

Assurant, Inc.

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Bank of America Merrill
Lynch Small and Mid Cap
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Sep. 21, 2009

Date▲

MANAGEMENT DISCUSSION SECTION**Bank of America-Merrill Lynch Representative**

[inaudible] -- Vince Condomedium, one of the financials specialists at Bank of America-Merrill Lynch, along with Liz Warner. I am pleased to introduce Gene Mergelmeyer, President and CEO of Assurant Specialty Property. Gene has been with Assurant since '97 and has over 28 years in the industry. Gene directed the growth of the creditor-placed insurance business and was instrumental in the firm's '06 acquisition of Safeco's business. We look forward to hearing about Gene's outlook on Specialty Property business as well as Assurant as a whole. Please welcome Gene. Thank you.

Gene Mergelmeyer, President and Chief Executive Officer, Assurant Specialty Property

Thank you. See we have standing room only here, that's nice. Well certainly, let me start off by saying it's a pleasure to be here and we thank you for your interest in Assurant. This is our Safe Harbor agreement. I am sure you'd want to take that home and study it intently.

I thought I'd start off with just a few headlines. Obviously, the economic downturn has had just unprecedented change on business across the globe, and well likely affected many of you personally. It also has affected a few of our businesses. I'd say fortunately it's impacted the business that I run, the property business, actually positively. And so I think it's a good example of how the strength of our diversified business model has been able to provide us with continued growth and continued profitable results.

I think a good thing is while we have had the change and made changes tactically to what we are doing as a result of some of the global economic troubles, our mission statement hasn't changed. We do want to be the premier provider of specialized insurance product and related services in select worldwide markets. This is a business model that we've had in the past and we do believe that it's still something that's going to give us the opportunity to continue to have above average growth and above average growth and profitability as we move forward.

So let me break down a little bit about our specialized strategy. We truly do believe that a specialty business and what we strive to get market leadership position. I think if you look at the general insurance market as a whole, you will see that some of the market leaders have 10 to 15%. We really try and find those niche areas where there are fewer competitors and we can have a bigger market share and bigger leadership position. A good example of that might be the creditor-placed homeowners business that we operate in the property business, where we literally have 65% market share.

We also think that focus is real important and it does lead to better resource development and better business in the space that you live in. Often times it's really not even about what you are doing, it's often about what you are not doing and we put a great amount of focus on that issue. It's so easy to want to be all things to all people, but we take a very analytical approach to each one of our businesses and we really are striving to center on those areas where we can have above average profitability and above average growth.

We also believe that diversification is important, and it can lead to reduced volatility. As we've shown in this economic downturn, our businesses are different and the macroeconomic factors can influence them each differently. We believe that gives us an opportunity to look at each one of our business on a longer-term basis from a strategic standpoint.

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We are in these specialized businesses, but we also have some core competencies that we try and share across all our businesses. These include things like risk management, including our enterprise risk management initiative. It includes our ability to have strategic relationships with some of the large market leaders in our customer base, including people like State Farm and Wells Fargo and Chase and some of the bigger institutions in the U.S. economy.

And we also have a core capability around integrating complex administrative systems. So we invest in a lot of technology, and we spend a lot of time integrating them into our customer systems to provide for efficiency and effectiveness.

Here's our Assurant team, show them there to you in pictures. Obviously, a lot of management experience. Rob Pollock, our President, 27 years with Assurant, and an average experience level of over 15 years for each of our business leaders as well as our administrative heads.

We've also had the ability to adapt to changing markets over time, and I think that is a core strength of our organization. When you look to our Solutions business, they were by far the market leader in domestic credit insurance. But that market started declining, but we're able to take the infrastructure and the processes and the procedures and the technology and we've moved them to the extended service contract area and have been able to grow considerable market share in that area.

We've also been able to take that credit model and the extended service model and take them abroad into new economies that have continued growing credit and growing economies, and that's been a good source of revenue for us and growth.

