
— MANAGEMENT DISCUSSION SECTION

Operator: Welcome to the Assurant third quarter 2008 financial results conference call. [Operator Instructions]. 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

Thank you, operator. Welcome to Assurant's 2008 third quarter earnings conference call. Joining me with prepared remarks are Rob Pollock, President and CEO of Assurant; Mike Peninger, our Interim Chief Financial Officer; and Gene Mergelmeyer, President and Chief Executive Officer of Assurant Specialty Property. I'm also pleased to be joined by the other members of our senior leadership team; Don Hamm, President and CEO of Assurant Health; Craig Lemasters, President and CEO of Assurant Solutions; John Roberts, President and Interim CEO of Assurant Employee Benefits; and Chris Pagano, our Chief Investment Officer and Treasurer.

Prepared remarks will last approximately twenty-five minutes, after which time we will open the call to questions. This morning we issued a press release announcing our third quarter 2008 financial results. The press release as well as corresponding supplementary financial information may 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 these projected in these 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 and subsequently filed Forms 10-Q and 8-K, including this morning's earnings release, which all 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 disclosures on these non-GAAP measures, the most comparable GAAP measures, and a reconciliation of the two, please refer to this morning's earnings press release and supplementary financial information posted on our website.

Now, I'd like to turn things over to Rob.

Robert B. Pollock, President and Chief Executive Officer

Thank you, Melissa. Good morning everyone, thank you for joining us today.

During a period of unprecedented capital markets volatility and an active hurricane season, Assurant demonstrated resilience and served its customers by staying the course and executing its diversified specialty strategy. Our business model anticipates hurricane activity, and we mitigate risk with a comprehensive reinsurance program. In comparing results to last year, remember, that both Gustav and Ike were significant storms, and we had no reportable hurricane activity in 2007.

We continue to focus on building long term value for our shareholders. Saying that, we are happy to have the third quarter behind us. Assurant is not immune to the volatility experienced in the credit markets or the economy. Rest assured we're taking steps to minimize the downside impact with an eye toward maximizing opportunities that may develop to better position the company moving forward.

Before I provide an overview of the businesses, let me begin by reviewing our conservative investment philosophy and our solid capital position. The investment portfolio experienced losses due to sales and impairments on certain issuers. Rising credit spreads led to a significant increase in unrealized losses. Our losses are consistent with the performance of the overall credit market and the portfolio remains fundamentally solid.

Going forward, there are several reasons we believe our portfolio is well positioned to weather the current market volatility. First, we have little exposure to many of the asset classes that have contributed to the ongoing credit crisis. For example, we own no credit default swaps. Second, our mix of business is dominated by non-callable liabilities, reducing the risk that we have to sell assets at today's market prices. And third, our asset leverage is low in comparison with traditional life insurance companies. This quarter, we've introduced additional disclosure on our investment portfolio in our financial supplement. We believe it highlights our conservative investment philosophy.

Turning to our capital position, we began the year with 250 million of excess capital. We believe we will end the year with about 200 million of excess capital. This estimate does not include fourth quarter activities, such as acquisitions, hurricanes, or change in credit markets. It does reflect changes in dividend capacity related to portfolio losses through October 24th.

Our capital management strategy will continue to follow the course we have charted for you. That is, we will use our excess capital to make acquisitions or return it to our shareholders in dividends or the repurchase of our shares. Our diversified businesses continue to generate earnings that provide dividend capacity after meeting any requirements to support their growth.

In addition to our excess capital, our low debt to capital ratio provides us additional flexibility. Recent market conditions contributed to our decision to complete acquisitions with cash, but future acquisitions could be financed, and our balance sheet can support a higher debt to capital ratio.

Like others, we hope the credits spreads return to historical norms or at least closer than they are today. Our revolving credit facility and our commercial paper program have not been used, but provide \$500 million of capacity. So although we are currently in an excess capital position, we continue to evaluate all options, so we maximize our capital flexibility as the market and opportunities evolve.

Now let me provide some color on this quarter's business results. In Solutions, despite the pressures of the retail environment, net earned premiums continued to grow for this quarter and nine months. Earnings for the quarter were below our expectations due to less favorable loss experienced domestically and internationally. The global economic environment is translating into a slowdown in the sale of goods to which we can attach a service contract. We are working hard to soften the impact of this trend by acquiring new clients and helping current clients increase sales.

