability. It's been important to our clients in building models to determine which customers they should solicit and which ones they shouldn't, how to enhance revenue. We've also found that this particular capability can be deployed in different businesses. For example, we've been helping the Preneed group in building models on selling Preneed programs. Under superior customer care we've been focusing on how do we make the claims process easier for our customers. Today we can adjudicate about 65% of our life claims without ever asking the customer to provide information to prove death of the individual who had the coverage. And then finally on risk mitigation we do things like help our clients design products because obviously we have 50 years of experience designing products and we also, in cases where the client doesn't feel that comfortable with the risk, will write a contractual liability policy to back up the risk.

Now in order to continue to create value you have to be committed to innovation and innovation requires a few things. It requires creativity of course, a commitment to the concept of innovation and then finally discipline because you can have a lot of ideas but you have to decide what you're going to follow. So we've developed a variety of models to help guide us through the innovation process. This is an example of a model, and what this model does is it helps us decide what not to do. So we've put it through this kind of filter of what's the potential impact of this innovation on our reputational risk? That's the go/no-go decision right there, the financial impact, the value proposition, whether it's unique and sustainable, what the impact is to our operations, in other words can we leverage our core capabilities to bring this innovation to market. Is it within our sweet spot of what we're expected to do? And then, what's the speed to market of that innovation?

We have a long history of innovation. I initially worked – one of the markets I worked for was our retail market where we distributed credit insurance to retailers. We also did the warranty business. And we innovated a lot in that market. In fact, we believe, or so the story says, we were the first to bring the life disability and unemployment product to a credit card back in the '70s and it was actually on a retail file. We also have a long history, and you can look at it. But what this chart should show you is that there is a change in the way we think about innovation and that is we are making a concerted effort to really protect our intellectual capital. So beginning in 2003, we started this process of patenting our ideas and we have on the table right now four areas where we've applied for various patents. And, in 2006, we received our first two patents actually approved. So we're very proud of that.

I'm going to pick one of these innovations and it happens to be one where we received two patents. Here's where the opportunity was: one of the key services that we performed for our clients is to try to retain their customers. So a customer who has debt protection or credit insurance on their credit card may call in to attempt to cancel their coverage. I'm sure you all have experienced this. And the person on the other line is going to try to convince you to keep the coverage. We developed that capability back in the '90s and have been going along.

The opportunity was to create greater value from that effort. But it required us thinking differently about what we were doing. Most people thought of the effort as being you're getting customers and you're retaining them. So the key measure for that was well, how many customers did you retain out of 100. If you retained 20 out of 100, 20% save rate, congratulations. The model was that when the customer would call in, they would be randomly distributed to any agent that was available and they would attempt the retention effort. The problem though was for 10 years, actually more than that, 13 years people were looking at the wrong metric. They didn't have their eyes focused on the right ball because the reality is you could save 20 customers, all of which had zero balances on their credit card, which would mean that they produce zero revenue, run around, give each other

high fives and actually produce absolutely no value. By the same token, you could have saved five customers producing 30% of the revenue opportunity on the table and be depressed that you didn't do a good enough job. So the focus was wrong. Save rate was not the right metric.

So, the first thing we did was say what are we trying to do here? We're trying to save revenue, that should be our focus, or save profits, that should be our focus. So we changed the metric in the industry. With that, we started thinking about it and we said we have a lot of marketing capabilities. We had, right here in this building we have a group that develops marketing pieces. We applied advanced analytics to customer acquisitions. How could we apply this to this environment?

Our decision support team got involved and we started looking at customers who called and we determined, you know what, we can predict the outcome of a retention effort and we can predict the economic value of that customer if a retention effort is successfully executed. Interesting information but what do you do with that if you just randomly distribute those customers to everybody? What we did was we also said look, we can look at our associates and we can predict who they are best apt at saving. In other words, if I matched a certain associate with a certain customer, they are more likely to generate the result that we're looking for. We said okay, great.

The third piece was, how do you create an engine that does that, assesses the customer, assesses the associate and does the proper matching so you can optimize your result? And we came up with a concept called target retention and this is what it looks like: a customer calls in, the models work, they send the call to the appropriate person who's going to optimize the result. For us, the result was a 45% plus – that's been our lowest result – increase in the revenue that we saved from the same effort we were doing the day before we actually executed the campaign. Significant value creation.

So why is this important, because after all one of our key focuses is not growing credit insurance here in the U.S., but it's growing it internationally. It's important because we can start to leverage the capabilities and the learnings we've had over the last 50 years to help us with our international expansion. I have four, five bullet points here but I'm only going to talk about one. These are examples of where we've deployed things that we know in our group to help our international expansion. But I want to share the story of Mexico.

When Mexico first opened up, our sales team down there, the country lead was aggressively pursuing a major bank and they came to us looking for an angle, like what's going to get them to do business with us? And of course the number one way to create value is to create revenue, so we helped them focus on the concept of let's think about how we can create revenue. We have a lot of unique capabilities around creating revenue. And they asked a question, if you were launching the credit card program, what would you do? Well, we've been doing

this for years. We have like an inventory of here are the steps that you take in order to optimize your revenue. We gave them one revenue creation idea. They took it to the bank. The bank flew here to the U.S., met here in the Miami office. We went through a more in-depth presentation on exactly how this revenue creation capability would work. They bought the product. We executed the product and we've had tremendous success with that client because we grew them as we said we would grow them. And that's been an important starting point for building a reputation in Mexico that has helped lead to the growth because you know the first one's always the toughest one to get. But after the first one and you prove success, your reputation builds and you continue on. And so that's what we're able to do with the capabilities here in the U.S. to help our international expansion.

Just to close, I recently was having dinner with a client of ours, an executive at a Fortune 100 company, and he wanted to share some ideas with me. This individual had made it a point that whenever he had a relationship with a vendor, a strategic partner or even met and had the opportunity to interact with a different company, his goal was to meet with people at various levels of the organization. You go all the way up to the CEO, he actually met with Craig, which is where we wanted him to focus on Craig. And he met with Craig and various people, and he said to me, "Manny, you know, I've met with hundreds of companies. I know the ins and outs of those companies. I've met with their CEOs, their executives and so forth. And one thing I want you to know is you have something truly unique here." And I've got to tell you, I agree.

And the reasons that he explained and the reasons I believe it, is number one, we have tremendous experience, tremendous capability and that's great. But what's really unique about us is Craig, for Solutions, has been very successful in creating a certain kind of environment and that's an environment that has no borders, where capabilities and knowledge and experience in one part of our business can flow easily to the other part of our business, where we all have a vested interest in the success of – I have a vested interest in Joe's success and Mike's success. And so we will go to Mexico, or if I need to go to Spain tomorrow, I'll go to Spain to help us grow our international business. And so I think that's what truly makes us unique.

And just to close on that thought is we recently were at a strategic leadership meeting and Craig has made it a point to say, "I want you all to have a vested interest in each other's business." And so we're all participants in studying each other's businesses, giving each other advice and that's really the most incredible thing about our company and that's why I think we'll continue to grow internationally. With that, any questions?

Q: Quick question for you, Manny, twofold. One is on Wal-Mart. It sort of showed up on the slides earlier but maybe not necessarily here. So it sounds like a new relationship. It's one that hasn't been spoken about in the past. Can you give us

just some sense as to when and where specifically the Wal-Mart relationship, when it started and what geographies it'll be in?

Manny: Okay, on Wal-Mart, I think that was primarily on the warranty side of the business. On the U.S. side, we had actually an indirect relationship with Wal-Mart many years ago but today their financing comes through GE. They made that attempt to start their own bank and that didn't work out. So today on the credit insurance and debt protection side we don't have a relationship. But, Craig, if you want to talk about Wal-Mart, Puerto Rico?

Craig: Sure. Yeah, the relationship we share are relatively new in Puerto Rico and Canada and they're really just getting going, in early stages. And again, they're just growing in these countries so these will take time to build. One of the things we'll talk about in a few minutes is our global client management and some of these opportunities, like with Wal-Mart, are really a direct result of more of a collaborative planning type opportunity. So we'll chat more about that in a minute.

Q: Okay and just one other follow up was credit insurance has been, at least domestically, has been sort of in a runoff path. Can you give us a sense for confidence around credit insurance growth outside of the U.S., given what we've seen over the past five to 10 years in the United States?

Manny: Well, I think the U.S. is a unique experience because the banks were given the opportunity to create a product that essentially mimicked credit insurance without the 50 state regulatory challenges that credit insurance faced. So I don't think that you can apply that necessarily to international. So we can take our learnings from here and take them internationally. Plus, the regulatory environments internationally just don't seem to be as complex as they are in the U.S. so there's not even the incentive to really move away from credit insurance internationally.

Q: David Boukobza from Amber Capital. Regarding the runoff, is there a flow of business that you will be able to maintain even if banks are capturing more business?

Manny: Yes. There are certain financial institutions like consumer finance companies that continue to produce credit insurance and that is their core product. They don't have the power to offer a debt protection program. They're not protected under the OCC's power of saying, "You can go ahead and write debt protection." So there is a baseline component of credit insurance.

Q: Another question regarding the environment. When you look at the credit card securitization, that seems to be underwater, how should we think about your loss ratio in the upcoming months or years in your business?

Manny: Okay. So the interesting thing about our business is of course the economic environment, increasing unemployment rates can impact loss ratios, particularly on unemployment claims. But the way our deals are structured, we basically have reinsurance deals and we also have deals where there's contingent commissions paid. So essentially when you see an increase in losses you tend to see a decrease in commissions. So we have a lot to play with in terms of that. So I don't expect the negative impact in our numbers over all the bottom line impact on our numbers. Okay, so I'm being told by the bullpen I need to wrap it up. Thank you for your time.

I forgot something. So let me introduce the next speaker, which is Chris Reznyk. I've had the pleasure of working with Chris for over eight years now. And in that process, when we first started working together I wanted to get to know him and you tend to exchange personal stories to get to know each other a little better. And Chris shared a story with me that I thought told me a lot about him. 25 or so years ago, 20-something years ago, he was a young student at Princeton and he found himself at the cafeteria in Princeton sitting at the lunch table, an empty table, just Chris, when a young lady approached him and said, "Do you mind if I sit here with you?" And that young lady was Brooke Shields. So Chris kind of looked up and without blinking an eye he said, "No, I've got some friends joining me." And she walked off. So my first thought about Chris I won't share, like he's crazy, what's wrong with him. But actually, what I learned was that he had committed to his friends that he was going to eat lunch with them and he wasn't going to break that commitment for Brooke Shields. So Chris is an extremely loyal guy with a high level of integrity and it's my pleasure to work with him and to introduce him up to the stage. Come on down, Chris.

Chris: Thanks, Manny. Note to self: the next time Brooke Shields asks to sit at my table, let her sit down. Death is a topic that doesn't come up often at cocktail parties. Woody Allen once said, "I'm not afraid of death, I just don't want to be there when it happens." We do all dread the day when a family member or friend has passed away.

Let me tell you the story about the Jones family. About three years ago Mr. and Mrs. Jones prearranged their funeral and funded it with insurance. Recently, Mr. Jones passed away. We weren't able to help out with the sadness on that day, obviously. But we were able to eliminate a lot of the decisions and financial concerns the family had that day.

I'm here to tell you today about the Preneed story. It is a great, great story. We're two years now into the process of being part of Assurant Solutions and I'm having a lot of fun leveraging all the competencies we have across the company on this business. The Preneed distribution channel is predominantly a point of sale distribution, basically face-to-face sales. And you heard Jimmy and Joe earlier talk today about our proficiency at face-to-face sales: a lot of learnings there, we're deploying those learnings in this business all the time.