In the Specialty business, we were very big in the mobile home market. Mobile homes were – sales were increasing like crazy, but they started declining. We took our investment, moved them to the creditor-placed homeowners business and have had great success there.

On the Health side, we were a small group company, it just became too crowded, it wasn't as specialty as we needed it. We moved to the individual medical field where we felt like we could be a leader and we could have market share.

On the Employee Benefit side, same type of focus. We've catered to all employers; now, we're focused on the very small employers where we think we have some differentiated position.

Here's a snapshot of our six-month operating results and they're broken out by business segment. You can see the blue there, Specialty Property is leading the way, and the other businesses have been affected by some of the downturn in the economy. We do have initiatives in place to continue to grow those businesses, however, and turn around some of their profitability.

But we have also been able to demonstrate growth, and particularly in our key areas of focus. You can see our compound annual growth rate there of 16.2%. But probably more importantly, it's coming in the areas of Solutions, in Specialty Property where we had identified them as growth areas and areas of opportunity.

We've had a strong record of return on equity. We're a little bit difficult to follow sometimes because we have P&C operations, we have health operations, we have life operations. But I think – we've thrown them all out there, and I think our results have been favorable across the board.

So what I'll do now is I'll focus a little bit on the individual businesses and I'll start with kind of my baby, the Specialty Property division.

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We are classified as writing in the homeowners line. But we don't write normal homeowners. The majority of that 70% of the homeowners business we write is in the creditor-placed business. That is a business that we identified years ago – was a scale business, and we have done a lot to invest in technology and process to make us efficient, to differentiate ourselves. We've done acquisitions and we've gained market share by winning business, and we currently have close to 65% market share in that business.

We also write real estate owned portfolios for some of our lender clients. And that also has been a source of growth for us. 12% of our business – manufactured housing, but that's still a good business line for us. Mobile home sales are 20% of what they were at their heyday, but over the last few years we've actually remained flat because we've aligned ourselves with the industry leaders in the mobile home market.

In the other category, we have a number of products that we continue to kind of incubate and think will be opportunities for longer-term growth for us. Probably a little known fact, we are a Write Your Own Flood provider and we are the sixth largest in the country.

We write some renters insurance, it's a smaller line for us, it's something we're growing, but we don't write in the normal renters market. We've actually developed and designed a distribution model for renters around property management companies. And we have pioneered some of that work with some of the property management companies, and it's in a situation where they're requiring liability insurance for the people that are leasing their apartments. That's a good model for us, it's a good distribution and we've had double-digit growth over the last couple of years in that market.

And then, we have some other areas that we continue – adjacencies, we continue to grow and take some of the technology and infrastructure that we built in – certainly in the creditor-placed homeowners business – and spreading that out into new growth areas.

Focus a little bit on the growth drivers because it has – certainly creditor-placed has been a big growth item for us. One of the areas that continues to grow is average insured value. And it was up 5%, a little bit of a decrease in – an increase this past year over the year before. But I think what's important here is to know that when we rate a creditor-placed homeowners, we are doing it on the last known coverage which is our best estimate of replacement cost. And that replacement cost is not based on market value, it's based on building materials and labor costs. And because of some things that are going on in the marketplace, with particularly some efforts on the agents to continue to make sure that replacement costs are adequately valued, we're continuing to see increases there.

Policy placement rates are another growth driver, and that's really just the amount of policies that we place based on the number of loans that we track in a portfolio. And again these have continued to rise. Average placement rates on the sub-prime portfolio are higher than on the prime portfolio. But if you look at where the increases have come, actually the placements on the prime portfolio have increased at a greater rate than the sub-prime in the past year. And that's really a reflection of what's going on in the marketplace. We are seeing increases in prime delinquencies and foreclosures at a higher rate than what's occurring in the sub-prime market.

On the number of loans tracked, that's another driver of our growth and we've had considerable growth in that. But it has recently started to decline. Most of that is really just due to what's going on in the industry. Loan volume has decreased particularly in the sub-prime market, and so that has been a decrease to our loan volume. However, we have been able to continue to maintain our market share, again through our alignment with our clients who we believe to be the market leaders, who we still continue to believe will be driving any consolidation going forward and our alignment with them is critical to our long-term success.

