
MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Assurant fourth quarter 2008 financial results conference call. [Operator Instructions] After the speakers' remarks there will be a question-and-answer session. [Operator Instructions] I would now like to turn the call over to Miss Melissa Kivett, Senior Vice President, Investor Relations. Please go ahead, Miss Kivett.

Melissa Kivett, Senior Vice President, Investor Relations

Thanks, operator. Welcome to Assurant's 2008 fourth quarter and year-end earnings conference call. Joining me with prepared remarks are Rob Pollock, President and Chief Executive Officer of Assurant; Mike Peninger, our Interim Chief Financial Officer; and Craig Lemasters, President and Chief Executive Officer of Assurant Solutions. I'm also pleased to be joined by Gene Mergelmeyer, President and CEO of Assurant Specialty Property; John Roberts, Interim President and CEO of Assurant Employee Benefits; and Chris Pagano, our Chief Investment Officer and Treasurer, all of whom will be available for questions. Prepared remarks will last approximately 25 minutes, after which time we'll open the call to questions.

Yesterday, we issued a press release announcing our fourth quarter 2008 financial results. The press release as well as corresponding supplementary financial information can be found on our website at Assurant.com.

Some of the statements we make during this call may contain forward-looking information. Our actual results might differ materially from those projected in the forward-looking statements. We caution you about relying on these forward-looking statements and direct you to consider the discussions of risks and uncertainties associated with our business and results of operations contained in our 2007 Form 10-K, subsequently filed Forms 10-Q and 8-K, including last night's earnings release which can be accessed from our website. The company undertakes no obligation to update or revise any forward-looking statements.

Additionally, this presentation will contain non-GAAP financial measures which we believe are meaningful in evaluating the Company's performance. For more detailed disclosure on these non-GAAP measures, the most comparable GAAP measures and a reconciliation of the two, please refer to last night's earnings release and supplementary financial information posted on our website.

Now I'd like to turn the call over to Rob.

Robert B. Pollock, President and Chief Executive Officer

Thank you, Melissa. Good morning, everyone, and thank you for joining us today. Before I discuss the results for the quarter and year I would like to take the opportunity to acknowledge that today marks five years as a public company for Assurant. Let's not forget the progress we have made in that time. Since year-end 2004 we have increased net operating income by more than 80% and our operating return on equity by over 400 basis points. We've doubled our dividends; we've joined the S&P 500 and broadened our shareholder base. All of these measures validate the success of our strategy and establish a great foundation as we move forward. And I submit this foundation is serving us well in today's environment.

2008 is a year we will not soon forget. As I evaluate our fourth quarter and full-year results, I remind myself we are operating in an economic landscape that is yet to be fully understood. Assurant prides itself on its ability to learn and adapt to changing markets. As you will hear, we are taking steps to adapt and improve the position of the Company for both the short and long term.

Earnings declined in three of our businesses but when we evaluate overall results in the context of the current economy, our diverse specialty business model enables us to be nimble and flexible as we adapt. Operating returns continue to be solid and we are achieving growth in many of our targeted areas including creditor placed homeowners, service contracts, and Preeed. Our investment portfolio and capital position remains stable despite the unprecedented challenges in the worldwide economy.

Let's review results of each business in more detail. Assurant Specialty Property leveraged its leading position in creditor placed homeowners to deliver continued growth in net earned premiums and net operating income. We weathered an active storm season and delivered great service and value to our policy holders in their time of need. As the mortgage market evolves, we continue to work with mortgage lenders and servicers to provide them with levels of service they have come to expect from us. We also continue to support activities to create stability in the mortgage market.

Craig Lemasters is here to provide an update on Solutions following my remarks. Clearly our Solutions business is being impacted by the slowdown in consumer spending, the primary engine of the global economy. Consistent with our prudent policy, we took actions this quarter to address problems that have surfaced and we took some charges as a result. However, despite a challenging macro environment, we are finding opportunities to play offense as well as defense in Solutions markets.

At Assurant Health, we have historically seen the individual medical market expand when the economy slows. However, in another example of the challenging economy, we do not believe the overall market has grown during 2008. Certainly growing our individual business has been a challenge. Nevertheless, Assurant Health continues to develop new products and leverage its diverse and broad distribution to serve the individual medical marketplace. We believe we continue to be well positioned for future growth and support affordable healthcare for those currently not insured.

While Assurant Employee Benefits did not grow overall revenue in 2008, it continues to pursue opportunities to expand the small employer market while maintaining good results. We expect to use our capabilities in the voluntary marketplace to help our small employer customers control their overall benefit costs.

Our conservative investment philosophy is helping us navigate through a challenging credit market. Our net after tax unrealized loss position was virtually unchanged in the fourth quarter and our realized losses and impairments were less than 20% of what we experienced in the third quarter.

Our investment income was lower than previous quarters. Here we played defense by holding more cash in the portfolio while we wait for better risk-adjusted yields. Our balance sheet and capital positions remain stable. We ended the year with about \$230 million in excess capital, higher than the \$200 million we forecast on last quarter's earnings call. We did not repurchase any shares during the quarter.

Our buyback program requires further improvement in credit markets to go into effect, but we certainly believe the stock is attractive at these levels. Our book value per share, excluding accumulated other comprehensive income, grew during the quarter, again setting us apart from the crowd. In this environment we believe playing defense in both the investment portfolio and capital management is prudent. It provides us with the capability of being more flexible and nimble in the future when better opportunities present themselves.

During the year each business unit contributed dividends, showing the strength of our diverse platform. We used the dividends to make the acquisitions of Signal and GE Warranty Management Group. We've repurchased one million shares from Fortis and we infused capital at our statutory entities to offset the impact of realized losses and impairments. Finally, we expanded our financial

supplement to improve transparency. New disclosures include after tax portfolio yields, top foreign government issuer exposures, ratings of all our statutory entities and several disclosures to provide additional insight into our Specialty Property business.