I've already seen a lot of positive changes in the business. We intentionally exited the mom and pop independent distribution channel in 2005 to focus all our efforts on our long-term profitable growth initiatives. We're continuing to grow and enhance our relationship with the market leader, SCI. Preneed is a key profitability contributor to Assurant Solutions and our competitive advantage is clear and I think the best example of that is the contract renewal we just received from SCI through 2013.

I'm going to talk a little bit today about the Preneed business model and how it fits into our model of unique specialty business. Preneed is a whole life insurance product so it accumulates cash value. There's nothing very unique about that in particular. However, Preneed policies have a set term. You can either pay all upfront, three, five or 10 years. Our average policy size is about \$5,600, monthly premium is about \$110. The premiums are set at time of issuance and stay the same throughout the entire premium paying period. And here's something I think is very unique: once paid up, approximately 99% of our policies persist until time of death.

The other thing you hear about a lot in the insurance business is fighting for shelf space. We have exclusive arrangements with trained 1,200 trained professionals in the field exclusively selling our product, so there is not the fighting for shelf space. So I have a product that persists and a product I don't have to fight for shelf space to sell. For me as a business leader those are two very key things about this product.

Just quickly, how the sales process works: a fully licensed and appointed sales counselor meets with the family to plan their funeral; they discuss a lot of the particulars, the caskets, the music, the flowers, everything that's extremely important at that time; and they put together a statement of goods and services so when the person leaves that session they know exactly what they've purchased. The arrangements are then made to fund the funeral with insurance. A key differentiator here for us too is that the death benefit is assigned. We pay the funeral home directly. We don't pay the family. We pay the funeral home directly. So the family pays the premium directly to us, the insurance company; we pay the benefit directly to the funeral home. Also another key is that a prearranged funeral can be transferred to another funeral home.

Preneed really does provide peace of mind to our customers. Decisions have all been made in advance so the stress level to the family has been greatly reduced. Families can better manage the amount of money they spend because they're doing it at a time when the emotion is at a high level. It reduces the financial burden to the family also because it's paid for in advance, and the funeral home guarantees the price at time of death. These are all outstanding customer values.

This chart is another key indicator of customer value for us. The Funeral Price Index is rising at a much faster rate than the Consumer Price Index. The spread in 2006/2007 alone, we're 220 basis points. As I said earlier, the funeral home guarantees the cost at today's prices. The funeral home is willing to absorb that risk to ensure that their home performs the funeral at need.

Another subject that we're all interested in is how do we make money in the business. Quite simply, Preneed is an investment spread business. The longer we have the dollars to invest, the more profitable the business. Assurant Asset Management Group does an outstanding job managing our portfolio. In the last nine to 12 months, rates in the short duration end of this curve have decreased, as I think we all know. Our Preneed portfolio is longer in duration. We typically invest in 10 and 30 year maturities. The circled area on the graph represents where Preneed makes most of its investments. You can see from this that the corporate yields on the long duration end of the curve have actually increased from year-end 2006 to year-end 2007. Our portfolio is low risk but it's not no risk. But our conservative investment process and sell discipline minimizes the impact of the credit market turmoil we're going through right now.

I want to talk a little bit about comparing our runoff business, our runoff block and our new business. As I said earlier, independent business, we sold the independent distribution in 2005; however, the business remains with us and is running off. The big drop you see from between 2005 and 2006 is representative of the fact that in 2005 we stopped all writing of new business. So a good deal of our business was single pay at that time. So those payments stopped instantly, so you see the decrease in 2006. That line you see from 2006 out, that'll continue for 20, 25, 30 years and what that is representative of is remaining earning of the premium that's there as well as some renewal premiums for our three, five and 10 pay as they go out through the curve.

One of the key reasons we did exit that business was that it could not achieve the ROEs we really wanted to achieve, again, the 14% to 16% range. I'm very proud to say at this time that the new business we're writing is at those ROEs of 14% to 16%.

Just to give you some numbers of equity at the end of the year 2007, we had about \$382 million in equity supporting this business. About \$156 million is attributable to our independent block, about \$156 million attributable to American Memorial Life, the underwriter of all of our new business, and about \$70 million was attributable to our Assurant Life of Canada business, which underwrites our Canadian block.

Leveraging our disciplined risk management process, as some of you know, we acquired Mayflower National Life Insurance Company in 2007. We were subsequently able to consolidate that company with American Memorial Life

Insurance Company and we realized about \$45 million in capital saved through that acquisition. It was a great, great acquisition.

As a business leader, the growth potential in this market really, really excites me. Our target market is going to grow substantially over the next years and continue to grow. 72% of the respondents to a 2005 Worthlin Report indicated they felt it was better to prearrange their own services for themselves. Of those that prearranged, over one-third have already done so – of those that preferred prearrangement, over one-third have already done so. More than half of the remaining folks indicate that they will do a prearrangement in the next five years. That's a huge opportunity for us because we obviously have a very, very receptive audience to the product.

One of the core competencies of Assurant throughout all of our businesses – when you heard from Joe, you heard from Manny, you heard from Jimmy – we've aligned ourselves with the leader in the industry. In my business I think we're the poster child for that. We are aligned with the leader in the industry, SCI. By exiting the U.S. independent distribution in 2005, we're solely able to focus on our distribution with SCI. And just, again, that focus that we have has allowed us to maintain ROEs in the 14% to 16% range on new business. And we've had that relationship with SCI since 2000. And as I said earlier, we'll continue through 2013.

We have over 1.8 million policies on the books. That really allows us to officially manage our expenses. Getting back to the Mayflower acquisition, in that acquisition we acquired 120,000 policies. We were able to merge those 120,000 policies to our servicing system with very, very minimal incremental expense.

Assurant Solutions does clearly have leading market share in this business in North America. We made the strategic decision to get out of the independent business, the distribution in the United States, but we have made the decision to stay in that line in Canada for a couple of reasons. First of all, we have an exclusive agreement with three of the largest chains in Canada. Number two, the population in Canada: in the next 20 years more than four million Canadians will enter our target market of 65-plus. So again, we have exclusive arrangements with three of the largest chains and we have four million folks entering our target market over the next 20 years, very similar to what we see in the United States. Our best estimates indicate that currently we have about 75% market share in this market in Canada.

You've heard my coworkers today talk about leveraging the value chain. I want to talk a little bit about how we provide value to our clients beyond the insurance funding aspect. And I think Manny put it well when he talked about how Craig has us all talk together about our businesses. And when you partner with one of the companies within Assurant Solutions, you're partnering with us all. We all share great ideas. We all share success stories. We all share what's working in our

businesses and what's best in each of them. And as I said, my business is predominantly point of sale, and we've cracked the code in that distribution.

One of our core competencies is design and implementation of incentive programs. I think Craig has talked to you about it in the past, about the Pinnacle Club Incentive Program we introduced to SCI in 2006. This program was designed to focus on rewarding and recognizing positive and quality sales performance, not just sales, positive and quality sales performance. And the key here for me is that for the first time in the 16-year relationship with SCI, we have direct communication lines with their field. That's enormous for me to hear. We're able to train, communicate and educate those sales reps in tips for selling and being a productive sales counselor, strengthening our relationship with the field. That direct contact tells me that we are a trusted partner, strategically aligned with the client. Now if you're an employer, you're not going to let another company come in there and talk to your personnel directly unless you really trust them, unless you're strategically aligned with them. And we have direct contact with over 1,000 insurance counselors of SCI's.

We did a three month program last year called "Reach for the Summit" within the Pinnacle Club Program. That generated over 3,000 incremental policies alone, which translated into about \$16 million of additional face sales from that one program within the overall program. 546 of the counselors that participated in that program exceeded their baseline performance during that period. It was an outstanding effort, outstanding effort. We can and will continue to influence behavior in the field. It's important, especially in a point of sale program. If you can influence behavior in the field, it's a great thing.

As recently as the fourth quarter earnings call on February 29<sup>th</sup>, Tom Ryan, President and CEO of SCI stated, and I quote, "We expect to grow Preneed sales production through improved marketing and sales processes. We will continue to invest in marketing infrastructure and in our target customer segments." You heard from me a little bit. Now let's hear directly from Mr. Ryan himself as he gives us some of his insights into Preneed and the great relationship we have.

## VIDEO

Chris: As we all know, any great growth strategy has to have a commitment from the top. I think it's pretty clear from what Mr. Ryan had to say that we do have that commitment with SCI. Our partnership and relationship with market leaders is really starting to transform this specialty business. Our strategies are aligned strongly with the client and our product is relevant to their core business. If your product is relevant to the very core of what their business is, that's another great story. We're working together to ensure long-term profitable growth with SCI. And again, the key there is working together. This is not us trying to force a sales strategy down their throat—we are working together to grow together.

We're leveraging all the competencies Assurant Solutions has to bring to solidify our competitive advantage. The Preneed business is critical to the success of Solutions as a strong contributor to profitability. I'm very proud to tell you about three things today. I'm very proud of managing a product that provides great customer value, one. Two, I'm very proud of managing a business that provides great shareholder value. And three, I'm very proud of the team I have supporting this business, who I would stack up against anyone out there.

Thank you very much for your time, and I'm open for a few questions.

Q: Can you talk a little bit about trends in the Preneed profitability over the last year or so, what Mayflower means to profitability margins and just sort of give a sense as to whether or not we're on the up or down swing in terms of profitability in the segment?

Chris: Okay. Well, what I will tell you about that is that I talked about our incentive contests. What we're doing there, focusing on profitability, is trying to drive the average age down of our clients, of our customers. I talked about the longer we hold the money the more profit we make. So the more we drive the ages down, the more our profitability. So we're working with the counselors in the field to try to tailor the sales to a younger audience. Now, that's part of it and we're also working in different channels of delivery also. Not everyone wants to be spoken with in the same way. The core of our business, again, is face-to-face sales, at the funeral home, someone's home or wherever else you want to meet them. However, we're looking at different ways of driving sales to the web, which some people may choose to do things on the web more and drive our ages down. So, we control a lot of the future profitability of the business that way, which is also something I'm very happy about. We see the target market growing but also we can control how we grow the market, what part of that market we grow.

Q: So maybe that's helpful on the top line but can you talk a little bit about profitability in this segment, what two or three of the key drivers have been and whether or not we're on the up or the down swing of profitability?

Craig: A couple quick thoughts on that, Dan. They actually go hand-in-hand. Again, when we took over the SCI relationship, the reason we kept it, as Chris highlighted, is we really believed that we could change the mix of business and driving more of the monthly paid business and the lower ages, all with the purpose of getting into that target ROE range. And again, I think an exciting part of what Chris' team has done in a pretty short period of time is produce new business now within that targeted range. So we're real happy about that improvement, again, in a pretty short period of time. And all those initiatives that we're describing are designed just to do that, to keep us in that range on the new business production. So we're real pleased with that progress.

Q: So with old business running off and new business being good, profitability is going up from whether it's a margin point of view or an ROE point of view?

Craig: Yeah, well certainly the ROE as I said has improved versus the runoff of the business. Again, remember when I talked about the mix and that timing of the runoff but that'll take a while because that's a big block of business. But again I think the key to focus on here is the new business we're putting on is at our targeted ROEs but what Chris was just saying is important because, again, we want to grow the top line of this business and now that the smoke is cleared from their acquisition -- because it was a big deal for SCI to integrate all this into their business model with the Alderwoods acquisition -- and they divested a lot of homes, they made some strategic decisions. Well, we think that's at a base level now where we can grow from here the top line as well.

