
MANAGEMENT DISCUSSION SECTION

Operator: Good day everyone, and welcome to the Assurant third quarter 2009 financial results conference call. At this time, all participants are in a listen-only mode. A question-and-answer session will take place at the conclusion of the prepared remarks. Also, today's call is being recorded.

I would now like to turn the call over to Ms. Melissa Kivett, Senior Vice President, Investor Relations. Please go ahead, Ms. Kivett.

Melissa Kivett, Senior Vice President, Investor Relations

Thanks, Brendan. Welcome to Assurant's 2009 third quarter earnings conference call. Joining me with prepared remarks are Rob Pollock, President and Chief Executive Officer of Assurant, and Mike Peninger, our Chief Financial Officer. Prepared remarks will last about 25 minutes, and then we'll open the call to questions. Chris Pagano, our Chief Investment Officer and Treasurer, is also here for questions.

Yesterday, we issued a news release announcing our third quarter 2009 financial results. The news release, as well as corresponding supplementary financial information are also available on our website at assurant.com. Some of the statements we make during today's call may contain forward-looking information. Our actual results may 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 2008 Form 10-K and subsequently filed Forms 10-Q and 8-K, which can be accessed from our website. The company undertakes no obligation to update or revise any forward-looking statements.

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

Now, I would like to turn the call over to Rob Pollock.

Robert B. Pollock, President and Chief Executive Officer

Thanks, Melissa, and good morning everyone. The third quarter of 2009 was good for Assurant on several fronts. Actions we have taken to strengthen performance, reduce expenses and improve loss ratios are paying off. But clearly, a benign hurricane season factored into our results.

Operating results for the quarter increased both year-over-year and sequential comparisons. We are continuing to explore other avenues to grow our business and improve operating performance in a challenging economic environment. Our financial position at Assurant remains strong and our balance sheet strengthened due to improved asset valuations.

We grew our holding company capital position by 110 million in the third quarter to 360 million, our book value per share by about 3% excluding AOCI, and we generated an annualized operating return on equity of 10.7%. We also returned approximately 50 million of capital to shareholders, including 18 million in dividends and 32 million in share repurchases during the third quarter. At Assurant Specialty Property, results benefited from the lack of storm activity. We added a new

client, which increased our track loan portfolio, and we also saw portfolios of some of our clients grow because of consolidation.

However, over the next few years, we expect property revenues will decline as the market inventory of subprime loans declines. We also expect the ongoing consolidation of loan servicers will create margin pressures. We continue to execute on operating efficiencies to deal with these trends. Finally, we've already received about \$250 million in dividends from this business. We are on track to dividend all of this year's earnings.

Turning to Assurant Solutions, operating results continue to show improvement both sequentially and quarter-over-quarter. We've added new clients and distribution channels to deal with the slowdown in consumer spending as well as the bankruptcies of several of our clients. We're pleased that both our Signal and GE Warranty Management Group acquisitions are producing results consistent with our assumptions. Our preneed business is building steady momentum and is providing results consistent with our target returns.

Internationally, results continue to be negatively impacted by high unemployment in the U.K. However, we are pleased with progress we are making in Canada and Latin America on both revenues and combined ratios. Domestically the results have improved from our continued risk management efforts with existing clients.

At Assurant Health, we continue to manage through an especially challenging landscape. Although utilization trends continued at historically high levels, they stabilized in the third quarter. The rating and plan design actions we are taking should be sufficient to reflect the utilization we began to experience in the fourth quarter of last year.

We expect profitability will be back in the range of a 4% after-tax margin by the fourth quarter of 2010. The overall outcome of healthcare reform discussions will not be known for some time. We cannot speculate on what might develop, but we can say we support healthcare reform and believe all Americans must have access to quality affordable healthcare. We're still working to provide input toward a solution. We are preparing for various possibilities and believe Assurant Health's expertise allow us to adapt to changes in the individual market.

At Assurant Employee Benefits, while we can't know when the economy will improve, we are focused on what we can do to generate growth today. The small fold-in acquisition of Shenandoah Life, along with a new client from the alternative distribution channel, Disability RMS, will begin to grow our business in the near term.

Next, I'd like to offer some comments on the investment portfolio and the balance sheet. As part of our enterprise risk-management efforts, we completed a stress test or tail-event analysis of our business. We determined it is prudent to maintain a minimum capital position at the holding company. The events of the last 12 months underscore the importance of having access to capital in situations when it may not be available from external sources.

Based on our analysis, we believe that our holding company capital position should be at least \$250 million before we look to deploy capital. This is consistent with amounts we have held at year-end the last several years. As I mentioned, we ended the third quarter with 360 million in holding company capital. Looking towards year-end, we expect that position will be between 550 and \$650 million. This means we have between 300 and 400 million of capital available for deployment. We are committed to building shareholder value by growing our businesses and executing our specialty insurance strategy. However, we believe our stock is undervalued and we view share repurchase as an attractive use of our available capital.