I'm also pleased to announce we will hold our 2009 Investor Day on March 18, here in New York City. For those of you who are unable to attend, we will also be webcasting the event. Stay tuned, details will be distributed soon.

In summary, Assurant has the proper diversity and financial resources to address the challenges of the economy. We continue to exercise prudence while looking for opportunities to strengthen the Company. Now I'd like to turn the call over to Craig Lemasters. Craig?

S. Craig Lemasters, President and Chief Executive Officer, Assurant Solutions

Thanks, Rob and good morning, everyone. Solutions' net operating income declined for both the quarter and the year. After reviewing the drivers of our results, I will share with you some details of our continued progress in positioning Solutions for long-term growth and improved profitability. Overall Solutions earnings declined due to several factors. First we incurred charges of \$8.1 million after tax related to client bankruptcies. A decline in investment income and continued unfavorable U.K. loss experience also negatively impacted our quarter. Our decision to exit business operations in Denmark resulted in a \$9.7 million after-tax charge. However, this decision will benefit the Company in the future, and I'll give you some additional details on Denmark later in the call.

During the fourth quarter, Circuit City, our largest service contract client, representing roughly 20% of our domestic service contract gross written premium and net earned premium for 2008, filed for bankruptcy, and later went into liquidation. As a result, we took a \$6.3 million after-tax charge to write off a receivable from Circuit City. We'll continue to earn premiums at a similar level in 2009 on Circuit City business written in the past, but there will be very little new business written this year. The impact of Circuit City liquidation will be less noticeable in 2009 on our bottom line than it may appear on the surface. If you look under the hood, we've been working with Circuit City to improve profitability from a variety of actions including higher prices and different terms and conditions. So, we will benefit from these actions on contracts that we'll earn in 2009 and as a result, we anticipate our domestic combined ratio will improve.

Our prudent approach to international development includes setting growth and profitability metrics for each country to insure that appropriate results are achieved on our investment. Despite significant efforts to improve results and meet targeted objectives in Denmark, we concluded that the gap between actual and expected results was too great to overcome in a reasonable timeframe, so we made the difficult decision to shut down this business and focus our resources in our other five developing countries. This action will improve our international combined ratios slightly, and should not cause a material change to our top line.

Our international combined ratio increased to 113.9% from 106.1% in the fourth quarter of 2007, primarily as a result of our Denmark office closing and less favorable loss experience in U.K. credit insurance. Going forward, our developing country expenses will be reduced with the closing of the Denmark operation. Also in the fourth quarter, we recorded a benefit of \$5.9 million from the final accounting of the third quarter acquisition of the GE Warranty Management Group. The integration of the GE Warranty business into our operation is going very well, and will be another source of improvement in our combined ratios in 2009 and beyond.

During the third quarter of 2008 we completed our acquisition of Signal Holdings, allowing us the opportunity to grow our position in the wireless market. We have now had the appropriate amount of time to finalize the purchase accounting and wanted to provide an update. Assurant purchased

this business for \$257 million in cash including capitalized costs. We recorded \$59.4 million of other intangible assets and \$169.7 million of goodwill on our balance sheet as of the purchase date. We're pleased with our results thus far and we believe we are now well positioned with excellent products, repair and logistics capabilities and an experienced team to expand our wireless market share both domestically and internationally.

Assurant Solutions' fourth quarter and full-year net earned premiums increased 6% and 11% respectively from 2007. The increases were primarily driven by continued growth in the domestic and international service contracts and annual growth in Preneed. We achieved this growth despite the negative impact of foreign exchange effects caused by the U.S. dollar strengthening against most other currencies.

Even in this market we're finding opportunities to play offense to temper the decline of consumer spending. Our strategies include helping our existing customers improve revenues, getting more customers and expanding distribution. This is all about establishing and sustaining strong relationships.

Most recently, Solutions announced the addition of a new distribution channel with the signing of an exclusive contract with Whirlpool in the U.S. and Canada, including the Maytag brand. This complements our exclusive contract with GE and leverages our service infrastructure where we now have a leading position in the North American appliance service contract market. This is a great example of how nimble we were at expanding distribution, in this case, into the original equipment manufacturing market.

Another new client we've added is in the international credit insurance space, where we're pleased to announce a partnership with Royal Bank of Canada. RBC is the largest bank in Canada and this relationship, pending government approval, should provide a great opportunity to continue to advance one of our targeted growth areas.

While these new clients will not replace the revenue lost from Circuit City, we are pleased with the opportunities they provide and, again, confirm our ability to grow both our client base and new distribution. In summary, despite the difficult economy I am encouraged by our progress in gaining new clients, entering new distribution and taking swift and corrective action when needed, all of which will lead to long-term growth and improved profitability.

Now I'd like to turn the call over to Mike.

Michael J. Peninger, Executive Vice President; Interim Chief Financial Officer

Thanks, Craig, for updating us on how Assurant Solutions continues to take the necessary steps to improve its market position in a difficult environment. Turning now to the results for the rest of the Company; Assurant's earnings for the quarter and year reflect the continued strong performance of Specialty Property, offset by reduced earnings in the other segments.

Net earned premiums increased 2% for the quarter and 7% for the year mainly due to the continued growth in Specialty Property's creditor placed homeowners business and Solution's service contract and Preneed business. Our net income for the quarter is up primarily due to the realization of a \$62.4 million tax asset relating to the sale of an inactive insurance entity in the second quarter. On an annual basis, net income is down 32%, reflecting after-tax realized losses on investments of \$278.6 million compared to losses of \$40.5 million in 2007.

Craig covered Assurant Solutions so now I'll discuss the results for our other businesses. Assurant Specialty Property delivered excellent top and bottom line results again in 2008, even though we had an active catastrophe season. Fourth quarter net operating income was up 19% to \$118.5

million. For the year, net operating income grew 7% to \$405.2 million. The increase in net operating income reflects the continued growth in creditor placed homeowners' insurance and continued excellent combined ratios.