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We also get rate increases – hasn't been a material part of our growth, but something that we do look at and try and achieve on a regular basis.

We talked about risk management, certainly in the property business. A comprehensive catastrophe reinsurance program is a part of that risk management. I think we do have a very conservative reinsurance program. We typically are buying at levels of a 200 to 250-year storm, which is typically higher than other insurance companies, and we participate in the Florida Hurricane CAT Fund. We buy per occurrence CAT reinsurance from the open market. We supplemented that this year and participated in a CAT bond program and we also buy multiple storm protection.

Another factor in risk management, particularly in our property business, is our spread of risk and this is something that we look at on a regular basis and try and manage. When we take on clients, particularly in the creditor-placed market where there is little underwriting, we do underwrite and bring in national accounts that do provide us with a spread of risk and that's something that we look at and make sure we monitor on a regular basis. As you can see from this map, that it's been relatively consistent.

So, what are the developing trends and what are we doing to react to them on the property basis?

There has been a reduction in mortgage loans outstanding, and we are developing efficiency initiatives to help manage our expenses. We did have a charge in the second quarter for some reorganization that we do, which is going to provide us with some expense saves as we move forward in subsequent years. We're also continue to invest in our technology and our automated workflow processes to continue to get more efficient.

Another trend is really all the demands that are occurring on the mortgage servicers, and there are many. What we're doing here is really trying to streamline the insurance initiatives around things like modifications – around modifications and refinances – so that we can help them be as efficient and effective in that entire process.

And then, the final is really a continuing developing trend around the consolidation of servicers. It's having that differentiated position, it's aligning ourselves with market leaders which we believe will allow us to continue to maintain or grow our market share and be part of a consolidator as opposed to a consolidatee through the process.

So I'll turn my attention to the Solutions business, which is run by Craig Lemasters. Again, the biggest piece of this business at 53% is the domestic service contracts. This has been a large growth area for us, has been stymied a bit by consumer spending, but we've also made some investments in this market that we think are going to continue to provide us with growth opportunities in the future. We made some acquisitions around the GE and Whirlpool service contract business, which actually gives us a different distribution that we think we can spread to other manufactured areas, and it's in a manufacturing direct environment.

In the wireless area, we made a purchase of the Signal, which gives us some administrative capabilities that allows us to vertically integrate the wireless chain. And we like this market. We don't have a big market share, but there is only one other competitor who has 90% of the market. And we do believe that our product offering, when combined with the administrative services of the Signal, give us the opportunity to compete well in this business and we think there is good opportunity.

I mentioned domestic credit, still at 9%. But when you take the infrastructure and what we have in terms of knowledge and expertise, we have taken that to the international markets. And our

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international credit and international service contracts now make up 12 and 15% of our business respectively. And we expect it's another – it is a continued opportunity for growth as we get into further producing premiums and service contract business in the developing countries.

Here's kind of a footprint of the company, countries that we are in – those in gold are the established international market countries, and those in blue are those that are in development. And it does take some time to develop these markets. There is a lot of expenses upfront, particularly on the warranty side where you're not even really recognizing earned premium until you've written the product and the manufacturer's warranty has expired.

I'll move on to Health, again focus the individual market making up 73% of our business. It is targeted to individuals without employer based coverage. We have developed a cost effective direct marketing of this product and it is something we look to expand. We do have a small group market, but again even it's specialized. So it's targeting very small employers with an average size of five employees.

You may have heard something about healthcare reform. It's certainly on everybody's mind now. We are a proponent of healthcare reform. We do of course believe that it should be a competitive market solution. But we also believe that market reform can be good for the individual market.

What I'm trying to demonstrate here is just a breakdown of the 46 million uninsureds in the country. And you'll note there that the two blue boxes represent about 22 million people, who are insurable and who can afford healthcare. That in itself is higher than the 18 million that are in individual policies today. So there's a long way to go with this.