Before I turn it over to Mike, let me summarize some of the trends and actions that will influence future results. In Property, we face the headwinds of margin pressures from servicer consolidation.

In addition, top line will decline from reducing loan inventory in the near term and reduced placement rates over the longer term. On the positive side, our model continues to win clients in the RFP process, loans are growing slightly from consolidation by our clients, and we've found ways to reduce expenses going forward.

In Solutions, we continue to experience elevated claims-related unemployment in the U.K. and a general slowdown in consumer spending in the current economy. But we are pleased with the improvement in our domestic combined ratios, the new clients and distribution models we are adding, and our integration of acquisitions that position us for an improving economy.

In Health, higher utilization of medical services will continue to influence claims experience in the near term, and our pricing and plan design changes may hinder sales. But we are pleased that third quarter activity tracked consistent with our expectations, and we are finding ways to reach consumers with our broad product portfolio.

In Benefits, we are seeing an increase in the utilization of dental services, which we believe is related to the economic slowdown. And small employers are struggling more than in prior recessions due to a lack of available credit to expand their businesses. This has led to fewer new jobs with small employers, but we do feel that small employers will lead the recovery when the economy turns. We've taken action to reduce expenses and we've completed a small acquisition and landed a new client through our alternative distribution channel, which should allow us to see growth in the near future.

Now I would like to turn things over to Mike to talk more about the business level performance and financial results. Mike?

Michael J. Peninger, Executive Vice President and Chief Financial Officer

Thanks, Rob. A drill-down into the businesses affirms the strength of our financial position and that the actions we are taking are making a difference. Let's start with Assurant Specialty Property. After-tax net operating income increased for the quarter and first nine months of 2009. The absence of reportable catastrophe losses drove the improvement. During the third quarter and nine months of last year we had \$94.8 million of reportable catastrophe losses and reinstatement premiums. Third quarter results included a \$5.9 million after-tax benefit from a subrogation recovery related to the 2007 California wildfires.

Net earned premiums decreased 7% in the quarter and 5% for the nine months. These declines were driven by loans loss due to servicer consolidation, drops in premiums from real estate owned policies as fewer subprime loans enter foreclosure, increased sales of foreclosed homes, and higher catastrophe reinsurance costs.

During the next 12 to 24 months, we expect premium levels to continue to decline, driven by a reduction in the number of REO policies, lower policy placement rates, and possible reductions in average insured values. We also expect servicer consolidation trends to continue, which will cause some variability in our quarterly results. This quarter, we added 600,000 new loans; 300,000 of these were subprime loans from a previously mentioned new client that was added for tracking in the third quarter. Another 300,000 came from portfolios that our clients added through market consolidation.

These additions were partially offset by other portfolio declines, including the previously disclosed 230,000 Merrill Lynch subprime loans that we will lose in the first quarter of 2010. In response to the declining revenue trends, we continue to drive expenses out of our operations through increased automation and disciplined expense management. Overall, we were pleased with another very solid quarter at Assurant Specialty Property.

Let's move now to Assurant Solutions. Net operating income at Solutions was up 55% for the quarter versus the same quarter last year. Third quarter 2008 results did include a one-time charge of \$7.7 million. For the year, operating income is down 10% versus 2008. The increase for the quarter was driven by improved underwriting experience in our domestic service contract business and solid contributions from preneed. The domestic combined ratio continued to track within our targeted range for the third consecutive quarter, which we expect to continue.

Loss experienced in the U.K. credit business is worse than 2008, but did improve slightly in the third quarter versus the second quarter of 2009 due to our exit from the problematic Internet channel we have previously discussed. In addition, investment income has declined significantly versus 2008 levels. International combined ratios in 2010 will benefit from cost reduction efforts throughout our operations, the continued moratorium on international expansion, and continued improvement in the U.K.

Turning to revenue in the United States, the absence of Circuit City production in 2009 has caused a \$250 million decline in gross written premiums for the nine months. While the overall environment remains difficult, we did see some growth from existing and new clients in the OEM space in the third quarter. The sequential decline in gross written premiums was partially attributable to the Ford Motor Company program, which ran through April and May. That program added about \$30 million of gross written premiums in the second quarter. About 12 million of those premiums were earned in the third quarter.

Business sold in the past, including Circuit City production, continues to increase net earned premiums in 2009. After adjusting for the change in preneed accounting, and the impact of foreign exchange, net earned premiums are up 4% for the quarter and 5% for the nine months compared to the prior year.