Catastrophe losses from California wildfires net of reinsurance during the fourth quarter totaled \$5.1 million after tax versus \$22.2 million after tax in the fourth quarter of 2007. Results for 2008 included a total bottom line impact of \$111.4 million after tax from reportable catastrophes, including reinsurance reinstatement premiums of \$8.6 million compared to catastrophe losses of \$22.2 million in 2007.

Net earned premiums for Specialty Property increased 9% to \$519.7 million in the fourth quarter and 22% to \$2.0 billion for the full year driven by continued growth in the creditor placed business.

In an effort to provide more transparency around our growth in the business, we've added gross earned premiums to our supplement this quarter. We believe that the gross earned premiums are a better measure of our growth than gross written premiums, because they exclude much of the variability caused by client contracting changes, the timing of policy issue and cancellation activity, and seasonal fluctuations of our other business.

We've also added a reconciliation of gross earned premiums to net earned premiums to help highlight the effects of reinsurance costs and ceded business. Reinsurance is often used to contract with clients in the creditor placed homeowners product line and normally doesn't impact the overall profitability of the contracts.

While there can be quarterly variability in our production we continue to see increases in two of our key growth drivers, albeit at slower rates. Our average insured value per property rose to \$176,000 in the fourth quarter, up 11% from the fourth quarter of 2007. Real estate owned premiums, which have been an important part of our growth, represented 23% of creditor placed gross earned premiums in the quarter, the same percentage as in the third quarter. REO premiums have leveled as a percentage of creditor placed gross premiums due in part to moratoriums and various state initiatives to reduce foreclosures.

We continued to see modest increases in the placement rates in our sub-prime and prime loan portfolios, but they remain within our disclosed ranges. Loan counts have decreased as the housing market continues to contract and industry consolidation continues. Rate increases, our final growth driver, did not have a significant impact on revenue in the fourth quarter, but we continue to take rate actions when appropriate and justified.

We continue to benefit from our alignment with market leaders, which has resulted in a portfolio of roughly 30 million trackable loans. Our relationships enabled us to retain over five million trackable loans that were impacted by market consolidation in 2008. In the fourth quarter, we added 100,000 sub-prime loans, but we also lost 217,000 prime loans as a result of continued industry consolidation. We believe that our ability to deliver customized technology-based services to our clients positions us well to benefit in the future and win new business.

As we look forward to 2009 we're focused on maintaining a comprehensive catastrophic risk-management program. The major objective of our program is to protect the capital base of the Company. A secondary objective is to mitigate earnings volatility when the reinsurance market pricing environment allows us to do so. As our business has grown, so has our exposure to storm risk. At the same time, pricing in the reinsurance market has hardened. We purchased a good portion of our coverage in January, and will secure the remainder of our program in June.

It's clear that the cost of our 2009 program will be higher than that of the 2008 program for several reasons. First, we will most likely not participate in the Florida Temporary Insurance Capacity Limit, or TICL fund, this year. In 2008, the roughly \$170 million of coverage that we purchased from TICL

was priced at rates that were substantially below private market rates. In 2009 we expect to purchase this coverage through the private market.

Second, we will be buying more coverage due to the growth in our book of business. And finally, we are seeing higher prices in the catastrophe marketplace. 2009 prices appear to be running about 20% above 2008 levels. As part of our ongoing risk management efforts, we have terminated certain non-core products currently included in our other product category. This will cause a reduction of approximately \$65 million of gross earned premiums in 2009 versus 2008 but will not have a material impact on 2009 earnings.

Assurant Health continues to produce stronger ROEs and a good combined ratio. Earnings however declined for both the quarter and the year reflecting the continued reduction of small group premiums and less favorable individual medical loss experience. We believe that previous economic recessions did not adversely impact the individual medical market. However, this current economic environment appears to be different as fewer people are now purchasing individual medical insurance. We believe that this is likely due to concerns about affordability which highlights the need for healthcare reform in our country. Assurant is actively involved in efforts to improve the availability and affordability of individual health insurance. Don Hamm, Assurant Health's CEO, is a member of the Board of AHIP, the primary health plan trade association, and chairs AHIP's CEO taskforce on individual medical insurance.

Net earned premiums during the fourth quarter and full year of 2008 were both down 5% compared to the same periods last year. Individual medical net earned premiums were down slightly for the quarter accompanied by continued quarterly and year-over-year declines of small group premiums. Now more than ever, Assurant Health is well served by its long history and deep knowledge of the individual health market. We are working to further differentiate our products and service offerings to appeal to a broader audience. With healthcare representing a bigger portion of everyone's budget, more time and thought are being put into the decision to buy health insurance. We are also growing our distribution channels as seen by our renewed contract with State Farm and the increasing contributions of our direct distribution channel.

At Assurant Employee Benefits, net operating income decreased 13% during the fourth quarter and 19% for the year. The decrease in the fourth quarter was primarily driven by a \$2 million after tax decrease in investment income and less favorable overall loss experience. This was offset by a lower expense ratio and a \$3.5 million after tax benefit from our annual reserve adequacy study. The decrease for the year was driven by a decline of \$9.2 million after tax in investment income from real estate joint venture partnerships and less favorable loss experience compared to the prior year particularly in our dental line of business.

Fourth quarter earned premiums excluding single premiums declined by 1%. For the year they were up less than 1%. We are pleased that sales in our core small employer market grew for the year. We have taken steps in the last few years to focus on the small case market and are positioned for future growth amid challenging economic times. We will continue to maintain our pricing discipline and look to leverage growth opportunities in voluntary and our alternate distribution through disability RMS.

Our corporate and other results improved due to lower expenses relating to the ongoing SEC investigation, including reimbursements of certain investigation related expenses through our D&O insurance coverage. Fourth quarter 2007 results also included \$6.4 million of net tax expenses associated with changes in various tax liabilities.