Chris: I'm getting the wave, sorry. We'll have some time at the end. But I have the pleasure of introducing our next speaker, who I've known for about eight years now. His name is Mike Anderson and Mike has got two things nailed: he's a great business leader and he's a great family man. You're going to hear today from him about how he leads his business, our international business but I want to tell you a little story on the family side. Mike has three daughters and a son. I have two daughters and a son. It's pretty easy for me to bond with my son. I'm assistant coach in two of his travel baseball teams. But I'm always looking for new ways to bond with my daughters and Mike has cracked the code there. Every six months, whether he needs to or not, Mike participates in a family pedicure. And so I'm going to have to make note of that. Now Mike is responsible for our business on the Planet Earth basically, all around the Earth. So obviously Mike has big shoes. Mike can handle the job. But now we all know that Mike has great toenails inside those shoes. Without further ado, Mike Anderson.

Mike: [Introduction in Mandarin] Now if you didn't understand my Southern Mississippi Mandarin, what I said was in China over the last several years, they've experienced in bank card growth, which is both cards, debit cards and credit cards, they've experienced growth from 200 million cards to 1.4 billion cards. And that's kind of an example of what we call riding the wave in international. And since Chris brought it up, I have to ride the Assurant surfboard of riding the wave and when you're riding on a surfboard and you're hanging ten, you've got to have some good looking toes. So my daughters appreciated me going and sitting with them in those chairs and actually if you haven't ever done it, it feels pretty good.

So that fits right in with our strategy in international of riding the wave. And through this growth that is going on in international countries, we can easily get the higher returns and better growth, faster growth in those countries and gain market leadership. And what we do is we leverage all the things that you've heard about today that our domestic businesses are doing and we leverage those in these international markets. So it's real exciting to take those and then have these waves

of growth coming in addition to signing the new accounts and see it all come together. And I'm going to talk a little bit about that today.

Here's an example of some of the growth: 19% CAGR over the last four years in our top line, so a nice strong growth line in international. Also, we're becoming a bigger part of overall Solutions business: 25% of the top line in '04 and now 34% of the top line in '07, so a nice growth in the overall business.

Our geographic footprint is growing. The orange countries here represent kind of our established countries. The blue is our developing countries and I'm going to kind of walk through some of those and tell you a little bit about them.

In Canada, we dominate the credit market and the service contract market in Canada. You can see the mix of business there is about two-thirds credit, about one-third service contracts and that's pretty indicative of our established countries, most of them.

In the U.K., we made some significant acquisitions in the mortgage intermediary market. It basically gives us control over the distribution there. So we control about 60% of that market now that we've gained those distributions. And then by controlling distribution you also can control your margins, again, mostly credit insurance in the U.K.

In Puerto Rico, we have over 80% of the credit insurance market in Puerto Rico, and we've dominated also there. Our service contract business is growing and continuing to grow and we had a significant competitive close in the wireless industry in Puerto Rico. So it's going real well, excited about the opportunities in Puerto Rico.

In Argentina, real economic boom there. We're going to talk a little bit more about that later and David Rey is going to come up and talk about Argentina. There we have the flip: we have two-thirds service contracts, one-third credit insurance in Argentina.

Brazil is having kind of a lending boom. We're riding the wave of that lending market that's going on in Brazil and so our credit insurance is 60% of the market with only 40% service contracts. Both sides are really growing in Brazil. And I've been to Sao Paulo a lot lately – there's a lot going on there, a lot of opportunity in Brazil.

Denmark, 100% service contracts. So far we have two large service contract accounts, with opportunities to spread up into the Nordic region in some of the accounts that we're talking to. And plus an underdeveloped credit market that we can attack and start getting some credit insurance built in the Denmark market.

Mexico, Mexico is doing great. Manny talked a little bit about what we've done in Mexico. We've signed a lot of significant accounts on the credit side and the bank side. And once you get that rolling, that momentum rolling and they see the revenue that you start bringing to these accounts, it just, the momentum picks up. And this year we've got some significant competitive closes on the service contract side, and we'll be excited about being able to announce those to you as we go through the year.

Germany has a real underdeveloped service contract market. They're only reaching about 15% of the market, so there's 85% of the market available. A little more difficult in the European group because of the requirement of the two years. But what we've got to do is penetrate that other 85 by talking about the value proposition, the additional revenue that we can bring to those retailers there and the value that we can create for the consumer to where they'll buy and start penetrating that other 85%. We've got some significant credit insurance closes there and that market is building.

Italy, a lot of focus on the service contract side. We've just signed in the first quarter our first credit insurance client. So now we've got that first client that Manny talked about so that we can talk about the success that we're having there and break into the market and sign more of the bigger banks in Italy.

Spain has got extreme growth going on in the credit card market and so we can ride that wave. We are kind of breaking into the relationships there now in Spain. Our sales funnel is full. We have a great marketing team in Spain. And so we're expecting great things from there.

And last but not least, China. In China it takes two years to – you have to establish an office and then it takes two years to get your insurance license. So it's going to be two years from now before we even can write our first policy on the credit side. But the good news is that we can immediately start writing service contracts and what we've found there is that the retailers are very hungry for the products that we have. And instead of us having to go out and find them, they're coming and finding us, so very, very good opportunity going on in China. It's going to take time to build all of our structure networks, systems. All those things have to be put in place and then we'll start writing service contracts in China.

So we're growing our footprint and one of the things that we're seeing happen now that we're growing the footprint is that the countries are leveraging off of each other. We've signed clients in Italy that now that we've had some success with them and shown them what we can do, they want to do business with us in some of our other countries. And so we're going to spread into Spain and they want to do business, one of them wants to do business within the United States. So instead of taking clients from the U.S. and moving them internationally, now we have international clients that are wanting to move back into the United States. So a nice growth in our footprint.

How do we go about deciding where we're going to go next? How did we decide to go into China, for instance? We have a disciplined funnel here that we kind of go through where we look at the markets. We take them down to about 10 or 15 and we look at all different types of quantitative data, cards being issued, profit margins on those cards, the growth like I talked about in China. Take it down to five to 10 markets. Again, dive a little deeper into the data. And then from those drop down into about three where we're looking at the issues of selling service contracts, credit insurance, what the language barriers might be, what the capital requirements are. And so then we prioritize them one, two and three usually to decide which ones we're going to go into next. And I kind of use a scoring system that in this case brought China to the top.

Here's some of the information about China. Credit cards, number of credit cards issued: 231 million and they've had about 50% growth in that number. The number I talked about earlier, 200 million to 1.4 billion over the last several years. It's just huge growth going on in China and the market is so huge that we see a lot of opportunity in China. Here's the warranty market: \$111 billion in warranty and again it's been growing at about a 15% clip. So 15% of \$111 billion is a lot of wave to ride. In addition to the wave that we're riding, you get a multiple because of the success that we have in increasing the attachment rates and the penetration rates in these countries. We can get a 10x multiple on top of the wave of growth that's going on, so a lot of opportunity there in the warranty market.

Kind of a demonstration of riding the wave is what we've done in Latin America with credit insurance. You can see the growth in credit cards in Latin America has been about a 21% CAGR over those four years and then we've kind of ridden that wave with a 15% CAGR on our premium coming out of there. So as these people get the cards, they start charging. And when they start charging, obviously we start getting premium and so it kind of follows the wave.

This chart shows your growth and your per capita and down at the bottom, United States and, in the United States we have a great thing, everybody carries around an average of 2.5 credit cards and charges on them. So that's very good for our business here in the U.S. As we spread out across the countries that we're in internationally, you can see China for instance, only 17% of the market has a credit card and the growth line there is up around the 50% range. So it's growing very quickly with a huge portion of the market still available to grow into. So as quick as we can get into that market we can start bringing our products to bear and using the things, the value proposition that Manny talked about to help these banks grow their profitability. You also can see the growth is going on in Latin America and the potential that we have there and in Mexico and, in Mexico, we're having a lot of success.

Challenges, while there's a lot of opportunity and we're very optimistic about riding these waves and penetrating the markets, it's also difficult. Let's pick on Ed since we've been picking on him. Ed, but we took you and we took you to

Spain and put you in Spain and said, “Ed, we’re going to bring all these value chain opportunities we have to bear and we’re going to put you in Spain and boom, you’ve got to go hire people and you’ve got to set up an office.” You’ve got to walk into banks and introduce yourself as Assurant and they’re going to go, “Who’s Assurant?”” And so it takes time for you to go into those and build those relationships. Even though you know some of these people if you’ve been in that market and understand the market, it takes time to build those relationships, to convince these guys to do business with you. So it’s a complex, lengthy sales cycle and a multi-year investment when we move into these countries to start seeing that come back out.

The good news is that we’re winning. We’re making it happen. And as we expand our footprint it becomes easier for us to move into these new countries because they’re aware of the success that we’re having across the globe and something that we call GCM, or global client management, and I’ll talk about it in just a minute – it’s helping us to move into these countries through the relationships that we already have in some of the other countries.

How do we do it? What are our advantages? We talked about the experience that we have in our domestic business, that we’re taking those pieces that are successful here and taking them and in some cases tweaking them according to the culture and making them work in these other countries. One of the great things about what we do internationally is we focus – we have kind of a laser focus on two product lines: we focus on credit insurance; we focus on extended service contracts. So we bring all this talent that we have in the company to bear on the opportunities through these two product lines. Some of our competitors have 100 product lines out there that they’re going into across international and we can bring a lot more focus and talent to bear on the ones that are the big opportunities and win them over our competition.

Leveraging the relationship with market leaders is the GCM that I talked about where we’re doing business with some of the market leaders across the world and those market leaders, because we bring the value and additional revenue that we bring to them, they want to take that into these other countries and so we leverage those, move with them as they grow, as we talked about with Wal-Mart. That’s exactly what’s going on with Wal-Mart, Canada, Puerto Rico and now Argentina.

GCM, what is GCM? Craig mentioned a little bit about it. What GCM is, is we take a company like American Express and we take their executives and our executives and we sit around the table in a collaborative atmosphere where we talk about what their strategies are, where they’re wanting to grow, how they’re wanting to grow and then how Assurant Solutions can kind of plug into that value chain with them and help them grow their products. And so we take some of our innovative products, we see how we can adjust them or take the same ones that we have and plug into their strategy, and then we take that and execute on it in their stores through all the different pieces that you’ve heard about on the

domestic side. And then we're constantly looking at that, evaluating, looking at reporting and adjusting and adapting those products and then we go back to the table, do the collaboration and it just keeps going. And the results of that are that we've had American Express from one country now to four countries, GE we're in two countries, Santander we're in two countries, Wal-Mart I've talked about is in three countries and then we've got opportunities moving over into Europe because of the success that we have there. We've got opportunities in South America, Mexico and over in Europe.

So, it's working extremely well. We have a lot of other clients that we're talking to in this GCM concept. It takes us out of the RFP mode, the request for proposal mode, to where we're actually collaborating and setting strategy with our partners. Now, the value proposition that we talk about in that is that we want our clients to look at us, not as a vendor. This is a quote from one of our good clients in Puerto Rico. And what we want to be looked at by our partners is an "invaluable business partner." We're not a vendor. We're a partner in helping them to drive revenue into their business at the same time creating revenue for Assurant. That's how we want to make the approach.

Integrated technology, one of the key pieces we use in international is integrating our technology with our partners. OLITA is "Online IT Anywhere." It's basically a software that we developed that will work anywhere in the world. It can be adjusted to any language. It can be plugged into any of our partners' systems to where we can integrate those together where they work together to sell our products. They track our sales against goals and they're integrated to where the executive management of these companies can see what's going on in each of their stores and how well we're doing. And then we sit down at the table with them and determine where we can zone in on our training pieces and the things that they can do themselves to enhance sales where it'll make the most difference, where the opportunity is. It also is a self-service. What we talk about there is tracking a phone through a repair network. We can know exactly where the phone is as it's going through the network, as to when it's going to get back to the consumer. And the reporting and collaboration effect, all this comes out of the OLITA global partner management.