Our preneed business had a very solid quarter. Same funeral home sales grew 5.8% for nine months versus 2008 as we continue to work effectively with our sales partner SCI. SCI's increased utilization of different distributions channels, new outside sales offices, and general agents have helped us begin to attract younger customers. The business will also grow due to the acquisition by SCI of Keystone, the fifth largest funeral home chain in the United States, which we expect to add an additional 200 funeral homes that will sell our preneed policies.

In the wireless space, the integration of the Signal Holdings operations has gone extremely well. We believe that we now have a compelling offering for the large wireless carriers, and our strength is our ability to provide our clients with integrated full-service solutions. Our integration of GE Warranty's Management Group has provided us with specialized direct-marketing capabilities. These capabilities, and the win of the Whirlpool account, have helped us build a strong position in the OEM appliance market in North America.

And while our acquisitions of mortgage distribution channels in the U.K. are currently not meeting top line targets due to the economic slowdown in that country, we believe we are well-positioned to recover once the economy improves. We have also been able to take expenses out of the operations, which has helped offset part of the top line shortfall. Overall, we believe that the acquisitions we have made over the past few years have strengthened Solutions in several key markets. With the formal integration processes for the most part complete, we should see them begin to impact our results more significantly in 2010.

In summary, with the exception of the U.K., we were pleased with Solutions' results for the quarter and look forward to further improvements.

Now let's turn to Assurant Health. Despite a net operating loss for the third quarter, the underlying business results at Assurant Health improved marginally from the second quarter and consistent

with our expectations. June 30th reserves proved to be adequate and no additional reserve strengthening was required in the third quarter. Results for the quarter include a charge of \$8.1 million after tax for an adverse ruling in a claim-related lawsuit.

Medical utilization rates continue to run at high levels, consistent with trends beginning in the fourth quarter of last year, but considerably higher than past years. We did see a modest slowdown in the number of large claims. Sales of both individual medical and small group plans were up for both this quarter and nine months due to our broad distribution, varied product portfolio, and increases in the numbers of employees leaving employer-provided plans. Direct sales and sales of lower price plans were particularly strong. However, the pricing actions we are taking to return our block to profitability may decrease future sales.

Net earned premiums at Health were down 3% for the quarter and were down 4% for the year. The decreases were driven by high lapses of both individual and small group policies, and lower average premiums per member as consumers chose more affordable plans.

While we have not yet seen a discernible impact of H1N1 on our business, we do expect it to cause increased utilization and costs. We are pleased to announce that through a new partnership with Walgreens, we plan to cover the cost of administering the H1N1 vaccine for our insured customers who get their shots at any of the more than 7,000 Take Care Clinics located in Walgreens drugstores. We estimate that the cost of administering the vaccines and H1N1-related medical services will increase our claim expenses by \$8 to \$10 million after-tax during the next six to eight months, which we see as a great investment in our customers' health.

We expect that our pricing and plan changes, combined with expense reduction efforts, will return the Health business to target profitability by late in 2010. We remain optimistic that by leveraging our expertise, product breadth, and distribution reach, we will find numerous growth opportunities in the individual medical marketplace.

Now let's move to Assurant Employee Benefits. Net operating income was down 47% and 46% for the quarter and nine-month periods, respectively. The declines reflect less favorable loss experience across all product lines. This is not an unusual trend during tough economic times.

Net earned premiums for the quarter and the year are down, as small businesses continue to reduce head count, curtail salary increases, and scale back their benefit offerings. In these difficult times, we are increasing our focus on voluntary or employee-paid coverages. Sales of voluntary coverage were up 35% to \$18 million in the third quarter. In addition, we are encouraged by the sales pipeline in our Disability RMS channel and we are pleased to announce the acquisition of the majority of the Group business of Shenandoah Life, which will add approximately \$15 million of annual premium next year.

I'll turn next our investment portfolio, which as Rob mentioned, benefited from improvements in the credit markets and government efforts to engineer a lower interest rate environment. AOCI improved by \$793 million versus December 31st, primarily due to the improvement in the portfolio market values. Lower interest rates have put downward pressure on investment income. However, we have reduced our cash position, which has helped stabilize quarterly investment income, albeit at lower levels versus 2008. Longer term, we expect interest rates to move higher and provide better overall risk-adjusted yields.

Our commercial mortgage portfolio, which is about 11% of total investments, continues to perform well and we have no delinquencies as of quarter end. During the third quarter, we completed our annual appraisal process in which we effectively underwrite every loan in the portfolio using current market metrics. The portfolio's loan-to-value ratio increased to 62% versus 53% last year, due primarily to an increase in market capitalization rates. Our debt service ratio improved slightly to 1.87 compared to 1.85 the prior year. While we are quite pleased with the portfolio's performance,

we are mindful of the potential effects of sustained high levels of unemployment on the commercial property market.