This quarter, we announced two acquisitions in areas we've targeted for growth within Solutions. The acquisitions of GE's Warranty Management Group and Signal Holdings, a leading wireless logistics and repair company, will enhance our competitive positions in their respective markets.

Moving to Specialty Property, our results reflect an active storm season, which reduced net operating income. However, employees once again responded quickly and compassionately to the thousands of customers affected by the hurricanes during the quarter. Gene Mergelmeier will provide a detailed review of Specialty Property's quarter and outlook shortly.

At Assurant Health, we continue to operate in a challenging environment. Historically, the individual market has grown when people lose coverage under group plans. However, due to the severity of the current economic environment, we have not yet seen the growth in the insured individual

medical market. We are pleased that our new individual medical product portfolio has been well received, as demonstrated by our individual medical sales increasing over the second quarter.

We continue to focus on improving the strength of our comprehensive product portfolio and extensive distribution capabilities. We were very pleased to announce a new 10 year contract with State Farm for exclusive distribution of Assurant's individual and short-term medical products.

Assurant Employee Benefits delivered strong results and continues to build momentum by delivering value in the small employer benefits market. Despite the economic slowdown, employee benefits experienced favorable loss experience and good persistency. We are also pleased that premiums, excluding the impact of closed block acquisitions, have increased over 2007 levels in each quarter of 2008.

So in summary, despite a challenging quarter, we demonstrated resilience enabled by our diversified specialty strategy. We continue to focus on building long-term value for our shareholders.

I will now turn the call over to Gene Mergelmeyer to discuss Specialty Property. Following Gene, Mike Peninger will review our other businesses for the quarter. Gene?

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

Thanks Rob, and good morning everyone. Our level of net income for the quarter, despite the high level of catastrophes, demonstrated the value of our risk management expertise and the strength for our differentiated business model. Assurant Specialty Property net and operating income was \$30.9 million for the quarter. Results were driven by an active hurricane season, resulting in \$86.2 million after-tax of reportable catastrophe losses, net of reinsurance, from hurricanes Gustav and Ike, and \$8.6 million after-tax of reinsurance re-instatement premiums.

The decline over prior years was magnified by the fact that 2007 was an exceptionally mild hurricane season. We also experienced related increases in general expenses, including state catastrophe assessments and increased costs associated with hurricane related services. Underlying results, excluding the catastrophes, were strong. Despite hurricane losses of \$97.7 million net of reinsurance for the nine months and no reportable cat activity in 2007, net operating income was up 3% to \$286.7 million for the first nine months of 2008. As a result of growth in creditor-placed insurance, we've increased our invested assets, resulting in higher investment income.

The hurricane activity demonstrated the value and effectiveness of our 2008 cat reinsurance program and our core capability of risk management. Our reinsurance coverage provided for \$61 million of recoveries, on an estimated \$194 million of gross losses. In addition, the storm activity recorded in the third quarter was sufficient to satisfy the frequency and deductible requirements of the third layer of our reinsurance program. Our catastrophe aggregate reinsurance program will now generally provide first dollar coverage of up to \$40 million of claims for each of the next two hurricane events that could result in more than \$10 million loss. Obviously, we're hopeful we won't use this coverage, but hurricane season does run through November 30th, and this demonstrates the comprehensive risk management programs that we put in place.

Let me now discuss the positive results we continue to see from the primary growth drivers. Average insured values rose to \$173,000 in the third quarter of 2008 compared to \$151,000 in the third quarter of 2007 and \$170,000 in the second quarter of 2008. This increase was partially driven by an increase in real estate owned premiums, which now represents 23% of our creditor-placed premiums.

We continue to see growth in placement rates, with both the prime and subprime penetration rates increasing, albeit at a lower level. Both remain within the overall ranges we have previously provided, namely 6 to 15% for subprime accounts and 1 to 2% for our prime accounts. Our average policy premium has grown to \$1,800.