Let me now expand a bit on Rob's earlier comments about our investment portfolio. Despite challenging financial markets and a deteriorating economic environment, the portfolio's pre-tax net unrealized loss position increased by less than \$8 million during the quarter to \$737.9 million as of 12/31/08. During the quarter we realized \$51.8 million of pre-tax losses, including \$40 million of

other than temporary impairments. These amounts are significantly lower than the third quarter when we realized \$299.2 million of pre-tax losses including \$229.1 million of other than temporary impairments.

Our impairment processes remained consistent all year and did not change during the fourth quarter. We believe that our conservative investment approach and our decision to lower the portfolio's overall risk profile over the course of 2008 contributed to our relatively good quarter. Some of our risk mitigation actions, including our decision to increase the portfolio's cash position, caused a reduction of about \$10 million in net investment income in the fourth quarter versus the third quarter. However, the market is still very volatile and given the uncertain economic environment we feel that it is prudent in the short term to sacrifice investment income and maintain a lower risk profile. Once the market stabilizes, we are confident that we will be able to identify more attractive risk adjusted yields.

Our balance sheet remains solid. We are pleased that book value per share, including AOCI was virtually flat with that of 9/30/08. As of December 31, 2008, total assets were \$24.5 billion and total shareholders' equity, excluding accumulated other comprehensive income was \$4.4 billion. Book value per share excluding AOCI was up 10% to \$37.21 from \$33.73 at December 31, 2007.

Our debt-to-capital ratio excluding AOCI improved to 18.3% versus 19.7% at year-end 2007, another indication of our financial strength. Our ratio of invested assets excluding cash and equivalents to shareholders' equity excluding AOCI, an important measure in the current climate, was 3.3 to 1 at December 31, 2008.

Let me close by mentioning an accounting change we are making in 2009 for preneed. Effective January 1, 2009 all new preneed sales will be accounted for under FASB 97, which governs accounting for universal life type policies. In the past we have accounted for this business under FASB 60, which governs accounting for traditional life insurance policies. The change means that instead of recording net earned premiums and associated incurred claims we will record policy fees. The change will not have a significant impact on our bottom line profitability but will reduce Preneed earned premiums and distort revenue comparisons with prior periods. We will update the revenue impact of the change on our 2009 earnings call so you'll be able to determine the impact on our top line.

In summary, in the midst of unprecedented economic landscape, Assurant's continued focus on the disciplined execution of its proven strategy positions the Company for future success. Now I'd like to turn things back to Rob to open the floor for questions.

Robert B. Pollock, President and Chief Executive Officer

Thanks, Mike. Operator, we're ready for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from John Nadel.

<Q – John Nadel>: Hey. Good morning, everybody.

<A – Robert Pollock>: Good morning, John.

<Q – John Nadel>: So a couple questions for you. Thinking about Specialty Property, I mean we're all I think watching as prime mortgage delinquencies continue to rise and maybe a bit surprised to see it's not really showing up more in your numbers in the past quarter or two. And maybe I'm wrong on that and some of your new disclosures might bear that out a bit differently. But can you talk about what you're seeing there, maybe give us a sense for how much that placement rate has moved up within the one to 2% band and also comment on any effects you're seeing from foreclosure – or activities to stem foreclosures?

<A – Robert Pollock>: Yes, sure. I just want to make one comment then turn it over to Gene, and that is I want everyone to remember the way our business model works in this business – it is a lagging indicator. In other words, we send out to customers notifications of they need to show us proof of insurance, and then if they don't respond we'll place policies. That can often be 60 and 90-day lags that occur in that. So again, you just need to remember that's how the model works. Now, Gene, you can comment I'm sure more on the specifics.

<A – Gene Mergelmeyer>: Sure, let me try. We try and segment the business between REO and the creditor placed business. And one thing to remember is typically we're writing REO on the subprime business. And from that standpoint, when we look at what is going on in the creditor placed business, we've actually seen pretty consistent growth in that prime category. It's just been at a lower rate than we have in subprime. Recently, the trends actually in subprime, while we're still seeing growth, that growth has actually been decreasing. And I think that's really occurring as part of the fact that we're seeing delinquencies still rise in subprime, but they're rising at a little bit lower rate. So that's one of the phenomenas that we've seen that have been contributing to growth.

Your second question was really around the effect of any moratoriums. Certainly, I think we have seen that effect. We mentioned in the call that creditor placed was 23% of the gross earned premium, similar to last quarter. You likely noted, even though we do believe that gross written premium is less of an indicator because there are just so many fluctuations in our business, one of the reasons that was down was due to the real estate owned business. So we did see a slowing as a result of the moratoriums, but when you really look at what's going out there now in the industry, one of the bigger factors was actually California and some legislation that was put into place there that delayed some foreclosures.

So we saw foreclosure activity, foreclosure starts actually go down a bit in the third and fourth quarter. But when you look at some of the newer statistics, I think they're reporting that December notices of default and REOs, I mean they're literally up 17% over November. And they literally doubled in California. So there is some macroeconomic things going on out there. There's a lot of activity around trying to mitigate things, and it is having some impact on our business.

<A – Robert Pollock>: Obviously there's a lot of different things going on, John. We are trying to be nimble and flexible to adjust to it. Gene is on top. It's different by geography. It also varies by client, but we're working hard to stay on top of all these things.

<Q – John Nadel>: Okay. Maybe just as a quick follow-up on that before moving over to Solutions. I don't know, is it maybe just simple enough to ask it this way, do you expect top line growth in Specialty Property in '09 over '08?

<A – Robert Pollock>: We don't really provide guidance, but certainly, John, if you look at it we've tried to lay out what the growth drivers are. And I think one of the big ones is certainly placement rate, and if placement rates go up our top line is going to likely go up.

<Q – John Nadel>: Okay.