Our balance sheet remains solid. Stockholders' equity excluding AOCI increased to \$4.8 billion in the quarter. We have no debt maturing until 2014, and overall asset leverage of 2.7 to 1 and a 17% debt-to-equity ratio. Book value per diluted share excluding AOCI increased to \$40.57, up 9% from year-end and 3% from the second quarter.

Before I finish my prepared remarks, I'd like to comment on two other corporate matters. The first pertains to the goodwill asset carried on our balance sheet. Our policy is to perform our annual impairment testing during the fourth quarter of each year. Due to the significant increases in unrealized gains in our investment portfolio, we performed an interim review of the goodwill ascribed to the Solutions and Employee Benefits segments in the third quarter. We concluded that the asset was not impaired as of September 30th. It is possible that our fourth quarter test will indicate that an impairment charge is necessary.

Finally, we wanted to provide an update on the previously disclosed SEC investigation. After a period of inactivity, we have had recent discussions with the SEC staff about the investigation. Beyond the fact that contact has resumed, we have nothing new to announce at this time. I should note that because of the discussions with the SEC, we did not renew our share repurchase program. As Rob noted, we continue our shares to be attractively priced at their current levels, so we look forward to buying additional shares as soon as we can.

In summary, third quarter results reflect our continuing effort to strengthen the company despite macroeconomic challenges, and we believe that Assurant remains fundamentally sound at its core.

Now I'll 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: Thank you. [Operator Instructions]. We will take our first question from Jeff Schuman with KBW.

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

<Q – Jeffrey Schuman>: Good morning. Can you hear me?

<A – Robert Pollock>: Yes.

<Q – Jeffrey Schuman>: I've got a question about Specialty Property. I was just curious about the placement rate sequentially. Subprime placement rates continued to increase, whereas prime sort of flattened out and I guess I was kind of thinking that maybe the reverse would be more likely. Do you think prime placement has flattened out here? Was that just kind of a one-quarter flattening out, do you think?

<A – Robert Pollock>: I believe that in any particular quarter, Jeff, things like that can happen. You know we brought, as Mike mentioned, some new loans into the portfolio. I wouldn't read anything into the one-quarter number.

<Q – Jeffrey Schuman>: Okay. That's helpful. And then – obviously extremely difficult to kind of think about scenarios for the Health business, but it's also difficult to ignore the issue as well. Certainly one of the concepts that's kicking out there would sort of move you off of an, sort of an underwritten model. If you can't really underwrite for preexisting conditions, potentially how dramatic is that scenario? Does that mean kind of the whole kind of existing book of business would sort of go away, and you would kind of have to start over with kind of a new product, a new underwriting model? Or is it going to potentially be less dramatic than that?

<A – Robert Pollock>: Well, a couple different things I'll comment on first is: Don Hamm and the team at Assurant Health have put together a variety of different scenarios, including the one you talk about Jeff, and said, in that environment, how would we play and win? And we believe we have strategies that could operate there.

Remember that the reform that's talked about takes place and is effective 2013. So we're looking several years out in the future before that comes into effect. I think another important point to consider in all that is that existing people will be allowed to maintain or, in much of legislation, keep the plans they have, meaning you're going to kind of have a different set of risks after the 2013 compared to ones that are underwritten prior to. So maintaining that block of business of what you have on the books prior to reform will be a consideration as well. But again, until things are finalized we're guessing, and our goal is to make sure we understand how we can effectively play in the new environment..

<A – Michael Peninger>: I was just going to mention too, the size of the market is another factor, because certainly we expect the market to be a lot bigger under the scenarios, particularly – as we think is right – there is a coverage mandate.

<Q – Jeffrey Schuman>: Okay. And then, lastly on the SEC discussions, and I guess kind of the, especially the, the share repurchase, if those discussions continue, are there other ways for you to manage capital, other than share repurchase or acquisitions? Or – I am trying to think about how that would go if that was sort of protracted.

<A – Michael Peninger >: Well, there's dividends. I mean there are some other options, and at the end of the day we make a judgement about whether we have material inside information, that's what precludes us from instituting a share repurchase., The fact that there's ongoing discussions may or may not lead us to draw that conclusion, Jeff.

<A – Robert Pollock >: I would also point out – our goal, Jeff, is to consistently return capital to shareholders, and I think we have a track record of doing that, both through dividends and regular increases to the dividends, as well as repurchase. So those are two ways we look at things.

<Q – Jeffrey Schuman>: Okay. That's very helpful. Thank you very much, guys.

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

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

<Q – Steven Schwartz>: Hey there, everybody. Just a few – following up on the SEC investigation. I saw a piece that you guys put out about Adam Lamnin. Is he back now, or was he already back?