This is a very dynamic time in the mortgage market, as you know, and we have seen changes in the ownership and consolidation of many service loans. We estimate that with our strong market position that we'll be able to maintain tracking and placement of over 5 million loans that are currently going through market consolidation. While we did lose a net 130,000 prime loans and 60,000 subprime loans in the current quarter due solely to market consolidation, we strongly believe our alignment with market leaders should continue to position us well in the long run, as these services are likely to be in the best position to purchase and originate loans in the marketplace in the future.

Specialty Property's net earned premiums increased 15% for the quarter and 27% for the first nine months of 2008, despite additional reinsurance costs of 26.6 million for the quarter and 17.5 million for the year, including the 13.2 million of catastrophe reinsurance re-instatement premiums compared to none in 2007. Gross written premiums in the quarter increased 16% in the third quarter and 22% from the first nine months of 2007, driven by the growth factors that I discussed.

If you are watching our growth trends sequentially, let me point out that there can be variability in both net earned premiums and gross written premiums due to the timing of new clients or loan losses, and premiums written or cancellations recorded on the loans that are gained and loss. Absent these events, we did see sequential growth in net earned and gross written premiums, consistent with our increase in the growth drivers but at a lower rate than in previous quarters.

The third quarter demonstrated the vital protection provided by our products. We believe that we provided industry leading service on claims resulting from hurricane activity by quickly responding to and settling claims reported. We have currently closed over 94% of claims related to Hurricane Gustav and 90% related to Ike in our credit-placed homeowners business. I am very proud of all the Specialty Property employees who were there for our clients and their customers in their time of need.

We continue to monitor and participate in industry discussions on how to help stabilize the mortgage market. While it is difficult to predict the timing and impacts of various changes in government programs that are currently underway, Assurant Specialty Property's unique business model is still well positioned. We can benefit from our alignment with industry leaders and are continuing to see growth in our business. Working closely with our clients, we focus on applying our risk management expertise and leveraging our smart flow technology to benefit our clients and their customers.

Now, I would like to turn the call over to Mike Peninger.

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

Thanks, Gene. In the face of a quarter characterized by heavy catastrophe losses, Assurant Specialty Property performed admirably and maintained its leading position in the creditor-placed market. Before I turn to the operating results of our remaining businesses, since portfolio questions are in everyone's mind in the current environment, let me add a few comments on our portfolio to supplement Rob's earlier remarks.

Our new investment disclosure breaks out our exposure by issuer and industry type. As of September 30, our investment portfolio had an average quality of A2 and a duration of just over six years. We've maintained a consistent investment philosophy that emphasizes matching our

portfolio characteristics with those of our liabilities, and have avoided many risky asset categories like credit default swaps. As of September 30, 2008, 98.4% of our financial assets were classified as either Level 1 or Level 2 under GAAP accounting rules, which means that they have observable market prices and are easily valued. That is consistent with our conservative investment philosophy and adds transparency to our balance sheet.

To further reduce the risk in our portfolio, we scaled back our securities lending program by nearly \$200 million to \$343 million, or 2.5% of our investments at September 30. Since the end of the quarter, we've continued to reduce the program, and it currently stands at about \$250 million.

Now let's review our consolidated results and the results from each of our other specialty businesses.

Overall net and operating income for the quarter declined by 58% versus the third quarter of 2007, driven primarily by the catastrophe losses in Specialty Property that Gene discussed. Net earned premiums increased 5% for the quarter compared to 2007, due largely to growth in several of our key targeted growth areas, including creditor-placed homeowners, extended service contracts, and Preneed. Our net loss of \$111.4 million for the quarter was primarily driven by net realized losses on investments as well as the catastrophe losses.

At Assurant Solutions, net operating income declined by 45% versus the third quarter of 2007 to \$20.4 million. Results for the first nine months of 2008 included \$0.8 million after-tax of investment income from real estate partnerships, compared to \$10.2 million after-tax in the same period of 2007. The domestic combined ratio rose 380 basis points to 104.7% for the quarter. Roughly two thirds of this increase relates to the acquisition of the Warranty Management Group from GE, which we purchased during the quarter for \$140 million. In a separate transaction, GE paid us \$115 million for the assumption of certain contractual obligations arising from our prior relationships. As a result of these transactions, we acquired intangible assets of about \$126 million, established about \$15 million of goodwill on our balance sheet, and recorded a \$7.7 million after-tax charge to third quarter earnings.