So, what are the results? 21% growth in our credit insurance CAGR in our credit insurance, 80% CAGR in the service contract side, so you can see the service contracts are really growing fast.

Here's a model. This, a lot of the questions that we get are around how fast can we make these new countries, these developing countries profitable? This is a model. This is not a country. This is just the model and let me go through and kind of explain it to you. The top line is gross written premium. And again, it's just a premium that we picked out. It's not any model that we've done in any certain country. It's just a premium that we picked out as a probable of a new country. Then, the yellow line is the earned premium. So the earned premium is

obviously trailing when we write it from when we earn it to when it starts running through the P&L, it takes a little time for that to earn. The green line is your operating expenses and operating expenses will fluctuate based on the mix of business that you're writing – how much volume you're getting in service contracts versus your volume that you're getting in credit will adjust your expense line. And that as a result creates your pretax line, which is the blue line. In this particular model it's built with 51% service contracts, 49% credit insurance. So in this particular model if it happened to grow at this same premium at a 51/49 rate all the way through, we would have profitability in this country after five years.

It takes a while for that earned premium line to start picking up and start pushing the dollars through the P&L. Now, if I change the model to all monthly outstanding balance premium, you can see what happens is that the green line goes down a little bit because it costs less to manage the MOB premium, the monthly outstanding balance premium, versus ESC and obviously earns quicker and so your profitability comes in after three years.

So you can kind of see the fluctuation according to the mix of business that comes in. So there's really no certain time that we can say is in this exact time: it's according to the mix and when it comes in. So it can be anywhere from three to six years because if the mix comes in at higher service contracts, say two-thirds service contracts, one-third credit, it's going to push that model on the outside past five years and we think the range is three to six.

Here's the mix of business in our developing countries, 45 credit to 55 service contracts. I expect to see the growth be probably a little higher on the service contract side as these countries continue to develop. Also, when we start writing in China, we're going to be two year delayed getting into the credit but we'll be able to write service contracts immediately. So we'll see a pickup there. Established countries, again 67/33, more on the credit insurance side than service contracts and both sides of that are growing.

The combined ratios – and combined ratios in the developing countries versus your established countries – the developing countries are moving from the mid-190s to the mid-185s. Our challenge is obviously to balance the growth of our developing countries with going into our new countries.

And there's a lot of questions around when we're going into new countries. Well, we have to balance this so that we can move that lower bubble up through that three to six year breakeven and balance the amount of investment that we're making in developing countries into new countries that we're going into. So we have to find the right balance to bring that up through so that we can level out the overall investment in the international but to invest for future growth.

So in China obviously we're just at an expense state so it's driving down our combineds where we have no revenue coming in. So moving from the 185 and

obviously we expect that bubble to go up through that green three to six line according to when those countries came on.

In the established countries we've gone from 95 to 100. A couple of reasons for that. There's a couple of one-time events that happened in 2007. We talked about the event in Brazil that we had to deal with. We've fixed that. It was a one-timer. It drove our combineds way up and so it drove our overall combineds down some from 95 closer to the 100. And then we also had the acquisition I talked about in the U.K. of Swansure and CentrePoint. And so we had some one-time costs involved with those acquisitions and plus we have some amortization costs involved in those.

And we have FSA. The FSA is the governing body over insurance across our European countries since we're domiciled in the U.K. And basically what's happened in the U.S.A. – and with the FSA is the same thing that happened in the U.S.A. with Sarbanes-Oxley. All of you remember what we went through with Sarbanes-Oxley. And so it's brought a lot of governance to bear on our company and so we had to invest money in our structure there on process, compliance, risk management and so we did those things. The FSA is very happy with the way we responded to their request. And so we've built a fixed base of expense and structure there in the U.K. that we now can leverage across all of international. And so we'll obviously not only use it in Europe but we'll leverage it across all of our international business.

So that fixed base, as we add new business will have a variable expense on top of that based on the new business. But we have a fixed base there so that we expect to see the U.K. drive these combineds back up towards the top right-hand corner. So we truly believe that a mid-95 is the goal here and that this bubble will move back up towards that range.

What are we investing in the new countries? This chart in the orange bars kind of show the investment we've made since the first quarter of '06 to the fourth quarter of '07 each quarter in our developing countries. The red bar shows the gross written premium by quarter that we're writing in relation to those countries. So we're running at about a \$9 million rate. We expect that to run through '08. Now, there's – it takes about \$3 to \$5 million annually per country to build the base of these countries and then you have variable expense on that that you add based on the amount of business that's coming in and based on the mix of business that's coming in as to how much that variable is. A little higher with ESC. It takes a little longer. A little lower with the MOB that comes in a little faster. So according to how the mix comes in as to how that expense adds up. Also, it takes about 12 to 18 months usually when we go into a country to start seeing gross written premium. That complex cycle that we talked about, it takes that long and that much investment to get that momentum going in the country.

So kind of how all this comes together is the reason we're having success in all these countries is the products that we're selling in the U.S. that we're leveraging and taking the value proposition that we're leveraging, it basically creates a consumer value. It's creating more revenue for our strategic partners, and they love us for it, and it's making money for us. So I look at it as a win for the consumer, a win for our partners and a win for our shareholders.

Now, with that, I get to introduce our next speaker. Our next speaker is going to be able to tell you a great strategic success story about Argentina. He is a gentleman – his leadership success is driven by his commitment to integrity, excellence, the loyalty to his employees and the loyalty to this company. So it's my pleasure nuestro Presidente de Argentina, David Rey Goitia.

David: Thank you, Mike, for such a nice introduction.

But it happens once when Craig Lemasters was running international, we were doing about breakeven and doing around \$10 million in terms of sales. He came to me and told me, "David, I have a challenge for you." "Yes, Craig, what's that?" "Well, I want you to put this company in a very short period of time doing \$5 million in terms of net operating income and \$50 million in terms of sales." I didn't have an immediate answer for that. But after a while I came back to Craig and said, "Craig, \$5 million in net operating income and \$50 million in sales, I think that is excessively challenging." And this was a nice way to say to him politely, "Craig, you must be crazy." But Craig's next comment was, "I understand. Argentina is a small country with a turbulent market. But remember this: from small things you can do big things. Think big. Continue being persistent like you and your team are." From that day onwards, Assurant Argentina literally started to double the business practically each year.

And this is why I'm here with you today, to let you know a little bit more about this successful case in terms of growth and profit, and how can this be replicated internationally with other countries.

What do we deliver in Argentina? We are a niche company, strongly positioned in the credit-related business and warranty. In credit-related we do mainly life, unemployment, disability and credit life. We also do extended warranty, which in Argentina is considered insurance because of local regulations.

These are simple products, easy to sell them, priced for attractive ROEs. The way we sell these products are basically in the credit-related business, 95% through telemarketing, 5% through direct sales. We use outsourced vendors for outbound contains with a supervision that includes selecting the telemarketers and auditing each single sale. In the ESC business, 99% of the sales are done in point of sale and are done through the salespeople of the retailers. We train them and pay them commissions for each sale they do.

We work with financial institutions like Citibank, American Express, Santander, BBV. We also work with retailers like Fragera, RODO, Megatone, the equivalents to Circuit City and Best Buy in the States. And utility companies, we work with Telefonica, Telecom, Edenor. We provide products and services to protect their customers. Then, even more specific in the case of ESC, our guarantees on brown and white goods, cell phones, computers are sold to different channels like banks, retailers, manufacturers, utility companies. Regarding credit-related, our products are applied on personal loans, credit card monthly outstanding balance, mortgages or services, phone, energy, using banks, consumer finance institutions, utility companies, retailers as sales channels.

We use macroeconomic drivers to monitor our business continuously. It's important for us to be aware of the health of the economy, trying to anticipate favorable or unfavorable cycles of our economy. The follow up of consumption and sales of electronic appliances is key. There is a strong correlation between these indicators and our gross written premium. Sales of electronics grow dramatically in the past years and our ESC sales also grew in a similar way, 216% compound annual growth within the last past five years. We can say something similar for the monthly outstanding balance evolution for credit cards with 15% compound annual growth within the last five years. Being aware of clients' needs is also very important. One year, financial institutions may be focused on increasing their credit card portfolio. Other years, they might be focused in delivering personal loans.

Assurant Argentina's strategy drives growth in spite of a country's economic cycles shown in terms of gross domestic product. We have been able to provide a powerful testimony on this affirmation in our short history of 10 years. The story of Assurant in Argentina may be instructive for all of us here in this room given the current economic climate and worries about the future. This is a dramatic story about persistence and faith in ambition.

Our company was launched in 1997. In September of that year, we had our first credit-related client, American Express. By the end of that year we had our second client in the credit-related business, Lloyd's Bank. In 2001, we had our last capital infusion from headquarters, \$3 million. That same year, we reached a breakeven point and became a self-sustainable company.

In 2002, we had Argentina's worst economic crisis. We had four presidents within 10 days. In January of that year, the end of convertibility law took place. The Argentine peso that by law was tied to the dollar at a rate of one to one was devaluated. In February of 2002 we had the "pesofication law" by which all the dollars, investments and contracts were pesofied at the rate of 1.4 pesos per dollar where the market value was 3.5 pesos per dollar. By March of that unforgettable year, the company took the determination to stay in the market. Why? We already were in breakeven and we were operating with a low cost model operation. We were able to give them support to clients that also decided to stay in the market.

By that time, we thought that besides the chaos of the economy we had the opportunity to gain market share managing the company with a relatively small structure and also considering that Latin American countries have smaller or bigger economic crises each X amount of years. This one in particular couldn't be worse.

Consequences of this chaotic crisis were the gross domestic product slumped 11% in 2002. Half of 12 international banks quit the market, quit the country. Six international insurance companies did the same. Two of them were competitors of us. Five years later after the crisis, we, Assurant Argentina, we are leading the market with what we consider our core business: credit-related and extended warranty.

Let me say something regarding the evolution of the clients. Before the 2002 crisis, we had eight important clients with whom we were doing credit related products, life, unemployment, disability mainly. Seven of them were international companies: American Express, Citibank, Toyota, Lloyd's Bank, Finvercon, Norwest, Scotiabank and CNA and one local important client, Credi Logros. Four out of eight clients remained in the country after the crisis. It's important and nice to say that we currently continue providing them support. These are companies that are totally engaged as partners because we had the capability of giving them support in the worst period of the country's economic life. These companies also understood that staying in the market would represent an opportunity of growth. Best two cases: American Express and Toyota. Both of them gained market share and they started to lead the market in the credit card and automobile segment, respectively.

Five years after the crisis, we are leading the market with 25 credit-related clients and 27 extended service clients, totaling 52 clients being considered premium companies in the Argentine market. At this point, we can say that we have a dominant position in what we consider core business and that we really have strategic relationships with market leaders.

We recently said that Assurant Argentina's strategy drives growth. This statement can be confirmed when we see Argentina's gross written premium evolution. The clients' growth generated 90% compound annual growth in gross written premium within the past five years. Our growth in sales had a genuine growth in both of our businesses, mainly warranty. The compound annual growth in the last five years has been 216% and 65% for our ESC and credit related business, respectively.