<A – Michael Peninger >: He has been back, Steven, and as we recently announced, he has joined Assurant Health as the Chief Operating Officer.

<Q – Steven Schwartz>: Okay. I was wondering if that was telling anything about the SEC investigation, I guess not. Vis-à-vis the SEC investigation and the rating agencies, I guess you've done your tail model; you came up with what you think you need at the holding company, Has, I don't know, given the SEC I guess is the question, have you bothered to show that and discuss potential share repurchase with the rating agencies?

<A – Michael Peninger >: Yes, we've continued to have regular dialogues with all of the rating agencies and we've shared a lot of detailed tail event analysis with them. Chris, I don't know if you'd want to amplify in that, but...

<A – Christopher Pagano>: Yes. Again, the decision about holding company capital was really the result of the enterprise risk management efforts that we have undertaken during the course of the year. The enterprise risk management is a focal point for the rating agencies and we have shared both the process and the conclusions with them. So they are aware of how we go about doing this and the conclusions that we've reached.

<Q – Steven Schwartz>: And then just two more fast ones. Mike, the potential for goodwill impairment in the fourth quarter, vis-à-vis which you have kind of done preliminary in the third quarter – what could change that, could make that happen, what do you think could – what would have the biggest effect, I guess?

<A – Michael Peninger>: Well, you go through a process of looking at the value of each of the businesses, and then you take that value and kind of subtract off other assets in each of the businesses, and then your balancing item is goodwill. And so you determine a value of that, and so the things that go into it are your projections of future earnings for the business; you also look at the changes in the market values at a point in time of the tangible assets you have on the balance sheet, your estimates of intangible values.

So, you're going through a lot of different assumptions, you're looking at current events at any point in time along with future projections. And so, as things change in the environment that affects any of those things, they can cause you to reach a different conclusion.

<A – Robert Pollock>: But I think one of the important things for investors to take away is, whatever goes on with goodwill has no impact on our holding company capital.

<A – Michael Peninger>: Right.

<A – Robert Pollock>: Okay? So, that amount of money we're talking about at year-end will be there regardless of anything that happens here.

<Q – Steven Schwartz>: Okay. And then finally, Mike you mentioned that TIV might come down in Specialty Property. Would that just reflect a mix shift?

<A – Michael Peninger>: I think so, yeah, pretty much so, Steven.

<Q – Steven Schwartz>: Okay. That's what I've got. Thanks guys.

Operator: And our next question comes from Ed Spehar with Bank of America-Merrill Lynch.

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

<Q – Edward Spehar>: Thank you. Good morning. I wanted to talk a little bit more about the capital and share buyback. And I guess, in terms of the – you don't have any authorization outstanding now, is that correct?

<A – Robert Pollock>: No. We do have authorization outstanding, Ed. I believe it's...million.

<A – Christopher Pagano>: \$170 million in existing authorization remains.

<Q – Edward Spehar>: Okay. Then what was the comment about, didn't renew share repurchase program because of the discussions?

<A – Robert Pollock>: We had the 10b5-1 program in operation, Ed, and when this came up we believed it was prudent to not renew that program.

<Q – Edward Spehar>: Okay. But then, if we're talking about the share buyback from here, and I think what you're saying is that discussions with the SEC do not necessarily preclude you from buying back stock. And the fact that you have now disclosed to us that you're having discussions, that at least is not a material non-public piece of information.

<A – Robert Pollock>: I think two things, Ed. First, we're a conservative company, we don't want to do anything that could have unintended consequences. And so, we are just being prudent as we consider all the things that are going on related to the investigation.

<Q – Edward Spehar>: Okay. And then just on the capital numbers. If I heard you correctly, Rob, you said that you thought that the balance – the holding company capital was going to build from 3.60, to 5.50 to 6.50 by year-end?

<A – Robert Pollock>: Correct.

<Q – Edward Spehar>: Okay. What is leading to the 2 to 300 million increase in one quarter?

<A – Robert Pollock>: Just dividends. We pointed out before, Ed, that we tend to have our dividends focused toward the end of the year after CAT season, because we have a line of sight then on our earnings, a little better, particularly in Property, and so we've just set things up that way. Also allows us to have that feedback and dialogue with the rating agencies. So it's kind of our

normal process. And Chris, maybe you want to amplify a little bit about ordinary versus extraordinary dividends?

<A – Christopher Pagano>: Yeah. And again, just a couple of things. Again, Rob's point that we tend to back-end load the dividend from the various operating subsidiaries. A couple of things have changed from last year – again the portfolio results are not going to be the drag that they were last year. Property is – we've not – we've taken about 250 or 260 of Property's profits, which is less than the full profitability through three quarters. We think we're going to get all of Property's profits up to the holding company.