While we've had excellent working relationships with GE for a number of years, we are very excited about the new opportunities resulting from the Warranty Group acquisition. We can now work directly with clients that control the underwriting, servicing and administration of the warranties, and the long-term GE marketing agreement gives us a strong marketplace presence. By eliminating the commissions previously paid to GE, we expect to improve our combined ratio on the business, which will help drive toward our targeted domestic combined ratio that's in the high 90s.

Internationally, the combined ratio increased 330 basis points to 105.6% in the quarter. 240 basis points of the increase was caused by additional expenses in our developing countries, which increased to \$13.1 million compared with \$7.4 million in the third quarter of 2007. Expenses increased due to additional staff hires, systems development expenses, and marketing costs to support our local operations. Over \$1 million of the increase reflects increased activity in China.

Our international operations faced economic challenges during the quarter that were similar to those in the United States. We saw less favorable experience in the United Kingdom in particular, driven by deterioration of the economy and spiking unemployment rates.

In spite of the economic difficulties in the U.K., we are pleased to report that the 2007 acquisitions of Swansure and Centrepoint are performing in line with our expectations. As a reminder, these companies were acquired to expand our presence in the underwriting and distribution of mortgage payment protection and building and content insurance in the U.K. Integration activity is proceeding faster than we had planned, and we have been able to reduce the annual operating expenses accordingly. While sales are down due to economic difficulties, our profit expectations are being met, and the business is modestly profitable this year.

The increase in Solutions' net earned premiums for the quarter and nine months were driven by the continued growth in our domestic and international service contract business and growth in Preneed. Primarily driven by a tough retail sales market, including the closing of Comp USA stores, domestic gross written premiums declined for the quarter and nine months. International gross written premiums were up, primarily due to strong growth in several countries, with Canada showing particularly good results.

Our acquisition of Signal Holdings, which closed in early October, gives us a great opportunity to expand into the wireless market. This is a growing market with only one large competitor, and we feel that our value proposition is compelling. We purchased this business for \$250 million in cash, and our finalizing the valuation of intangible assets acquired. We expect the transaction to be accretive to earnings starting in 2010, and will give you more information on it during our fourth quarter call.

The Signal acquisition demonstrates our ability to strengthen our specialty businesses by deploying our capital in a targeted growth area. The recent acquisitions have strengthened Solutions' marketplace position both domestically and internationally, and give it the tools to compete successfully even in a slowing retail sales environment.

Assurant Health results this quarter reflect a challenging marketplace. Net operating income was down versus 2007 due to continued premium declines for small group and less favorable loss experience in individual medical. Individual medical membership declined 8% from a year ago and was flat from the previous quarter. Lapse rates have been slightly higher in a market that looks as though it is not expanding coverage. We are pleased that individual medical sales were up 12% over the second quarter. We believe that this increase indicates a positive reception for our new product portfolio, which focuses on allowing individuals to take control of their own health decisions.

We believe that one of our competitive advantages is our strong national distribution system, which reaches more than 165,000 agents. The expansion of our exclusive national alliance with State Farm, whose dedicated agents reach one in every four households in the United States, will benefit both partners over the long term. We also continue to enhance our direct to consumer capabilities; we have increased our television commercials and Internet advertising, and have recently seen sales increase in this distribution channel. We believe that Assurant Health has the right risk management, distribution, and administrative capabilities to create long-term value for our customers and shareholders in the dynamic healthcare environment.

Assurant Employee Benefits had a solid quarter. Results for the third quarter of 2008 improved due to more favorable loss experience compared to last year. Strong disability and life results were partially offset by less favorable dental experience. Results for the first nine months of 2008 are down versus 2007 due to lower investment income from real estate joint ventures and less favorable loss experience. Investment income from real estate joint venture partnerships declined \$9.2 million after-tax in the first nine months of 2008, compared to the first nine months of 2007.

Total net earned premiums decreased for the quarter and nine months. However, excluding single premiums from closed blocks of business, net earned premiums increased for the third quarter and for the first nine months of 2008 due to continued strong sales and improved persistency as we focused on our small case strategy.