We do have a seat at the table. Don Hamm, who runs our Health business, is currently the chair of the industry group representing individual medical and he's been spending a lot of time in Washington. And I actually think he is there today, trying to craft something that is acceptable to the marketplace. And I think we still have some optimism here. And I think as long as they get into a situation where they are going to mandate insurance, there is going to be an opportunity for additional individuals in the individual medical environment.

And last but not least, our Employee Benefits group. Again an area that's focused on small employers, we are a market leader by number of employers and we're a – but we operate, again very small case with an average of 51 employees and we do have an expertise in that market. We can provide health and services to some of the intermediaries and agencies that sell this business.

We've a voluntary product strength, and we actually have a very full line of products that we can offer which gives us some competitive advantage. We do think that the voluntary market is a growth area and we are looking to gain scale in that market as we move forward. We also have a strong dental market through our partnership with Aetna and that also provides us with some competitive advantages.

Risk management is also important in Employee Benefits, and certainly both industry and geographic diversity is something that we look for in our Employee Benefits business. I think this graph shows that we've accomplished that.

So let me turn to our financial position. We do believe we have a solid balance sheet, lots of equity, relatively low debt-to-capital ratios, 2.9-to-1 ratio of invested assets to equity. So we're not asset-intensive like a life company. A-rated carriers and limited callable liabilities – so we're not in a situation in an economic downturn where we have to sell in a depressed market.

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We have excellence in risk management. I talked about our – certainly our reinsurance program. We have a conservative investment portfolio, we don't write long-tail liabilities and we have a good spread of risk.

We have strong liquidity. We calculate, at the holding company level, about 250 million of excess capital which gives us flexibility. So we have cushion in the event of an economic downturn, but we also have the ability to invest in business opportunities certainly around acquisitions or other business growth initiatives. But we also have a history of doing things like buybacks as well as increasing our dividend levels. We increased our dividend level again this year to \$0.15 in the second quarter. So we think we have strong liquidity as a company as well.

Here you see we have a strong growth in book value, which we think is compelling for shareholders. And we have a diversified investment portfolio – that biggest group there is investment grade corporates, which we have a diverse number of and provide its own level of diversity.

And we have a conservative investment philosophy – not no risk, but low risk. We have high quality, with a credit quality of – averaging A2, duration of around six years, but that does vary and is dedicated to each individual business. And we stayed away from the problematic assets – no credit default swaps, CDOs, limited sub-prime exposure, and 98% of our assets have rated at Level one or two.

We do have a commercial mortgage portfolio that makes up 11% of our investment portfolio, certainly getting a lot of press and a lot of concern these days. However, this is a business that we underwrite and manage ourselves. It has relatively small loan size, average size being three million. We have 40% loan-to-value ratios, no delinquencies, and we do have a diversified geographic and property types.

So, how do we adapt to the difficult environment while also planning ahead?

In Solutions, we are sharpening our focus. We did have an issue with an unemployment product in the U.K., which we have eliminated. We have stopped the product and also sold the in-force. We are working on expense initiatives to improve our profitability. We've honed in and we are not going to add any more developing countries so that we can gain the fruits of our merits so far and turn the current products profitable.

But still we're investing for tomorrow. I mentioned the wireless acquisition that we've made. We've made acquisitions in the original equipment manufacturer distribution, and we have the international group that we think is going to provide us with growth.

On the Specialty Property side, it is a rapidly changing market. We are focused on our clients and making sure that we have a differentiated position, and then continuing to leverage what we have today to provide growth opportunities in the future.

In the Health group, we are supporting and advocating healthcare reform. And we're improving segmentation, both on a rating side as well as on the marketing side, to make us more effective and cost effective in how we sell our products. And, of course, we are set up to adapt to what happens in healthcare.

On the Employee Benefits side, still continuing to align ourselves to the small-case market and then building scale in the voluntary area where we think we have opportunity for growth.

So why invest in Assurant?