And again, just the idea is we capitalize to the AM Best ratings and to maximize financial flexibility. We don't take every extra dollar up and put it at the holding company. So you add up a variety of factors, and we feel like the 550 to 650 number is a good range for year-end.

<Q – Edward Spehar>: Okay. And I guess then, if we're thinking about free cash flow from here, I guess it doesn't seem like there is any reason to think that your ability to take up 100% of Specialty Property earnings is going to change any time soon, given top line trends. Isn't that fair?

<A – Christopher Pagano>: Yeah, I think that's a fair statement. Again, it's about – it's the earnings, and then of course moderating and potentially declining top line growth making additional capital available.

<Q – Edward Spehar>: Okay. And I think you used to talk about the other segments providing you somewhere in the neighborhood of 200 million a year of dividend capacity. Is that still a reasonable expectation?

<A – Christopher Pagano>: Again, lots of factors that come into play, not the least of which is how AM Best modifies their BCAR ratings – BCAR measures on an annual basis. When I think about it, you think about earnings adjusted for any kind of additional growth to be held back, and then net of portfolio effect. So that's probably better rule of thumb rather than putting a set dollar amount on the numbers.

<A – Michael Peninger >: And at least in the near term, Ed, obviously we've had difficulty in the Health business. So at least for the near term, that's effecting it too.

<Q – Edward Spehar>: Okay. But – I mean, I guess the point is that the free cash flow generation seems to be running at – I guess, an even higher level than I think people had been assuming. So I guess that the final thing I would like to ask is, you gave us, I think, a good comment here, at least for us in terms of optimism on the Health business, of a target of getting back to a 4% after-tax margin by the fourth quarter of 2010. You know, there is a lot of uncertainty in Health, and you guys are willing to give a target, a forward-looking statement on an earnings – I mean at least on a margin number for that business.

You know, I'm wondering if there is any reason you can't potentially – not that I don't want to work, but just potentially give us a little bit of a helping hand on a couple of these other segments, at least from a margin standpoint. I'm not sure you would argue that there is any less uncertainty in Health than there is in some of the other businesses, in terms of margins?

<A – Robert Pollock>: Sure. So if we go to Solutions, we've tried to provide combined ratio targets domestically. We think we're operating at those, Ed. We know we need to ultimately improve things internationally. You know, we'll have a little better line of sight on that as we get a little more clarity on the economy. So we're trying to do that.

The other side of the things, obviously, is just the investment portfolio. Chris and Mike both mentioned that new money yields are down. We don't think that's going to last forever, okay? But

right now it's – you can see the dampening impact it's had on investment income this year versus last. So we're trying to give more qualitative color related to that. And we'll continue to work do to that as we move forward.

<Q – Edward Spehar>: Okay, thanks.

Operator: We'll next hear from Mark Hughes with SunTrust.

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

<Q – Mark Hughes>: Good morning. And just to be clear, since you're speaking with the SEC, you're going to be restrained? Or you're going to be hesitant to buy back shares? Or are you open to buying back shares now?

<A – Michael Peninger >: We have to make an evaluation, Mark, of whether we have material inside information. And if we do, then we can't institute a new 10b5 plan, which is the way we buy back shares, that's an automatic plan. So...

<Q – Mark Hughes>: So, practically, you could be buying back shares at any time?

<A – Robert Pollock>: Sorry?

<Q – Mark Hughes>: Practically speaking, you could be buying back shares at any time if you make that determination.

<A – Michael Peninger>: If a plan was put in place, then we could buy under the terms of that plan.

<Q – Mark Hughes>: Okay. And then in the Health business, have you adjusted the pricing yet? And what do you anticipate the magnitude will be of any rate changes?

<A – Robert Pollock>: Well, two things, Mark. I think first is that our normal trend in this business, we pointed out, has run in the mid-teens, varying depending on where we're talking about in the country. And then obviously, we've had to put in additional price or plan change to deal with the higher utilization we've seen. We're doing that. We're doing it on renewals. We've started it on our new business as well, and again, this is something – part of our history having been in this business for such a long time, we believe we have good line of sight on how those changes work their way through a block of business.

<Q – Mark Hughes>: Okay. And then – this question may have been asked before, but the flexibility in cutting costs in the Property business, the question of fixed versus variable. If you've been running at expense ratios, say in the low-40s, with the circumstances you anticipate, how should we think about where that ratio will be a couple years down the road?

<A – Robert Pollock>: Well, I think we can look back at run rate levels on expenses over time. We obviously, prior to the increase in penetration rates, we had a run rate. We know we got some benefits related to the Safeco acquisition, and that I think is a good starting point. On top of that, however is, Gene and his team are working very hard to find additional operating efficiencies, we mentioned last quarter some of the ones we found, we're looking to take action to improve results. They're looking at that. They're trying to come up with additional ones, and I'm confident that over time, they'll find some.