Because of this growth, we've been able to exceed Craig Lemaster's challenge. \$5 million in profits and \$50 million in gross written premium, that was the challenge. In 2007, we ended up doing \$78.4 million in gross written premium, \$51 million in net earned premium and \$8.3 million in profit before taxes. The net operating income for the last five years has been 99%. The compound annual

growth for the last five years in gross written premium has been 90% for the period 2002 to 2007. The compound annual growth in net earned premium for the same period has been 77% and is different to the one mentioned above because of the ESC business effect. The ESC business was launched in 2002, and we started to earn premium years after the manufacturer's guarantee that lasts one year.

In the case of Argentina, we found it important to keep a low cost model with efficient systems like the ones we currently have to manage both businesses. So growing in the top line, keeping the expenses in the right ratio allowed us to become a healthy company in terms of profit before taxes, \$8.3 million by the end of 2007 and return on equity above 20%.

This healthy situation as a company places us in a dominant position leading the market in the credit related and ESC business. Regarding credit-related, we do business with the top 10 financial institutions like HSBC, Citibank, American Express, Santander, BBV, Banco Itau. And in the ESC business we currently have more than 65% market share.

All this healthy growth is also confirmed in the way we are ranked in the local market. We are currently positioned 32 out of 182 insurance companies in terms of gross written premium. In 2000, we were positioned 128. In terms of profits, we are currently ranked in the tenth position in the entire insurance market. In 2000, we were positioned 105 out of 225 companies. We are also ranked within the 15 insurance companies that have grown most above 50% in the past three years.

But what makes us really different and unique from others? Mainly our people that are totally penetrated with our values, integrity, change, urgency, excellence. Our clients can perceive this and they feel comfortable doing business and working with us as partners. We invest in training and we therefore act with professionalism. We always have a positive attitude, willing to solve problems. Persistence and tenacity are two additional characteristics of our team. We are disciplined people. We like setting goals, making follow-ups, reviewing results and debriefing what went well, what went wrong, what can we improve. We like monitoring our revenues and expenses permanently. Our sales process is very different to the ones of our competitors: sales process aligned with market leader needs was key for our success.

Finally, good people understanding the business and getting aligned with market leader needs helped us to build solid strategies that guarantee profitable growth in the execution. So, Craig's challenge wasn't so crazy after all. His dream was achievable. And I'm sure we are on the way to replicate this successful story all around international.

I would like to invite Mike Anderson to come up to the stage so we can both answer some questions.

- Q: Thank you. Looking at the slide that showed the zero through seven years and the 51% service contract, 49% credit insurance split and it's sort of targeted breakeven in year five, I was wondering if you could give a sense for what the combined ratio is at breakeven, especially relative to the targeted sort of longer-term combined ratio of 95%.
- Mike: The combineds is going to be based on kind of the unearned premium because your investment income is also involved in your pretax. And so your combine is really based on the mix of business and I don't know the number exactly what it is in that model. So according to the mix as to what that combine is going to be when you breakeven, obviously with the investment income in there the combineds are going to be higher than 100, and you're still going to breakeven.
- Q: It seems to me that it's still significantly higher than 100, even at breakeven. Is that a fair assumption or is it -- because you showed an example of one country where, or maybe the developing country is going from sort of 195 to 185. How far away on average sort of given the business mixes then are the developing countries in aggregate from breakeven?
- Mike: Well, the breakeven range is going to be much closer to 100 than 185.
- Q: Is it? Okay.
- Mike: Yeah, yeah. I mean your investment income is only going to cover so much of your ratio. And so it's according to how much investment income you're making, your range of investment income as to how those combineds are going to -- where it's going to hit that mark. I would say it'd be closer to in the 10% range of that 100, really even closer to the 5% range of that 100 before you start seeing it breakeven. So at a 105 mark, 103, according to the, again, mix of business and when it comes in and how much we're sitting on unearned premium as to when that happens.
- Q: So then maybe another way of saying it, is it fair to say that in the first five years, if year five is in fact breakeven, in the first five years there is just a significant improvement in the combined ratio?
- Mike: Yes.
- Q: Okay. The second question is, and I'm not sure if you guys have provided this in the past, but can you give us a sense for the split of either gross written or net earned premium, developing countries versus the more mature countries?
- Mike: I don't have that on me right now. As far as the split in -- what do you mean the split in the gross?

- Q: What percentage of Solutions international gross written premiums is coming from the five or six countries that are “developing” versus?
- Mike: Oh, the developing countries are a much smaller part at this point. They’re all just getting started in premium and we have established countries that have been around a much longer length of time and so it’s a bigger piece of the pie. I don’t have the exact numbers but it’s a much larger part.
- Craig: Yeah, it’s on slide 63, John. You get the breakout.
- Q: Oh, it is?
- Craig: So it’s the red line will give you an idea of the gross written for the developing countries.
- Q: Ah, I see. Thank you. Thank you.
- Q: As we think about your growth prospects longer term in some of these new countries that you’re going into, how much of the growth is really that you look at is displacing competitors, so in other words gaining market share versus actually growing the business as I think you mentioned in Germany for instance they’re now big believers in service contracts? Do you understand the distinction? In other words, driving people to use your product versus displacing competitors, how should we think about that from your growth?
- Mike: I’d say with the exception of China – just kind of take China out – the credit insurance market has been around for a long time. So the majority of credit insurance we’re displacing competitors in most all those cases. We do have some innovation sometimes in products where we’re going in with a new product line that maybe our competitor didn’t have, but in most cases we’re displacing competitors in the credit side. On the service contract side in Germany, it’s for instance a market that needs to be penetrated and so you penetrate that market and there are competitors there that are now in the 15% that we talked about that is being reached, so we have to displace them and attack the other 85%. And in most of the other markets it’s according to the market that you’re in as to how much service contracts are built into the culture of those countries. It is Spain, Italy, all across Europe, the service contracts are being sold in most of those markets and so we have to go in and displace those competitors.
- David: I would like to introduce again Melissa. She has important announcements about how the agenda will continue. I think it’s lunchtime, right? And this agenda will continue during the afternoon. So Melissa, would you like to come?
- Melissa: Thanks, guys. Alright, well I think you’ve seen, you’ve known probably about our unique and specialty businesses and now I think you’ve seen the uniqueness and

diversity of our management team. I think Mike's a pretty cool dad. I think I'm going to have to sign up for that twice a year pedicure.

At this time before we do break for lunch I do want to thank our management team for the commitment as well as all of their support team, both here in Miami and Atlanta, as well as my IR team, Suzanne, who's walking out of the room, and John, for their commitment over the past many months to prepare for an event like this. As you know, a lot of the success of an event like this is in the details and they've made sure to watch all of those, so thank you for that.

Now we're going to break for lunch. We promise you more than popcorn and peanuts. And for you, all of you on the web, we'll reconvene in about 20 minutes. If you can, please let our speakers go and grab their lunch quickly. We'll set up a Q&A panel and you can continue to eat while we start the Q&A in approximately 20 minutes. Thank you.

#### BREAK

Melissa: Welcome back. Now Jimmy referred to me before as the baseball coach, so, the pitching coach, so I'm going to get my gear on. And now I'm going to, it's the ninth inning, and we're going to bring up our star closer, Mr. Craig Lemasters.

Craig: Thank you, Melissa. And hopefully the lunch was better than a normal training table at spring training. Well, first off before I get into some closing remarks, there's a lot of visuals and things that I want you take away from today, but there are two that I'd like to just sort of leave here. The first one is the Rob on the Harley thing riding away, we can just sort of keep that here because with that goes the whole tattoo thing and I don't want that vision. And the second one is the whole Mike Anderson pedicure foot thing, okay. So we've disclosed an awful lot today.

But I go back to spring training, you can't have baseball without great quotes, right. But the greatest of all of course being Yogi Berra. And one of my favorite Yogi Berra sayings over the years was quite simply, "if you don't know where you're going, you will wind up somewhere else." And the reason I love that quote is I believe it. If we don't know where we're going, we're going to wind up somewhere else. Well, I believe what you heard this morning and hopefully what you heard this morning is we do know where we're going, and therefore we do know where we're going to end up.

So I just want to briefly recap what you heard this morning in terms of where we're going and I start with our growth drivers, the service contract business, domestically and international, you heard Joe talk about the diversity of our distribution, right, and the opportunities that we have, not just with big-box retailers, but going to other distribution and adding other products. And again, trying to insulate us as much as we can from these uncertain economic times and

the ups and downs in the economy. You also heard him talk about our risk management capabilities. And it's just fundamental and core to continuing to improve our bottom line, our combineds, and ultimately our return on equity, so again, real foundational.

Jimmy came up here and talked to you about our training capabilities. Now my guess is that most of you would agree that after hearing Jimmy this morning that if you bring him or if we bring Jimmy and/or some of his team members into a deal or a distribution, the likelihood of us improving results is very, very high. And that is truly a unique capability, and you heard some of the numbers attached to that.

Manny talked about credit insurance. And we've been in the credit insurance business a long, long time, over 60 years. It's really foundational to the original companies within our Solutions group. What Manny brings to the table with his team is two things: one, how can we take this core expertise and leverage it all over the world first of all; but secondly and more importantly, how can we add new capabilities? So he took something as simple as customer service, which is normally an expense, right, you answer the phone and take calls, and turned it on its head. And this thing called targeted retention and targeted solutions are now how we can help our clients save more revenue, which is good for them and good for us – great example of taking something that is core and morphing it into a whole new business model.

And you heard from Chris Rezyk about our excitement over growing the SCI part of our Preneed business. Why? Because we just believe that we could take some of the core things that we do at Solutions today and have done in other distribution, apply it to the SCI model, grate the largest of the distribution in that space in terms of number of homes, and we can increase sales. And those things are working, as you heard Chris talk about.

Now on the international front, it's all about pushing these six developing countries to breakeven, and ultimately contribution to the bottom line, lowering our combineds, and improving our ROE. And again, Mike gave you some great insight about how we're doing that and how we continue to get better at that process. It's all about covering those fixed expenses, those start ups, and then those countries eventually breaking out. We've got a lot of opportunities there in terms of the capital efficiencies, the economies of scale will help that as we build those businesses.

You heard from David Rey Goitia just a great success story, but also a great example of our model. Now we don't expect that model to be replicated in its exact form in every country we go in. But it is representative of what we believe if we invest in these new countries can happen. You know, I always tease David because as you've seen today, we just have a great team here. And I'm always concerned about our team because our competitors are always after them. And I

think that's a great barometer of how you're doing in terms of building your team. But I tease David because while I'm concerned about our competitors in Argentina trying to steal David, I'm more concerned about him actually being the president of Argentina the country some day, which would probably be a good thing for that country, by the way.

But again, these are the things that you heard this morning that we have to continue to focus on, we've got to invest in to build a long-term profitable platform despite an uncertain economy.

I want to finish now with where I started this morning and back to this question of how we do that. And again, it's all about our specialty businesses, it's all about a unique integrated model, and it's all about leveraging these core capabilities. If we can execute on that, stay unique, stay true to our mission, then we can build a long-term profitable growth platform.

And it's really about these three things colliding: great risk management, sticking to our knitting on partnering with strategic leaders in each of the markets we serve, and finally, integrating ourselves as much as we possibly can with our clients. And again, when these three things collide, we hit our sweet spot, which by definition for us is long-term sustainable growth.

With that, I'd like to now call on our team, get all the business leaders back up here, we're going to have some time for Q&A. Rob will also join us on stage and moderate the Q&A session. So if you guys will come on up and take your seats. And, like we did earlier, we'll wait, if you have questions just raise your hand and then we'll wait on the microphone so we can pick these up for the webcast as well.