In corporate and other, the net operating loss increased through the third quarter, primarily due to \$4 million of expenses due to a change in certain tax liabilities, along with lower investment income. Changes in tax liabilities in this segment can vary substantially from quarter-to-quarter.

We incurred \$2.1 million of after-tax expenses related to the SEC investigation during the quarter. However, we also received a reimbursement of \$2.1 million after-tax for certain previous SEC investigation expenses covered by our D&O insurance policies.

Net operating losses increased for the nine months as a result of a decline in investment income, an increase in severance and previously disclosed SERP plan expenses, and an increase in expenses related to the ongoing SEC investigation.

Turning next to our balance sheet, our total assets as of September 30, 2008 were \$25.4 billion and total shareholders equity, excluding accumulated and other comprehensive income, or AOCI, was \$4.2 billion, up 4% from year-end. Book value per diluted share excluding AOCI grew 6% to \$35.60. Our debt to capital ratio excluding AOCI was 18.9% versus 19.7% at year end 2007. Our ratio of investment assets excluding cash and equivalents to shareholders equity, including AOCI, an important measure in the current climate, is 3.4 to 1.

In summary, this was an extremely challenging quarter. While the challenges are not likely to abate quickly, they also offer significant opportunities. We will continue to take steps to minimize our risk while maximizing performance as we execute our specialty business strategy, which will deliver strong results for our shareholders over the long-term.

Now, I would 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]. And your first question comes from the line of Jukka Lipponen.

<Q – Jukka Lipponen>: Good morning.

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

<Q – Jukka Lipponen>: A couple of questions. I am sorry if I missed this, I had to step off the call for a second. But in Solutions, the expenses in your developing countries, can you review how high were we running, and how much higher than sort of the normal run rate?

<A – Michael Peninger>: Yeah, they were \$13.1 million, Jukka. And I talked in my comments about systems expenses, and we're adding staff in those countries and in marketing. And in particular the expenses in China increased during the quarter, because we're gaining some traction there. I'll maybe let Craig amplify on that a little bit.

<A – S. Craig Lemasters>: Jukka, that compares a year ago third quarter to \$7.4 million, \$10.1 million last quarter. And I have talked about it in the past, one of our challenges as we expand in new countries is really the timing of our expense and our spend to really gear up for business, versus that business coming on. And that's what you're seeing now. So a lot of this is revolved around good news, where we see opportunities in some of these developing countries and are adding staff more quickly now, and as Mike said, spending money to get the system work finalized. And then the final piece of it is the incremental spend in China. And again, that's all around the fact that we can gear up in the service contract business faster with, obviously, we don't need our insurance license, which would still take some time. So we're really gearing up there for the services business in China.

<Q – Jukka Lipponen>: And Gene, the loss ratio in Specialty Property, ex cats, moved up a few points sequentially. Can you give us some color on what was going on there?

<A – Gene Mergelmeyer>: Sure, Jukka. In addition to the reportable cats, this was a pretty active season in general. So, I'll remind you that we also had some smaller storms, like Dolly and Fay, and actually some other ISO-related activities that did elevate that loss -- non-cat -- reportable cat loss ratio a bit, as well.

<A – Robert Pollock>: And the other thing to just mention is the denominator, Jukka, has been brought down because of the reinsurance re-instatement premiums we paid.

<Q – Jukka Lipponen>: And lastly, what's the current excess capital position? And can you give us an update on – you had previously talked about A.M. Best reducing the capital charge for growth, but you were going to look at that sort of once we get a better handle on the cats.

<A – Robert Pollock>: Sure. I covered a bit of this in mine, Jukka. But in essence, what we said is we anticipate we will end the year with slightly over 200 million in excess capital. I believe that, in those numbers, we have reflected activity that's taken place on the acquisitions to date. And we've also tried to reflect issues around dividend capacity related to the realized capital losses, actually through last Friday. Chris, you want to expand on that a little bit?

<A – Christopher Pagano>: Yeah, Jukka, as you can imagine, not only was the third quarter the worst quarter for the bond market in 20-something years, but it has been no less challenging since then. And what we're attempting to do here is make sure that we reflect that in the dividend capacity of some of the entities. The other thing that your comment about property, based on our conversations with A.M. Best and the discussion of how to appropriately measure growth on the

property side, we estimated that we'll be able to access roughly 50% of the after-tax profit in that entity on a regular basis.