<A – Michael Peninger>: And I guess I'd just point out too that we have a bit of a balancing act in working with our clients, because the clients are struggling themselves with workloads and have been inundated with new work that they have asked us to help them with. So some of that expense

– that creates expense for us that then enters into part of the discussions with them about how to price and all that sort of stuff, too.

<Q – Mark Hughes>: Thank you.

Operator: Our next question comes from John Nadel with Sterne Agee.

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

<Q – John Nadel>: Hey, good morning, Rob, how you doing?

<A – Robert Pollock>: Good.

<Q – John Nadel>: So, I know we're all targeting this SEC issue and the buyback, but maybe a couple different questions about it for you. So it appears to me, based on the average price that you guys paid buying back your stock during the quarter that you were doing sort of mid-to-late August, early September. So, is it fair to say the SEC sort of reinitiated contact with you sometime in September?

<A – Michael Peninger>: I think, that's about when it happened, John.

<Q – John Nadel>: Okay. And so, my question is, if you feel like discussions with them, just simply reengaging in discussions, is that a material event and now we've disclosed it? Or is it a fear that there is the potential for a meaningful cost of resolution, i.e., fine or penalties, and you need to hold back capital for something like that?

<A – Michael Peninger>: I guess, John, we're not buying back now. At the end of the day, we hope to be able to do so at...

<Q – Robert Pollock >: As soon as possible.

<A – Michael Peninger>: As soon as possible, but we have to – as I said earlier, we have to make a judgment about whether we have inside information. That's really the call that we're making. And as Rob said, we're a conservative company. So we want to be – we want to make that decision as thoughtfully as possible.

<Q – John Nadel>: Well, and I – all right. So I guess the question then is, and maybe we already know the answer, maybe based on what you said. When do you that judgment? I mean, has that judgment been made?

<A – Robert Pollock>: I think a couple of things, John, if you look at, we – when we got out of the market, we then got into a blackout period.

<Q – John Nadel>: Yep.

<A – Robert Pollock>: Okay. So it's something we are assessing on a regular basis, and we'll continue to do so. I think that the big takeaway here is, we see the stock as attractively priced and we want to buy back as soon as we can.

<Q – John Nadel>: I want you to, too.

<A – Robert Pollock>: We're aligned.

<Q – John Nadel>: Okay. So let's switch gears for a second. So, I know Steve touched on this with you, Mike. But the goodwill idea that you guys did sort of a preliminary review. Can you compare

the depth of that sort of view that you already did with how much additional incremental work you would do in a more "formal" impairment testing in the fourth quarter? How much has to really change in a two or three month period of time for an impairment to be recorded?

<A – Michael Peninger>: Well, you have to relook at all of your assumptions, John – during the interim period we did look – we go through the same process. You're looking at external events, though – one of the ways, for example, that you would try to look at the value of each of the segments is by looking at values of peer companies, which can move around. You've got market values of assets that move around, you've got changes in interest rates. And then another one is just your internal projections, which typically aren't going to change radically in a three-month period, but they can change. So, there's just lots of different variables John, but we're not – it's not like we didn't use the same process, it is the same process, and I think...

<Q – John Nadel>: Okay. That was sort of what I was getting at, is just how much more involved. And then just specifically on the goodwill, how much is there related to Solutions versus Benefits? And is there any in any other segments?

<A – Michael Peninger>: Yes, we have goodwill in all of our segments. It is actually in the 10-K, but the – Solutions is about 370 million of goodwill and Benefits has I think 180 or so million.

<Q – John Nadel>: Okay. All right. And then last question is just on the Health segment. I think in our discussion last night and then in your comments this morning, it sounds like definitely the pricing actions that you have taken are negatively impacting your lapse rates, i.e. your lapse rates have definitely spiked a bit. Can you give us a sense for how much they have moved from a normal – as I sort of typically think historically, your lapse rate is at about 25% annually?

<A – Michael Peninger>: Yeah.

<Q – John Nadel>: Is it – how much higher is it now running?

<A – Robert Pollock >: First, I think it's a little hard to separate, John, just the one variable, because a lot of just what's happened because of the economy has caused things to go up as well.

<Q – John Nadel>: Sure.

<A – Robert Pollock >: We think our lapse rates are running a couple of points higher, okay? And again, we're certainly trying to be mindful of that. Don and his team work hard to – we've got a retention unit trying to keep people. Little anecdotes are, a lot of the lapses are occurring just because people don't have the money to pay for the coverage. And that's a different dynamic than we have historically seen. So it's hard to separate the pricing action from that economic action. Again, we're trying to be responsive and find ways to keep more of that business in a changing environment.