Rob: All I wanted to say is you've been a great audience. There was a lot of information presented this morning, and what I was really gratified by was how quickly you processed the information and immediately got to the critical questions. We know there's more because there was a lot of information out there. This is your opportunity to tee it up and we'll get as many of those questions answered as we can. So let's get the ball rolling, and Dan.

Q: Thanks. Two questions please. When we get to the 14% range on the ROE regardless of the year, will we have the same amount of capital we have in the business today or will it actually take a net reduction of capital, even though this is several years out, to get to that sort of level?

Rob: Sure. I'll start with that and then any of the others can add in. But I'd look and say you're going to have several factors at work here. Okay, let's just start with the ROE question. One, we need to continue to grow in the targeted growth areas. Those products are already at or above the target ROEs, alright. And we've split out for you in the data the information there. Second, we need to get the

developing countries up and above breakeven levels. We know – and David’s was a great example of we can earn better returns. Remember, that was Craig’s mantra, better growth, better margins. We can get better returns there as well, but we need to get those countries up and operating. We need to take capital that’s been deployed in the non-target areas and deploy it in the target areas. I’d hope we have more capital, Dan. Now I’m not saying that we will, but if you think about it, if we grow we’re going to need capital. I’d also say we’re in a situation where, in these international countries right now, there are things we can do to operationally improve the effectiveness of capital deployment, alright. In Argentina for instance, I was visiting with David yesterday, David, just comment, how much more business can you write before you need additional capital in Argentina?

David: Well, there is a great potential there in Argentina, but still we can grow without additional capital at this point, but we have opportunities that might require additional capital, so we’re always analyzing which is the ROE for each project.

Rob: So I think one thing to keep in mind too is on the capital side in some of these countries, you have to put, it’s like a small U.S. insurance company, they tend to have to be capitalized more than a correspondingly larger company. So we have some of that going on in some of these countries, we’ll get some economies that way, and then we want to apply the techniques to accelerate the growth. And you heard the performance management and the global client management skills that I think are really, how long have we been in that program guys? Craig, you want to?

Craig: Yeah, I mean this is something we’ve been investing in for almost four years now. I mean we just were so passionate that competitively nobody was addressing these large clients and prospective clients on a global basis. So we spent a lot of time and quite a bit of money investing in people and process to develop this collaborative planning process that we can go to some of the names that you saw today and some you saw for the first time and plan with them, not just on a local level or a one product level, but plan with them across AIZ, not just here in the U.S., but in other countries. By doing that gives us the opportunity, which I think is one of the keys to your question, Dan, which is that being disciplined about pricing new business to targeted ROEs. The other stuff will take care of itself. Some will take longer and some will be shorter term improvements. But we’ve got to be disciplined about how we price our business at or above targeted ROEs and we’re doing that.

Q: And the other question was just in the U.K., we’re not really writing extended service contracts much there. Why is that? Is there something about the market, the competition?

Craig: Yeah, a couple of thoughts. One, we’ve been in the U.K. a little bit longer than some of the other markets, and we’ve found these niches, which is again what we

do is like to find these little specialty niches and really found that in the jewelry business in the U.K., as well as the pure credit insurance, but again, written through niches. And it's one of the reasons we bought these two entities is we really like that brokerage network business there and felt like it was a great opportunity to consolidate it and then really drive growth through it. But it's not to say we won't be in the warranty business there. I mean we like the service contract business there, it operates a little differently than in other parts of even Europe, and there's some things that are very attractive to us. But this will be a trend that you see, and when we're in any new country, and Mike showed you some of the examples of that mix, it's just been very interesting to us how that plays out and which one we're really focused on first. But, I think it's part of the beauty of our model is we have both of these core capabilities that we can really drive at over time. So we'll keep looking at the service contract business there.

Q: Thanks. Craig, maybe if you could just talk about specifically on international, is there a profitability difference between the extended service contract and credit insurance? And then just from the Argentina example, and you kind of touched on this a little bit, are the ROEs on the new business significantly higher, like 20% plus, should that be standard across countries? And then finally, just to keep this simple, if I'm looking at a 95% combined ratio in international, what ROE is that, 99% combined ratio in domestic, what ROE does that equate to?

Craig: Let me start, and I'll get Mike and David to chime in. But certainly, as I said, before, Keith, we want to give you Argentina as an example because we think it's a great story for a whole bunch of reasons. One, we endured a severe economic crisis. I never like to say never, but it was pretty bad, even in terms of Latin American crisis. And I think that's an important message that we have staying power and I think our business model allows us to have staying power. So we wanted to give it for that reason. But the second is, I think it is a good example of how it does take time for our profits and our business to emerge, but once we start down that path, we see a pretty significant uptick and a contribution that could be made in any given country. And again, I don't expect that that model will replicate itself exactly in other countries for a whole host of reasons. Just one, there are different economics in all the countries that we've entered. So you can see some that are lower, hopefully we'll see some that are higher. I don't know that because we haven't yet, but it won't be exact. We wanted just to give you a taste of what that model could look like. Mike or David, you guys want to comment on the other topics?

David: Yeah, the interesting thing of when you get introduced into a new country that these are virgin markets, right, that you need to take advantage. So margins are larger than in countries like Argentina when we started, for example. I guess the same thing will happen in other countries like Brazil, Mexico. So this is an important issue to consider, right. And when we get into those markets, we're not fighting against other competitors who have the best price, right. So we can

handle that and we can educate the market when we're starting a new business in a country.

Mike: And when we write the new deals with the new clients, we're definitely targeting on each of those deals an ROE higher than the range that was talked about of the 14% to 16%.

Rob: And I'd just add again, the product mix is so important. Let's think of a couple of variables to consider here. One is, well, the length of that contract and the amount of investment income we can earn are contributors, right? So the more, in the U.S. for instance we've got a more established vehicle business, which tends to have longer deferral periods with the manufacturer's warranty and longer running periods on our own. So we're holding that cash longer, that's going to let us earn more investment income. Second variable is the capital requirements, okay, and the capital requirements vary and we're working our way through that in these countries we go into. But I think the point is when we put the pieces, snap all the pieces together, we think in those international countries we can earn returns that are better than in The States. And we've used those rules of thumb, the 95 and 98 as that. I think Mike demonstrated clearly well depending on how the mix works, breakeven can be sooner or later, alright, and it really also can impact the combined ratio a bit too, Keith. Please, Jimmy?

Q: You mentioned the \$9 million you expect to spend in developing countries in 2008. I think last year you spent about \$30 million and the year before about \$20 million. If you can talk long term, either quantify or just directionally the new country spending, is that going to continue to go up or should that at some point begin to decline? And I have one more later.

Mike: Our expectation is that the \$9 million will be a good runrate for '08, but we could possibly have a big client come on in one of those countries and then we could have some variable expense that gets added and correspondingly gross written premium to go along with it. So it actually would kind of be a good thing if we have to add a little expense to those countries is because we're writing a large new client. The expectations are is that out of those six countries we talked about is that you'll have some of those countries moving into profitability, obviously faster than others. So, as those move into profitability, then you'd have obviously moving over more into the established range and you'd have less than in the higher combined ratios.

Q: Do you expect to continue to add more countries to the developing or do you think you're in the countries that you expect to be in?

Mike: No, we definitely will continue to invest in new countries. The idea – we won't be moving into any new countries in '08. The idea is to balance the movement of those countries into profitability and bringing on new countries and so that we can balance that investment out to where we're keeping in that range that we're

talking about, in that \$9 million run rate. Now it could go up some, and so you could see some variability in the investment there. But the idea is to move some countries into profitability, bring on new countries to where we can kind of balance out that investment for the future.

Rob: And I'd go back, Jimmy, too to Mike's slide, okay. And Mike talked about, we have this fixed cost component, alright, and then we have a component that varies as we write new business in those countries. And I think it's slide 53, 63, but it shows the gross written premium in the developing countries. And you can think about those countries, that gross written premium has an administrative expense allowance embedded in it. Just like Joe talked about in his presentation how the premium has the loss component reserve and the administrative component reserve. Well, that administrative component reserve if you will is there to deal with the expenses we're going to have if the product reports through.

Mike: And just to finish up on that, I showed you kind of the prioritization. And when we went through that when we did China, we obviously targeted some other countries that are in there. And so we still have our eyes on those countries. Now we're reevaluating with all the data and the deep dive when we get ready to move in, which will probably be some time in '09, is what I expect. And then we'll evaluate those countries that are in that prioritization and they're like South Korea, Poland, India could jump up on the screen kind of similar to what China, how it moved up real quick, India also could move into the picture.

Rob: And I just mentioned, for those on the web, we're talking about quarterly expense numbers. So I just wanted that to be clear too.

Q: And then if you can talk about your outlook for top line or gross written premium growth in domestic extended service contract business, as the economy weakens you potentially could see higher attachment rates, but how much of an offsetting factor that is? And related to that, what the possibility is that you could add at least one product with Best Buy over the next year or two years?

Joe: Okay. Well, with respect to the gross written premium in service contract business, as we talked about a little bit earlier I think in the earlier Q&A, the current environment is a bit challenging on retail sales. But we do balance that. And we balance that through those four drivers of growth that I talked about before: adding new clients, growing our business with existing clients, innovating new products and services, and also entering new distribution channels. We will continue to focus on all of those drivers and all of those success in all of those drivers could have an offsetting affect against any decline in retail sales. And I know I showed on the one slide also how over time our production has outpaced the growth in retail sales. So we believe that that balance we have in the growth model provides for us to have excellent growth prospects in the future, specifically with respect to Best Buy. Of course we do business with them in Canada, doing both the administration and the underwriting of the service contract

business, as I mentioned. And, as with any other client that we have or any other prospect that we talk to, we're continually looking at new ways to partner with all those folks so we can add to that business and continue to grow it long term.

Craig: One of the real keys on this though I mean in terms of short term, we talked about in the last call. And CompUSA obviously gives us short term pressure on the top line with them closing all their stores. I mean so you have to understand that when we, when something like that happens to a retailer, which happens, has happened historically, I mean over time there's consolidation and retailers that do go out of business that will impact us short term. But two important points is again, based on that earnings pattern you saw, doesn't tend to affect our bottom line because we still have all that profitable unearned that will run off over the next three to four years. So from that standpoint it gives us time to rebuild and refill what top line we lost. And, as Joe mentioned, how we do it is really all four of those components. It's not just about going and getting a new big-box retailer, it is about the new distribution that Joe and Jimmy described and the new products and the new services, adding more admin capabilities, it's all of those. It's one of the reasons we talked on the fourth quarter call about our new wireless close. We were very excited about getting the seventh largest wireless business because again, that's a relatively new distribution for us. And so while we don't have much market share in that market, that represents upside to us, even if that market tends to struggle with the economy, everything we get is takeaway, so that's just new share for us. And so those are the things that we push real hard at in times like this.

Rob: But we're glad you bring up Best Buy because we're not giving up on that. These guys are running at it all the time. Ed?

Q: Thank you. Merrill Lynch. The slide that you show on Argentina that gives the financials top line and bottom line, and I think all of us find that very helpful. And I guess you decided that it was okay to put those numbers out, that that wasn't an issue from a competitive standpoint. So, the obvious question is could we get some more detail on at least some of the developed countries so that we have some sense for the contribution that we're getting from businesses that are sort of up and running and more of a stable type sort of margin experience, which I think would be helpful to us to sort of understand the difference between when it's at a contributing stage versus when it's at an investment stage?

Rob: Sure. Well, our commitment, Ed, has and always continues to be we will improve transparency in the business. We have a list of things that we're looking at to expand the supplement, alright. And Melissa and her team will be working with Craig and his team and over the course of the next year you will see us expand the supplement for the Solutions business. Please get your things in the queue, we can't do them all. It requires that we go and be able to also provide history and get it vetted, all those kind of things. But we are definitely committed to improving transparency of the understanding. So we will work to do that.