<A – Gene Mergelmeyer>: We are encouraged by some of the activity. One of the things that has obviously occurred in the last couple of quarters has been the whole loan modification process. And quite frankly, as they go through that process, one of the things that they are going to look at is the insurance cost. And they will do their best to try and get that insurance cost down. What we are finding though, is that we are maintaining some of our forced placed business through that process, and we've been able to, again, albeit at a lower rate, increase our placement rates despite all of that loan modification activity. So, that's been encouraging.

<Q – John Nadel>: Okay. Thank you. Switching to Solutions, I guess I understand that you're keeping your liquidity level somewhat higher and that's definitely having a drag effect on your net investment income on the margin. Can you give us a sense, I know you guys don't like to give guidance, but this division has been so difficult despite the workshop and additional disclosures that you guys have done over the past year. It's very difficult to get a handle on this division's earnings. And maybe you could just give us a sense for where you think the run rate of earnings after adjusting for a bunch of these one-time items. We don't know exactly, maybe you can tell us what the drag is on the combined ratio from Denmark and the U.K. credit insurance business, what your combined ratio is excluding those items – that might be helpful. But just give us a sense for where the run rate is. Are we talking under 20 million quarterly, or is it mid-20s? I'm just unclear on that.

<A – Robert Pollock>: Yes, again, John, I think where you want to start is we've kind of put some high-level targets out on combined ratios that we think we can achieve over the long term.

<Q – John Nadel>: Yes.

<A – Robert Pollock>: Combined ratios are 98 domestically and mid-90s internationally. Internationally, obviously going to take longer because we are expanding in a number of countries and we've pointed out how that will be a function of the type of service contracts that are written, etcetera. I think that what you heard, and I'll let Craig expand on it is, a number of actions he's taken defensively to better improve our results for next year which we think will move those combined ratios toward our goals. Craig?

<A – S. Craig Lemasters>: That's right, Rob. I mean, John, you mentioned the workshop. I think the things that I highlighted there in terms of ROE and ultimate profit improvement have not changed. Obviously the timeline is more challenging in what's going on in the economy, really not just here but in all the markets we are now. I think I mentioned earlier I mean there are several specific things that will be coming through over the next year that very directly may improve our results. One of them, in general, is going back to the whole GE transaction and being able to take control of that business and really do all the things that I think we're good at in terms of risk management, tending to improve those results.

So we expect that to help. We're being very prudent about expenses in general. I mentioned Denmark earlier, I think it is a great example again of defensive moves where, and I've said it over the last several years, whenever we're in a developing country and we're spending money investing for the future, if I ever get to the point to where the metrics don't look like we're going to achieve our long-term goals then we're going to exit, and while that's a hard decision, I think that's a great defensive move in these times to help improve our results as we move through 2009 and beyond.

So, again, the items haven't changed. I can tell you that our team is more focused than ever on the things that we can have influence over and things that we can control and that's some of the highlights that I gave you earlier, the final piece being the new clients and the new distribution, will impact improving results as well so we're actually pushing on both of those.

<Q – John Nadel>: So, Craig, just to follow up. I mean what's your view of the combined ratio in the quarter excluding the Denmark cost and some drag from U.K. credit?

<A – S. Craig Lemasters>: Well we don't give specific guidance on that, John, but again I think the biggest mover for the quarter was on international, clearly the Denmark 9.7 million. The U.K., we've talked about that for a couple of quarters. It's not of a size that we'd put in the supplement but it is a drag on our combined, internationally now. Again on that specifically, I talked about Denmark, on the U.K. we've taken pretty swift steps there in terms of some isolated Internet distribution that we had tested and we've taken very swift steps to improve that and we expect that to improve and have a positive impact once we get into this year for the combined international. Those are really the big drivers that we anticipate improvement over.

<A – Robert Pollock>: So, John, if you take the 9.7 on Denmark and relate it to our combined ratio, I don't know what the denominator is there but you can calculate that.

<A – Michael Peninger>: I mean there were definitely some – I think if you look at the disclosed items, John, I think you can back into that.

<Q – John Nadel>: Okay, so is it fair for me to just use your corporate tax rate? Is there anything that we need to do different on Denmark?

<A – Michael Peninger>: Yes, the tax rate is distorted this quarter, if you see the effective tax rate for Solutions is way up there. That's partially part of the three – the Denmark impact was about three million of tax asset write-off and there were some other foreign adjustments and tax valuation allowances too that distorts that rate, so I think a better run rate, effective tax rate for Solutions, is going to run probably in the 33 or so percent. I think in the past we've given some guidance on tax rates where it was maybe closer to 32. Now you've got the Signal coming on board and some other things that over – the run rate now is probably going to be in that 33 range.

<Q – John Nadel>: Okay, well maybe you guys can just come back on this. I don't want to spend more time on it right now, but if pieces of Denmark were tax items versus actual G&A write-offs or other, maybe you can actually just clarify for us the actual impact on the combined ratio. I think that would be helpful just for us to get to a run rate or to some level that excludes that noise. The only other thing on Solutions was just, thinking more positively, obviously a great addition in the Whirlpool relationship and it's my understanding that Whirlpool had a bunch of different insurance providers, but primarily with AIG. Obviously AIG's got its own issues, but can you comment on whether you're seeing any RFP activity from other large retail relationships from maybe other insurance providers like a Best Buy or a Wal-Mart or others?

<A – S. Craig Lemasters>: Sure, John. I don't want to comment specific on – client-by-client, but I will tell you in general what you're asking, or saying is correct. There is heightened activity right now and we see it coming kind of from two places. If you look at our competitors again, not just U.S., but globally, they tend to either be clients themselves who could do a lot of these programs themselves or companies that tend to be in service contracts, sort of as a sideline, or not necessarily a core. Well, with everything going on out there we see both clients and certain competitors retrenching to core and looking for alternatives. So it is, as I said earlier, this is the encouraging part of our business right now, is that we see a very strong activity out there. And again, like never before when we were working hard on our core capabilities at these folks and I think the Royal Bank of Canada is a great testament to that and how can we help them in these

difficult times. I mean we can be a real resource for recovery for our clients. So we're encouraged by the level of activity.