<Q – John Nadel>: Okay. And then relatedly, with the pricing actions that you've taken – I know there's a lot of different product designs and a lot of different price points, but can you give us a sense for, as you look across the market at the typical competitors that you run up against, especially in the individual market, how radically are, how different are your prices right now? How much higher, relative to your top competitors in the marketplace, right now?

<A – Michael Peninger>: That's a really hard question to answer, John, because it's so market-specific. And typically there is – your relative comparison can vary vastly from one competitor to the next. There is not a single competitor in every market, and we also think that the trends that are affecting our business are affecting other carriers too. This is not like its stuff that's unique to us, so...

<A – Robert Pollock>: But I think what – the one thing that is clear is our affordable healthcare, which is a modified design, more first-dollar benefit coverage, is resonating in the market. So it's a lower-premium-per-member product, and we are seeing a lot of response to that product.

<Q – John Nadel>: Yeah, well, your sales have definitely held up. It's not like they dropped through the floor. So your pricing can't be that radical, versus others. And just a quick clarification on the claims cost, of the 8 to 10 million after-tax for the H1N1 flu shots that you're covering. Could you – I just missed what the timeframe is for that, and is there anybody else picking up that cost or just you guys? You passing it along in any way?

<A – Michael Peninger>: We're paying for the cost of the vaccinations. If there is flu, if people actually get the flu and go in to get treatment, that would become treated like a normal claim, but we're picking up the cost of administering the vaccines and we were excited to have this opportunity with Walgreens to let our customers go in and get that at any of the Walgreens clinics.

<Q – John Nadel>: So that's 8 to 10 million over what period?

<A – Michael Peninger>: Yeah, well, six to eight months I said, John.

<Q – John Nadel>: Okay. And that begins sort of now?

<A – Michael Peninger >: Yeah, yeah.

<Q – John Nadel>: Okay. All right. Thank you.

Operator: And our final question will come from Adam Klauber with Fox-Pitt.

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

<Q – Adam Klauber>: Thanks. Good morning, guys. On the Specialty Property, is the natural attrition of the subprime portfolio running around 10% this year?

<A – Michael Peninger>: I don't have the number off the top of my head, Adam, but we've got them in our supplement, the subprime loans. There really haven't been any new ones coming on this year. So you could kind look at the drawdown there.

<Q – Adam Klauber>: Okay. And do you think that drawdown will accelerate in 2010, 2011, as more of the older vintages of subprime just eventually go away or pay off? Or do you think it stays more level next year?

<A – Robert Pollock >: Well, I think some of that will be dependent on if there's any new subprime issues, because again we look at it as an inventory, Adam. Certainly there are going to be some that move out into a foreclosed, and then an REO status. If there's new subprime loans originated, they can replace that. Obviously there just hasn't been any of that replacement origination been going on for a while. On the other hand, I'd point out historically there has been a subprime market, and maybe not at the levels of the last few years, but certainly it's contributed to 10% or so of the outstanding mortgage loans.

<Q – Adam Klauber>: Okay. Also in your earlier remarks you said there is obviously risk of losing business in consolidation. Has that been heightened recently as we see more and more banks get in trouble?

<A – Michael Peninger >: Well, there's been lots of consolidation going on. This is where we benefit from having the market share that we do, and – we have two thirds of the market, so we believe that when there's consolidation, we're more likely to win than lose. But certainly we have

lost loans through consolidations, but over the long term, we believe as consolidation continues, we're going to win more than our share. Or win more than we lose, I guess.

<Q – Adam Klauber>: But do you think consolidation will pick up over in the next 12 months compared to what we've seen?

<A – Robert Pollock>: Well, boy, it's been – if you look at the top four, the growth has been enormous over the last three or four years, Adam. I think – I don't have the numbers in front of me, but I think the share of the top four has almost doubled in the last couple of years. So they can only get 100% of the market. I don't think they'll get all of it. So I think that maybe that will slow down a bit.

<Q – Adam Klauber>: Okay. And then on – you mentioned the goodwill. Which areas, I guess, would be under greater stress for potential goodwill write-downs?

<A – Michael Peninger>: Well, we look at all of our segments. We did the interim review of Solutions and Employee Benefits. So those are the ones that you'd look at a little closer to the edge, I guess.

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

<A – Robert Pollock>: Thank you, Adam.

Robert B. Pollock, President and Chief Executive Officer

Each of our businesses is working to improve performance through operating efficiencies while pursuing additional clients to grow their businesses. We've strengthened our enterprise risk management activities to better understand and plan for scenarios that could adversely impact results. We remain well positioned with holding company capital to meet a variety of needs. We look forward to updating you on our continued progress.

Operator: This does conclude Assurant's third quarter 2009 call. Please note that a replay will be available as of 11 a.m. Eastern time. 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.