Craig: But Ed, I also appreciate your sensitivity on the competitive things. And we do have to be very careful, and we believe we do some things very unique and different, that is our model. So we do have to be careful about that, and particularly as we're building scale. As you can imagine, that could send all kinds of messages in terms of early on the financials of these companies, as it is just investment. So we do want to be careful about that. But again, we thought Argentina was just a great example as you've wanted more information and color behind what happens as these countries breakout. That's why we wanted to give that example to you.

Q: And then I have one question for Jimmy on the slide where you showed the TPA example. Why do they care so much about the loss performance in the book of business?

Jimmy: Because in many of those relationships the underwriting is shared between us and the TPA. So we help them to manage that so it helps improve the profitability for both them and for us.

Q: And is that the case – how broad based is this sort of sharing between the loss experience between you and your partners?

Jimmy: It's pretty common across all of our vehicle service contract business.

Craig: And one important thing there, Ed, this goes back to our risk management capability, and that might sound like you're giving something up, it's just the contrary, particularly in some of the distribution that Jimmy works in. It's extremely important that we actually have buy in on the overall profitability of the business. And that has been a very unique and effective strategy that we've used over the years. And quite simply, if you step back from it, we think it makes a lot of sense. If we are both invested in the profitability, as we push at doing more creative things to get more production, then our clients are much more apt to accept those things. So we think it's a real prudent risk management strategy.

Rob: In fact, if they don't want to do it, it's a big red flag.

Q: A couple of questions. So first of all on the ROE, the drivers, are any of them relatively speaking more important than the others or are they all sort of equally, or more or less equally important?

Rob: Well, I would say the continued growth of the higher margin products would be number one, and of course that leads into getting in countries up operating at breakeven, Jukka. But we want the continued growth of the higher margin products. Those kind of go hand in glove.

- Q: And then in terms of capital, how do you capitalize the international businesses? And does it take a lot more capital for the credit-related businesses versus the extended service contract international?
- Rob: Yeah, well, I'll let these guys comment in a minute. I'll go to Mike. But first, just start with it's a little different in every locale, and as a matter of fact, Craig and Mike were meeting with our tax expert in New York, who is also one of our structuring experts and were trying to line all these things up and say you know what, there's a number of different variables going on here, just like there are in any problem, and depending on what you put at the top of the hierarchy – let's say it's, one of the things Craig is quite concerned about is line of sight, right Craig? If you put that at the top, you get structure one. If you get free movement of funds at the top of this, you get a different structure. If you get minimized taxes in terms of today's rates, you get a slightly different one. So Craig, you want to talk about what you and Mike are doing there just a little bit?
- Craig: Just a couple of thoughts. I mean as Rob said earlier, I mean some of it's driven by country by minimum capital so when we're early on, that's kind of where we are. They all tend to have some type of formula-based capital requirements. And it can vary between the credit insurance and other products. In the European business, it's important to note that we write all of our European business through the EU countries right now through freedom of establishment. So we're using our U.K. based companies insurance paper in all of those EU countries, so we're following the U.K. guidelines in terms of capital adequacy there. We're kind of excited about that because the U.K. has gone to more of a risk-based capital philosophy, and our team there might mention the FSA and the process we've been going through from a regulatory standpoint. We've really embraced that. And the reason is, it's giving us a chance to apply all the techniques we've been through here over in Europe and we think long term that's going to benefit us by proving that we've got our arms around this from a risk base standpoint and hopefully help us manage down the capital requirements over time. Mike, I don't know if you needed to add anything to that.
- Mike: No, I think that's right on. I think as we, as a start up we're going to have to have more, require more capital for the FSA. And then as those companies become profitable, those capital requirements will come down.
- Q: And lastly, how much more capital remains to be released through streamlining those statutory legal entities?
- Rob: Yeah. Well, it's a very relevant question, Jukka. Best's has just published their formulas, they've made some tweaks, and we're in the process of working through that. I don't think it's big amounts, but we'll get on it right away and work it out as quickly as we can and when we identify it, we'll let you know. Beth.

- Q: Beth Malone, KeyBanc. How does online sales of the same products, how do you work out offering the same products to the online customers? Is that a different business or is that something you're looking at?
- Rob: Joe, you want to talk about that a little bit?
- Joe: Yeah. Online business for various consumer products and automobiles for that point are increasing over time. They're becoming a more important part of the overall retail sales mix, and we are working with our partners to offer service contracts to customers who buy online. In addition, many of our customers, Circuit City being one, you can order online, but you can pick up in the store. It allows us to still have a face-to-face sales opportunity with the customer who bought the product online, so we can still be very effective in selling directly to the consumer. But, we are continually looking at the marketing and testing and evaluating different ideas to improve the sales and service contracts online, and they'll be a more important part of our business as we continue to move forward into the future.
- Craig: Beth, I think that's a great example of one of those four buckets that Joe has had in terms of our growth drivers. When we sense a trend like this, which clearly online purchasing as a percentage of total sales is going up. But when we get involved in that, I mean our approach is to push pretty aggressively, assign a team of our marketing folks to really go push at that and figure out how do we participate in that which is in essence a new distribution chain. And more importantly, how can we help our clients do better at this? Because again, it's a big part of our client's strategy. So we'll talk more about that in the future because we don't think that trend is going to go anywhere but up, and obviously we want to help them participate in more warranty attachment to online sales. And then there's these little niches that Joe said, which is kind of interesting, where it's not just online sales, but in store pickup that we think we can help on the sales there as well.
- Joe: And the [inaudible] is much more prevalent than in the store. Most people are going online, and then those people are still going to the dealership. And the other side I think is the risk management and looking at the difference in the losses on things that are purchased online, the adverse selection piece, typically in the vehicle segment when they buy it online, their car is broken. And so managing that piece and being prepared for it is an important piece, too.
- Q: To go online, is it less expensive because it eliminates some of the sales costs?
- Joe: If we're working with one of our retail partners and they're selling online, the retail partner is obviously still keeping the margin, which is what I explained before. And then we still need a certain amount of net rate. We may provide some marketing support, which may have some expense for us that we would build into that net rate so we make sure that we cover all those charges, as I explained

before, so that that reserve for administration and the claims reserve are proper for all the expenses and provide for our targeted level of profitability. That's not unlike what we do today though when we provide various marketing support in the store. It's the same type of concept, but just a different distribution channel.

Craig: But it's real important, it will be the retailer, assuming we're partnering with a retailer on an online strategy, it's really up to them on the price point. And I don't think we've seen the ones that are doing it where they have a different price point, I believe at this point online versus in store on the service contract. But that would be up to them.

Q: Thank you.

Q: Chris, what level of nominal interest rates would allow for an economic reinsurance transaction on the closed block in Preneed?

Rob: I mean we've looked at this periodically, two things have happened. One is the people who are willing to securitize have changed their margins, so it's become a big of a moving target. If we needed the capital, however, the predictability of that business would allow us to securitize that run up block. The tradeoff to that would be that's a big block of assets we'd be taking out of the company which provide a lot of flexibility to our investment folks, okay, because remember, one of the great things about this business is non-callable liabilities, excellent persistency, which gives us more degrees of freedom in terms of how we invest the money, okay. So, if we had need for capital we could do that. But we don't see the benefit of just taking it out without a redeployment need. Please?

Q: Rob, in the medical area, there's been some recent news about higher claims from a couple of companies. Does this reflect something you already knew and that you had kind of pulled back in making new sales in that area, talked about more competition? Or is that maybe a little more of an incremental negative from what you might have seen previously?

Rob: Well, Craig is going to get upset with me for taking non-Solutions question, but I'll do it anyway.

Q: Right, I apologize.

Rob: I think there's a couple of different things going on here. First, and I haven't read all the reports yet, my assessment of the situation unencumbered by the fact is we have a rate problem more than a claim problem, okay. But if there's a claim problem, we monitor that very carefully and have not seen it in our results yet. So that would be point one. Point two, if you look at a number of the carriers who are reporting, these are carriers who are, they're doing everything in health care, alright. We think one of our big advantages is the focus. We have focused on this individual end of the market, and we understand it better, alright? You're doing

that, these people have things going on in the Medicare market, they have their normal market, and all of them can be impacted by slightly different factors. You take your eye off the ball for a second, and something can run away with you, that's why we really like the focused approach. I think it's a rate problem.

Q: Then back to the Solutions, credit and debit products, I think you had suggested earlier that in a weaker economy you don't necessarily see an uptick in losses. Is that, can you confirm that?

Rob: Manny, you want to talk about that a little bit, how in a weaker economy we don't see an uptick in losses.

Manny: In a recession, increased unemployment will result in an increase in losses. But the way our deals are structured, say part of our deals are reinsured. The other part of our deals have a continued compensation element to it. What you'll tend to see is if losses go up, commissions go down. So we have a lot to play with there so it doesn't get reflected negatively in our bottom line.

Rob: And just I mean another excellent example of the risk management in place in the business.

Q: Is this a partial offset or a full offset?

Manny: Well, full offset, and so you've run out of premium obviously, but it's a wide corridor.

Rob: The way I like to think about it is if the loss ratio has been running here it needs to run maybe at a level almost twice it before we have problems.

Craig:: Another interesting thing, Mark, is, Manny, you may want to comment on the potential top line changes when the economy gets sort of uncertain both from an unemployment standpoint and then just average outstanding balance.

Manny: Yeah, something to think about is that in an uncertain environment, it creates a greater need for 'peace of mind' type products, which is what this is as a category. So maybe the next time you go to buy a car and they offer you credit protection, and that includes unemployment you might think about it a little bit more. So it does favor an increase in sales, increase in penetration just because of the nature of the product.

Q: My name is Vinay, Credit Suisse. China's obviously a very big growth area and we've seen in the insurance line a lot of competition in the other areas. So who are your competitors in China, and how are you managing to gain business from them or versus them?

Craig: Well, do you want Mike to answer in Mandarin or English? You have that option.

Mike: Obviously we're not in the credit insurance side yet, so I'm really not exactly sure who all the competitors are going to be there. We're obviously going through all that process and research on that. On the extended service contract side, it's very new there. So as I said, the retailers and manufacturers actually are coming to us now that they've found out that we're coming to the market and want us to do business with them. So it's a little different situation there. There is a company from the U.S. there called NEW who does business here in the U.S. with Best Buy. And they went into China with Best Buy, and that's how they got into the market there. So that is one of the competitors from the U.S. that has brought this product into China. So they would be our competition there, so to speak, because it's a brand new market for us.

Craig: One other point on competition I think is real important about our business model, and we were chatting about it at the break, and that is a lot of our products like the service contract business our clients can do themselves. And that's been the way it's been since we've been in this business, both domestically and internationally. So while we have for the most part the same competitors here and most places we are, it tends to be our bigger competitors over time are clients themselves. Now we like that because we've lived with this for a long time, but it all goes back to our unique specialty model, right, and this value chain. The reason we're very obsessed, as you heard today about the value chain, is that if we don't do these things better than our clients could do if they chose to, they don't need to hire us. That's pretty good motivation for our team that we'd better get better at it, we'd better invest in the core and find these other things we could do. And again, I think one of our best examples of late is what Manny did with credit insurance which has been around a long time and taking that retention concept, turning it on its head and turning it into this targeted retention and targeted sales is a very powerful now part of our value chain. And one of the reasons I can invest in it here is that now I can leverage every dollar in these 13 markets we're in and growing around the world. And so it's real important to I think understand competitively that it's not just external competitors, but it's the clients. But that's why we have to work real hard at this unique model and keep improving on it.