<Q – John Nadel>: Okay. And then last item, I promise, statutory capital at the end of 2008. On a consolidated basis, any estimate on that?

<A – Michael Peninger>: No. But it'll be in the K. We're just working through all the blue and yellow books right now, John.

<Q – John Nadel>: Okay. Any meaningful difference in impairments that you guys have taken on a GAAP versus a statutory basis to think about there?

<A – Michael Peninger>: No.

<A – Robert Pollock>: Chris, want to talk about that?

<A – Christopher Pagano>: Well, the GAAP and stat numbers are very similar. Just maybe a couple comments on the impairments that we took in the fourth quarter. I think, John, certainly considerably less than the third quarter, and I think a lot of that had to do with assets that we don't own that are continuing to have difficulties in the investment market. We also did make some conscious decisions to reduce the risk in the portfolio, taking write-downs in the third quarter, realizing sales, etcetera, and I think that's paying off for us right now.

<Q – John Nadel>: Yes, yes. Duly noted. I saw some of that activity, unlike a few others in the insurance space. Okay. Thanks, guys.

<A – Robert Pollock>: Sure. Thanks, John.

Operator: Your next question comes from Steven Schwartz with Raymond James.

<A – Michael Peninger>: Good morning, Steven.

<Q – Steven Schwartz>: Hi. Good morning, everybody. I will try to make this much quicker. GE Warranty, the benefit that's cited, is that a continuing ongoing benefit or was that a one-timer? It wasn't clear.

<A – Michael Peninger>: That was a one-timer, Steven. That was just a finalization of the accounting for the transaction in the third quarter.

<Q – Steven Schwartz>: Okay, Mike, that wasn't – I don't think that was in the disclosure in the back of the supplement. What's the location of that?

<A – Michael Peninger>: It's in there, John – or Steven; it's the client-related settlements or something. It's 5.9.

<Q – Steven Schwartz>: That's that one? Okay, great.

<A – Michael Peninger>: Yes.

<Q – Steven Schwartz>: Okay. Good, good, good, I got it. Question on extended service contract – there was an article I think yesterday, two days ago, about cobblers, actually of all things, people getting their shoes fixed. In a recession as bad as the one we're going through, would one expect a contract holder to access his contract more than he would during good times?

<A – S. Craig Lemasters>: We have not seen that, Steven. I mean we're watching that, again, our risk management process on this business is pretty diligent and done on a monthly basis. So we would look for any of those sort of trends we have not seen that in terms of our overall experience right now. It's interesting on -- part of this, what we've seen in terms of the top line on this business, while obviously the retailers are struggling and we see a decline from those, this direct model and the original equipment manufacturer model I mentioned earlier is pretty exciting, because we're actually seeing very strong renewals in that business. So it looks like in these tougher times people are just as serious as wanting to renew their service contracts, which would make sense in terms of not necessarily replacing things but holding onto the equipment longer. So that's really given us an opportunity and that's why we really like that distribution.

<Q – Steven Schwartz>: Okay.

<A – Michael Peninger >: I'd just point out, too, Steven, that we've avoided the shoe market with our extended warranties.

<Q – Steven Schwartz>: Good for you. Mike, while you're there: pension expense, should we expect that to increase this year?

<A – Michael Peninger>: In 2009?

<Q – Steven Schwartz>: Yes.

<A – Robert Pollock>: It will go up a little bit.

<A – Michael Peninger>: Up a little I think, but I just don't have the number off the top of my head. But I'd expect it to go up just a bit.

<Q – Steven Schwartz>: Okay. And then -- last question, theory question on Specialty Property. You have a loan, its subprime, you're insuring it, it moves to REO, you're insuring that. My understanding is the revenues may change, but the profitability is the same. Does it matter -- structurally does it matter if there's a moratorium on foreclosures because it just remains as a loan that's being insured as opposed to REO?

<A – Gene Mergelmeyer>: Well, no. It may not matter.

<Q – Steven Schwartz>: Okay.

<A – Gene Mergelmeyer>: But in certain cases we may have the creditor placed business, and it may be creditor placed. In other cases we may not still get it until it reaches REO.

<Q – Steven Schwartz>: Oh, okay. All right.

<A – Robert Pollock>: And one other thing there, Steven, to remember: Not all of our clients who we have on the creditor placed program necessarily have an REO program with us.

<Q – Steven Schwartz>: Right, that's what I was thinking. To me that -- moratoriums might actually be a positive for you because then the loan stays with you as opposed to moving to somebody else or being self-insured.

<A – Robert Pollock>: Right. That's true. I mean also remember you can have situations where the insurance may not happen until it goes to REO status.

<Q – Steven Schwartz>: Right. Okay, so there are different things going on. All right, that's what I had. Thank you, guys.

<A – Robert Pollock>: Sure.

Operator: Your next question comes from Jukka Lipponen with KBW.

<A – Michael Peninger>: Good morning, Jukka.

<Q – Jukka Lipponen>: Going back to the other, sort of the growth and how we should be thinking about it, in Specialty Property, the fact that on the gross written basis the REO business was down in terms of the mix. And obviously REO as you're showing have the higher insured values, so how should we be thinking about the impact on the top line from that aspect?

<A – Gene Mergelmeyer>: Again, I think we try to add some transparency here by giving those additional disclosures. On the gross written premium side it was 19% of the creditor placed business versus the 23%. So that was the impact on the specific quarter. When we look to the future, again I think barring some of these moratoriums and some of these state impacts that have actually delayed some of these foreclosures, we are cautiously optimistic that some of that REO business will increase. Certainly as you look to the industry, there are a lot of foreclosures that are continuing to be forecast and that's what we are kind of looking to as guidance for that.