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We do have a diverse source of earnings despite a slowing economy. We have valuable products that offer peace of mind to customers. We have a disciplined capital management philosophy. We have an experienced management team, and we have a track record of strong financial results and strong return on equity.

That concludes my prepared remarks. And I'd certainly be willing to answer any questions you might have.

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QUESTION AND ANSWER SECTION

<Q>: I'd like to open the floor up to questions. If you have any – please, I think there is a mic going around. If not, I can – while the mic's going around, I can start it off. You briefly mentioned commercial real estate, and recently the CMBX market has actually increased a lot. So people are, I think, are getting more positive I think on that sector. Could you talk a little bit about how the recent tax benefits could impact your business, if at all, in terms of what's going around in the media?

<A – Gene Mergelmeyer>: Right. Well, as we look at this, I mean I think we feel pretty strong about our commercial portfolio, and we think we are different than what the general market has been to begin with. So we are generally dealing in small market loans. We have a process that we've gone through on an annual basis, and are just finishing up now where we're actually re-underwriting every loan. And I think the early indications on that are that we're still feeling very confident, despite what additional advantages may be brought about by any sort of tax situation that we have. So again, I think we are in a bit of a differentiated position and feel pretty comfortable with our commercial portfolio.

<Q>: Okay, thank you.

<Q>: [Question Inaudible] (28:54 – 29:09)

<A – Gene Mergelmeyer>: The question was really around – in looking at the three, four years down the road, what segment looks like providing the best profit perspective? Selfishly, I'll say Specialty Property. But I think what's good about our diversified business model is that each one of these companies has initiatives that can push them to the front, let's say.

Our President, Rob, often kind of refers our business more to like a cycling team, where – when we went public in 2004, our Health company by far was leading the pack. Now, it's Specialty Property. There are a lot of initiatives we have in areas like Solutions, certainly if individual medical takes off – we believe that each company has the opportunity to take the lead and we are all working to get it, trust me.

<Q>: [Question Inaudible] (30:19 – 30:27)

<A – Gene Mergelmeyer>: The question is what sort of trends do I see in Specialty Property that can continue to make me the top in the next -- long term? Well again, as I look at this market, there are some declines. There will be some declines related to sub-prime loans because there is just no lending going on in that market, but I don't see it turning around overnight certainly. There are a number of things out there that continue to I guess be tailwinds to some of our growth.

So I think there is still some issues in the mortgage market that are – continue to somewhat be helpful for us, and there's still a lot of the option ARMs out there that need to work through the system. But in addition to all of what's occurring in the mortgage market, we have our own adjacencies. So we are striving to make them grow and we think we do have some opportunity there.

We look at acquisitions. We are looking at additional specialty niches that we think that we can get into. So we are not sitting back, we are playing some defense, but we also are playing offense and we think there are opportunities out there.

Any other questions?

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<Q>: I will ask a quick one. Given that you are in a kind of a broad facet of the economy in terms of the consumer, is there any particular insight that you might be seeing that the media has not picked up on or trends have not shown so far?

<A – Gene Mergelmeyer>: Not anything personally that I've seen. Again that's – most of the consumer business is being done in the Solutions business. I know they are monitoring it very closely.

There are some things that we see as positives. Even though retail sales are down, particularly in some of the electronic goods and things of that sort, we're actually seeing people now starting to focus a little bit more – because of the sales being down – on the warranty sales. So we think that could be a positive for us as we go forward.

We do believe that the economy is recovering. I'm not sure that I personally believe it's going to shoot back up. I think there's going to be some ebbs and flows in the process. But again, we're not sitting back, we are playing offence, we are out trying to get new business which, again, I think we have good market share, good market leadership in our Solutions business. We think – and we have been successful at signing up new accounts. We just signed up Royal Bank of Canada in their Canada business. And we do think that that's going to help us through this process.

<Q>: Great. Any other questions from the audience?

Gene Mergelmeyer, President and Chief Executive Officer, Assurant Specialty Property

Okay. If there is no other questions, again I thank you for your interest in Assurant and I appreciate your time.

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