Q: Fair enough. And on the – in Europe my understanding is that we are gaining market share from competitors on the credit insurance side. So could you shed light on why that is so? And secondly, in the U.S. we've seen all that taken over by the banks, how soon can we see that happening in the foreign countries?  
Thanks.

Rob: I'll start and just say first because, I accompanied Craig down when we opened our Brazilian office, and we did some client visits, it was quite interesting. When you go in and make the pitch and say we do two things, credit insurance and service contracts, and realize the entrenched competition is trying to do credit insurance, life insurance, property casualty insurance, it's the same motivating story. They could do it themselves, we're competing against people who do this

and try and do a hundred other things too. So it's a little bit like the Health story we talked about earlier. That focus allows us to have built differentiated skill sets that can profoundly produce better performance for the clients. And when we get the opportunity to demonstrate that, we just win more business.

Craig: Yeah, and I look at it the same. Domestic or internationally, it's the same model from this sense. And that is when you boil all these capabilities down and all that you've heard today, we're pretty bold with our respective clients in that we have to be able to do two things for them. We have to make the economics of their business model better if they hire us, and we have to make the customers happier. And again, there's lots of tentacles that fall from each of those, but if we can't do one or hopefully both of those better, then they shouldn't hire us. And we're pretty upfront about that, whether it's a competitive situation externally or they're doing their own program, which as you said some of the banks in the U.S. do. If we can't improve on both of those factors, then they shouldn't hire us. With that said, again, that's great motivation for us to do all the things that you heard us talk about today and to continue to do that. I read one of the reports in here recently and it described us very well in terms of how Solutions continues to morph and really change itself over time. That's a great description of us. And hopefully you got the sense today with this group of people that we don't sit idly and wait for market trends. We're going to keep pushing at these core things and find new ones all the time because that's how we win long term.

David: And Craig, let me ask something more. We have many cases in the Argentine market where we have the banks that have their own insurance companies and they were allowed to do the same thing we do. But because we're a specialized, a niche company, they decided to do it finally with us. And we're working with them currently. So this is the good thing about our company that we're a niche company, we're specializing in credit-related and extended warranty.

Craig: Very basically, we can do it better than they can themselves.

Q: Thank you. I have a handful of questions. The gross written premium in the domestic credit insurance business ended the year at about \$650 million or so. It's been declining obviously for some period of time. How low does that go before it plateaus or troughs? And can you remind us what the premium to surplus ratio is on that piece of the business? That's one.

Rob: That's one. Okay. It sounded...we'll treat it as one. I think the first thing to remember in the credit insurance side is we're dealing with credit card portfolios that are in runoff. In other words, when the cards go away, our ability to write goes away. You heard Manny talk about a lot of the things he's doing to retain that business when it wants to go away. And we think we're very good at extending that out, okay. In addition to that, we have some small consumer loans, which is actually, you want to talk about that a little, Manny?

Manny: Yes. There's still a base of credit insurance, which is consumer market, which doesn't really go away. It's the credit card runoff and I don't want to project out, but you can start looking at the numbers in terms of gross written versus earned and start getting an idea, the relationship will help you understand how it's trending.

Q: How we're starting to slow down, okay. And the premium to surplus?

Rob: Again, the reason I'm pausing on this a little bit, John, is that Best's has just changed some things. We use a number of different entities and they're at least proposing that maybe we're not going to be able to get a fleet rating across all of our businesses, which it's just going to cause us to have to move around a little bit. But I don't know off the top of my head. I'm sorry. We'll get you the information.

Q: Okay. A question maybe for Chris. In Preneed, the combined ratio running about 148/150%, is the combined ratio on the independent runoff business higher or lower than the total segment combined ratio?

Chris: Well, combined ratio is for my business is typically something I don't look at as closely as some of the other businesses. For me, the nature of it is the mix of business, the face-sale production, and the agent's portfolio because predominantly, as I mentioned, it is an investment spread business, so the longer we have the money. So that's mainly what I'm looking at as opposed to losses because every one that takes the coverage eventually is going to use it.

Q: Well, let me maybe get at it differently then. Is the margin on or the profitability of the runoff business higher or lower than the total segment?

Rob: It's lower.

Craig: But again, John, I think what Chris is saying is very relevant. I mean the metrics that you really want to focus on are face sales in terms of the SCI and how we're growing that, and then the interested assets, which I think in the fourth quarter were up about 7% from comparable year-over-year. And that's the real important metric for us.

Q: Okay. Third question. I think, Craig, you had mentioned that you had renewed four large key clients for some period of time.

Rob: Joe did that.

Q: I'm sorry, Joe did. Do we have any in 2008 that are a risk?

Joe: 2008 obviously is early, so we haven't I don't think renewed any yet. But our process that we go through when we look at contracting is to contract for

extended terms, as I mentioned before. We're typically looking for a five year term, long-term stability with the relationship, and with that true partnership approach that I talked about before with our integrated model, it gives us time to work through and continue to maintain an increase over time the profitability and the performance of the programs, which then leads to more renewals because we have very happy clients. So I can't tell you off the top of my head if there's anybody significant that we need to be worried about this year. But because of the way we contract, we do and will maintain stability over the long term. And that's just an important part of that overall integrated model, and that's also part of our risk management strategy, the contracting is actually part of that too to maintain stability.

Craig: John, most years we rarely go a year without having major re-contracting just because of the diversity of our businesses and the number, just the sheer number now, and you saw it just on David's slide a lot, I mean we do partner with market leaders, and that is our strategy. So we rarely go a year without having major renewals and renegotiations with large clients. But again, I think one of the important things is we continue to push at growth in these three areas and continue to build scale. What that does for us is reduce the impact of any one of these large clients, and that's a big goal of ours. We want to reduce the impact of any one of these either having financial issues on themselves, or having a re-contracting issue, or being purchased, which doesn't happen to us a lot, but being purchased in a competitive environment where we wouldn't have access to it. So again, part of our business model is to keep pushing at these leaders around the world, and then that softens that exposure over time to any one re-contracting.

Rob: And I'd just add to that, they align with market leaders. Who wins in the shake out is usually the market leader and again, that's kind of, you see that through all our businesses that that's an intentional. And we did lose one by bankruptcy here. That happens occasionally, but we'll do fine with that account. A very profitable account for us.

Q: One last question if I might. Other than \$30 to \$35 million or so of investment spend specifically for, other than the \$30 to \$35 million or so of investment spend for international expansion, across the four major segments, you're sort of always in a research and development sort of mode in each one trying something new. Can you give us a sense for how much additional discretionary spending is being put forth toward new niche opportunities?

Rob: Sure. Well, it's clearly the biggest in the segment because we see the biggest opportunities. That being said, we've talked about some experiments we have tried in the Property area that have borne fruit, the renters business. We are testing the CPI concept in Property. We are testing some strategies on the Health side. You add all these, and in the Benefits side as well. You put all these things together, you might be talking \$3 to \$5 million per business outside of the Solutions business.

Craig: One of the things I think over time, John, you described it very well. I mean we're going to push out all these core capabilities, get better at them, morph, grow them, and that is just very much a part of our culture. But a lot of that is done with intellectual capital up front before we have to invest bigger dollars to go execute. I think Manny's example of targeted solutions is a great one. I mean he and his team invented the idea, we invested a little bit in some technology to get it embedded into our core clients. So to go beyond that and make that bigger, once we had vetted it very well, and we believe in it, then we have to spend more money on it. But I think we have a really solid process. I don't know if you want to comment specifically on that one, Manny, but sort of where we are in that process to give him an idea.

Manny: Yeah, actually to bring it to our own clients it wasn't a big spend. It was more intellectual capital using statisticians, core capabilities we already have in place and, as Craig said, once it's been proven a number of times within our own core model, we've now started to invest in technological solutions we could make easily portable so that we can deploy it in whatever country we want to deploy it in quickly. And so we do go through a long process before we make that kind of spend decision.

Rob: And Craig mentioned, and you heard these guys talk about all morning how they're trading ideas back and forth, I'd point out we've taken some of Manny's technologies and applied them in the Health business. So this group has been sharing of ideas that way, and we've back and forthed across the whole enterprise in those things. Again, we're looking for adjacencies; we're looking to use what we know profoundly to build shareholder value. Dan.

Q: Thanks. I think in one of the slides you mentioned that Wal-Mart is a new relationship in Canada? Did I see that on, I can't tell my slides have funny little boxes on them, your slides had people's names on them.

Rob: That was special for you, Dan.

Q: Oh, thank you.

Rob: Joe, you want to comment?

Q: Well, first how about a yes or no, and if it's no then my question is really irrelevant, more irrelevant than usual.

Joe: New relationships with Wal-Mart, and they're brand new is the Puerto Rico and Canadian business, and again, they're very much in early stage mode there, so...

- Q: Understood. Wal-Mart sells a lot of things, so what sort of extended service contracts would you be looking to sell with them – just purely electronics or if you go over to power tools and equipment, the whole gamut?
- Joe: From a products standpoint, we could sell extended service contracts on any of the products that you just mentioned, Dan, because we do at other retailers today. The initial focus point and where there's in most of the stores the most customer and sales person interaction is in the electronics area. So that might be a logical place that you would start. But there's many different things in the store that we could sell service contracts on and bring value to that client and to the consumers who buy all those products. And Mike, you may want to comment more on some of the international markets?
- Mike: Yeah. I mean basically the consumer electronics piece is the piece that we're looking at there. There's a lot of opportunity once we get that going and prove the revenue growth. There's a lot of opportunity in different products that they sell.
- Q: Is this a new relationship for them, meaning actually focusing on warranty? Or was this a replacement of an existing vendor?
- Craig: Mike are you familiar?
- Mike: I believe in Puerto Rico it's a new opportunity, I'd have to check on Canada. I think that's the case there also, but I'd have to check on that.
- Q: Thank you.
- Rob: I think something to remember is that Joe put up those attachment rates and talked about the difference between a self service model and a highly floor interactive model. And these guys are certainly more in the self service model, and we hope to change that.
- Q: When you launch the new products like the call routing, is that something that you can charge for and accelerates the organic growth in the fee line? Or is it something that is more needed to retain the clients longer term?
- Manny: Well, in that particular case we actually charge separately for it because we do require a little bit more effort on our side, plus it creates value and when we compete against others, they don't have it. So we create models where we charge additional fees for it.
- Joe: That's also true in some of the additional products and services that we have done in the service contract business, both in the consumer products and the auto area, for instance the strategic performance management that we spoke of is a program that brings value and we look for some additional return for that value.

Rob: There's no more questions. I want to thank our panel. They did a great job. I also want to extend a thank you to the audience. You've been a great audience. Our goal was to bring you here, as Melissa said, and demonstrate that this is indeed a specialty business. We're looking at it in a different way, in a focused way, really in a way that fits the overall Assurant strategy. We hope we've demonstrated that to you. We know there was a lot of information here today, okay. We are committed, as I said earlier, to continuing to improve transparency on the business. This is a start, we'll do more. It will take us time to work through it, but in all that, we promise to communicate with you. And I thought where Melissa opened up was also a good place to end a little bit, which is we think we are friendly, that's very important in the business we're in because we're not in the easily understood business without these kind of sessions, so the dedication and time that you people take, we really appreciate. So I want to give you all a round of applause.

So Melissa, they're probably going to want to know are we going to do another one of these next year. Actually Melissa has done three events in the last year, we're actually going to let her take a vacation for a day or two. But we promise to come back and do another business next year. We think this format is the one that gives you the deepest understanding of what we have going on. So when we get that set up, we'll stay tuned. Thanks very much for coming.

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