<A – Robert Pollock>: I think part of the reason for the additional transparency, Jukka, is to think about this business in different pieces, okay. So REO is a separate business, okay. Remember Fannie and Freddie self-insure all REOs, so we are not going to be in a market where there is a Fannie Freddie loan for REO and only a sub-set of our client list has an REO program with us. So as you model through what might become an REO property, remember those facts because I think they help you think about the market a little better.

<Q – Jukka Lipponen>: And why did the amount ceded to clients move up sequentially in this quarter?

<A – Michael Peninger>: We actually had a client that we moved to a reinsurance program and it was backdated a bit which really drove the largest part of that increase in the ceding amount.

<Q – Jukka Lipponen>: And in Solutions, the growth there, how should we be thinking about the timing of the Whirlpool relationship and the RBC relationship, how that's going to help on the top line, and then also can you update us on what's going on in China?

<A – S. Craig Lemasters>: Sure, in terms of both Whirlpool and RBC those are sort of mid-year implementations, Jukka, so we will start to see the benefit of both those later in the year. I guess if I think about the top line of Solutions, other than that, internationally, really we are seeing now and we have seen it over the last few quarters sort of the same thing going on in the credit insurance line on gross written that we see in the U.S. now. Our biggest markets are still in the U.K and Canada, Puerto Rico, and those are behaving much like here in the U.S. So, we'll have pressure on that. The offset, obviously, and the reason we're playing offense pretty aggressively is to add things like RBC which will help to soften that as it gets going later in the year. Service contracts again, same – sort of flat quarter-over-quarter, so we're seeing a similar trend in those markets and really in Latin America as well. We've made good headway in Latin America with our service contracts, but again, we see those markets slowing down quite a bit as well. I think domestically, of course, the credit insurance is in the same mode effectively, in runoff mode.

And on the service contract line, the pressure will come there from the Circuit City, a runoff and no new business. So, the real focus domestically for us has been this new distribution and the ability to get GE operating at even a higher level and getting Whirlpool implemented. We think these relationships are going to be very important. And then the final piece of it is wireless. Again we invested a lot to get into the wireless space, and we think in a big way. We've got, I think, great

capability to go get share in wireless, and that really is our focus, new clients and new distributions. So, we're pushing very hard in the wireless space.

<A – Michael Peninger>: I think you also asked about China.

<A – Jukka Lipponen>: Yes, China.

<Q – Michael Peninger>: I think, Craig can amplify, but I think we're right on track there. We're up and running and selling the service contract business. And on the insurance side, we're still in the waiting period, I think, right Craig?

<A – S. Craig Lemasters>: That's right. We opened a service contract company in the middle of last year and really spent the latter part of the year staffing, we've got a great general manager and he built an excellent team there. We're in the process now of actively prospecting service contract clients. As Mike said, the insurance takes longer because we're in the rep office status, which will go for a two-year period, but pleased with the progress so far on the service contract side.

<A – Robert Pollock>: And again here's a great example of the risk management we're practicing in that business. Craig is actually using the people in China to process some U.S. business to just get a feel for how it works. And again, to me that means when the business does come we'll have an experienced group there.

<Q – Jukka Lipponen>: And the last question, Rob, you said that you want to see improvement in the credit markets before you would actually activate buyback. Can you give us a little more color on what kind of things you're looking for or looking to there? Clearly, it's prudent to keep capital at this point, but at the same time, like you said, the stock is attractive, and presumably the slower growth is going to generate more excess capital going forward.

<A – Robert Pollock>: Yes. Two things I'd think about, Jukka. One, I think we said we'd like to see the credit markets looking more like they looked middle of last year. I'm going to let Chris comment on that. The second one we want to see obviously is every year the rating agencies recalibrate their capital formulas, and we want to be in a position to see how that plays out as well, so those are the couple. I'm going to let Chris comment a bit more on the credit market.

<A – Christopher Pagano>: Hi, Jukka. When we talk about sort of the portfolio performance and how to gauge the changes in unrealized, we like to look at our portfolio. We think it resembles in general an investment-grade corporate bond index, and when we look at credit market stabilization, that's what we're looking at. We saw a rather horrible third quarter and then a market that got worse early in the fourth but stabilized towards the end of the year. That's the metric that we're looking at with regard to how we manage the assets and then also how we're managing capital. I think the key for us with regard to the excess capital as a holding company is to maintain financial flexibility. And when we get a better line of sight with regards to the market, to the economy, and to profitability in 2009 we'll have a better sense of how to deploy that capital.

<Q – Jukka Lipponen>: Thank you.

Operator: Your next question comes from the Vinay Misquith with Credit Suisse.

<A – Robert Pollock>: Good morning, Vinay.

<Q – Vinay Misquith>: Hi., good morning. Could you help us understand your exposure to credit insurance outside the U.S.? I believe you have about \$800 million worth of premiums. How should we look at higher unemployment outside the U.S. affecting your margins?

<A – Robert Pollock>: Sure. In general, the majority of our arrangements, Vinay, operate where there is retro commission based on the profitability of the business. That's not in every situation, but certainly for the majority of them in place, so we certainly have protections built in for an increase in unemployment. The other thing I'd mentioned is that we're often selling a bundled product, which involves not only unemployment, it involves credit life and it involves disability. The credit life rarely shows much variability, even in economic downturns, and that could be a buffer. Craig, you want to comment a little more?

<A – S. Craig Lemasters>: Yes. I think that's a good description in general of where we are outside of the U.S. with this product, Vinay. And again, the pressure on the loss ratio has really been specific for the most part to the U.K. and really there we were testing new distribution, which we think the Internet is a very viable distribution that we have to be a part of. So in that scenario we're obviously not going through a third party so we don't have that same contractual relationship. Well, this all came when the unemployment rate escalated very quickly as we got into the third quarter of last year. But the good news again, we use the same risk management techniques everywhere in the world now. So when something like this happens we move very quickly, and again, same techniques, rate changes, terms and conditions. We will cancel a business if we need to to correct these as quickly as possible, and that's what we're doing in the U.K.

<Q – Vinay Misquith>: Right. And with respect to the Denmark office, how much in dollar terms would you save for a year from the closure of that office and some of expenses?

<A – S. Craig Lemasters>: Yes. Vinay, we're still -- we're looking at that. I mean the charge that we took was around the severance, we mentioned the tax earlier in the call and some of the office things, as well as reserve that we put up which we think are appropriate for the runoff. We're now in the process of actually finalizing how we will run off those existing contracts and what the cost associated would be. Obviously as we move through next year we would expect those expenses to begin to reduce throughout next year.

<Q – Vinay Misquith>: Do you have a number for what your expenses are in Denmark right now?

<A – S. Craig Lemasters>: Right. Our hope would be that, again, we've been running roughly \$2 million, or that would be sort of a target, would be around the \$2 million frame, which would be consistent with some of our developing quarters.

<A – Robert Pollock>: Yes, that's per quarter.

<A – Michael Peninger>: That's a quarterly number.

<A – S. Craig Lemasters>: Yes.

<Q – Vinay Misquith>: Okay. So \$2 million per quarter were your expenses in Denmark and that might come down later on during the year, okay, that's great.

<A – Michael Peninger>: Yes, just remember the runoff Craig mentioned. We've got to actually shut down the thing so they won't just go to zero starting on January 1.

<Q – Vinay Misquith>: So fair enough. And the last question was on health insurance. I believe you mentioned that there was a change in the buying patterns and that individuals were buying less health insurance. If you could just expand on that, or maybe I misheard you.

<A – Robert Pollock>: No. That's what we certainly tried to convey, Vinay. I mean I think that we – it's difficult to get all the rollup of the number of people who are covered by individual health insurance. And so we try and make estimates of that and our estimates are the number of people covered have not grown, and typically in an economic downturn we have seen the number grow.

As Mike mentioned, a lot of this is around affordability issues, and again, we are committed to affordable healthcare for everyone and want to come up with more solutions to bring people into the market.

Mike mentioned Don's industry involvement. In fact, he's at industry meetings today, that's why he is not here to answer this, but we're working hard on it. We introduced some new products that have been well received. We mentioned those, the Patient Care, the TeleDoc product, etcetera, and we see continuing need to introduce new products and see how consumers respond to them in the marketplace and we've been successful and have a long history of doing that. So Mike mentioned we're testing new distribution systems. I'm sure you've seen some of our commercials; we're getting traction around that, so again, we're optimistic over the long-term that there are plenty of growth opportunities there.

<Q – Vinay Misquith>: That's great, thank you.

Operator: Our last question comes from Adam Klauber with Fox-Pitt.

<A – Robert Pollock>: Good morning, Adam.

<Q – Adam Klauber>: Good morning, Rob, thanks. I'll try to make it quick, two or three quick questions.

<A – Robert Pollock>: Sure.

<Q – Adam Klauber>: On the buildup of cash in short term investments, any sense on – are you going to continue to do that in the near term?

<A – Robert Pollock>: I'll let Chris comment on this.

<A – Christopher Pagano>: We're playing defense right now and I think this is a tactical decision on our part. Our investment philosophy has never been about reaching for the last dollar of income and that's what's kept us out of some of the problems that I think some of the other investors are facing right now. But the goal here is, when we get a better line of sight, when we get a better read on the direction of the economy, when we get a better sense of what government actions are going to be regarding the banking industry, then we'll feel more comfortable deploying those assets. We do think that ultimately there's going to be a bill to be paid for all the stimulus and all the intervention and that will, we think, lead to higher overall interest rates and better reinvestment yields for the portfolio. But again, it's tactical. Do I see a line of sight in the next month or weeks or whatever, we may get a better sense, but for now we're going to play defense in the investment portfolio.

<Q – Adam Klauber>: Okay, thanks. Also on the health legislation, on the surface it looks like that could be – that could help cover a decent portion of your market. Any sense on how much of your market that could impact?

<A – Michael Peninger>: Are you talking about the COBRA extension Adam?

<Q – Adam Klauber>: Yes.

<A – Robert Pollock>: Yes, I mean, COBRA extension, we certainly get people who leave employment relationships and choose not to exercise COBRA. The subsidy might have more of them being covered. I think the thing to remember, however, is that COBRA is an average group rate and the cost of care varies dramatically depending on your particular demographics and so younger people are that way. We have a product, our short term medical product, that is very geared toward an even lower cost alternative so a lot of it becomes an affordability issue, Adam.

There have also been things recently. I noticed Senator Baucus who chairs the Senate Finance Committee has made some recent pronouncements that say, gee, we are going to have a private public marketplace going on here as we move forward so I think most of what's been introduced between the children's program and some things to help people because of the economy are the things that are most likely here in the near-term on the reform side.

<Q – Adam Klauber>: Okay. One last quick one, the Hartford, the sale of the variable to Hartford, is that still well above water?

<A – Robert Pollock>: I'm sorry, one more time Adam?

<Q – Adam Klauber>: The sale you guys did a number of years ago of the variable book to Hartford.

<A – Michael Peninger>: Yes?

<Q – Adam Klauber>: Is that still well above water?

<A – Michael Peninger>: There is a trust that the assets are held in and The Hartford is meeting all the requirements with respect to the amount of assets that they keep in the trust to back the liabilities so there has been no change in that status.

<Q – Adam Klauber>: Okay. Thank you very much.

Robert B. Pollock, President and Chief Executive Officer

Okay, first I appreciate everyone being on the call on our anniversary today and we certainly recognize that we have some difficult times going on but we see lots of opportunities for us to leverage our capabilities with partners and customers and I think we are in a position to play offense on a number of those fronts. I look forward to updating you on our progress on our next call. Thank you, folks.

Operator: This does conclude today's Assurant Fourth Quarter Conference Call. Thank you for your participation, you may now disconnect.

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2009. CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.