Now having said that, as you can imagine, with the difficulties in the investment environment, all of the rating agencies are reviewing the capital charges associated with the investment side. And it's possible, though we don't know at this point, but it's entirely possible that we'll see some changes in that going forward. As you know, A.M. Best recapitalized to adjust their models on an annual basis, and we would expect some time either late this year or early in '09 that we'll see some changes, which we will adjust to as well.

<Q – Jukka Lipponen>: Thank you.

Operator: Your next question comes from the line of Keith Walsh with Citigroup.

<A – Robert Pollock>: Good morning.

<Q – Keith Walsh>: Good morning, everybody, how are you?

<A – Robert Pollock>: Good.

<Q – Keith Walsh>: I am just a little unclear, to follow up on Jukka's question. So when you guys mentioned the 200 million of excess capital, is that including the roughly half of earnings from Specialty Property that we were expected to be dividended up?

<A – Robert Pollock>: Let me walk you through it, Keith, from the beginning of the year. Maybe this will help. We started the year with 250. We said from the other businesses, after all the expenses, we'd given it a range of 170 to 230, so let's just choose 200 there. For illustration, we've used 200 out of property, so that puts us at 650, okay?

<Q – Keith Walsh>: Yes.

<A – Robert Pollock>: We have made a couple of acquisitions that we've talked about, that represent 250 and 25. We've done some share repurchase that gets us somewhere in the neighborhood, I believe, of 315. All right? We're now saying 200 because we've looked at all the capital market activity through last Friday and have adjusted the number down.

<Q – Keith Walsh>: Okay. So that's including losses as of?

<A – Robert Pollock>: Last Friday.

<Q – Keith Walsh>: Last Friday, okay. And then -- so I guess the capital position, to be fair going forward, that 200 could potentially shrink, if we continue to see what we've been seeing through the end of the fourth quarter?

<A – Robert Pollock>: Or it could go up if you see a recovery in credit markets.

<Q – Keith Walsh>: Okay. And then just maybe a broader question. With your stock off 20% right now, and trading at 75% of book, which I think is the lowest multiple it's ever been at since you've been a public company, maybe thinking about what's the philosophy, buying back stock versus acquisitions going forward, number one? And number two, in what kind of scenario could you picture you guys not earning a 15% ROE on the mix of businesses that you have? Thanks.

<A – Robert Pollock>: Okay. In terms of share buyback, we like having share buyback in the tool kit. We did buyback during the quarter under a private transaction, and we want to be in a position to buyback shares when we think it's appropriate. Our capital priorities, on the other hand, as we've

outlined, are first to build the businesses, and we have executed on that with a couple of acquisitions this quarter. And we're mindful that there are going to be more opportunities available to us given just the disruption in the markets.

I think your last question related to the 15%. I think that if we look at a year-to-date ROE number, I think that we're still above that threshold, Keith, including the hurricane activity that's taken place in the quarter.

<Q – Keith Walsh>: I guess, Rob, just to follow up on the acquisition, I don't understand why you would even consider doing deals right now over share repurchase with your stock where it is. If you could just address what the -- maybe getting into a little more color -- what the incremental return on a dollar of cash buying your stock versus doing a deal right now?

<A – Robert Pollock>: It's an excellent point, Keith. I think we've been focused, and we'll go back and I'll have Chris comment on it, because we do have a way of looking at these things. I guess that our capital priority order has been focused on building the value of the enterprise. You point out correctly, at these levels, that the stock is very, very attractively priced. We'll certainly take a look at all that. Chris?

<A – Christopher Pagano>: Yeah, I guess the way I kind of think about it, in broad terms, is we just think of our stock as potentially as currency. And the ability to buy a company at a lower exchange rate, if you will – price-to-book relative to where our stock is trading – is going to factor into our decision as to whether to implement -- go with the current priorities, which is to do acquisitions ahead of share buyback. But if that changes, we'll adjust our capital strategy accordingly.

<A – Michael Peninger>: And we, maybe if I can amplify., When we look at any acquisition activity, we look at cash returns first, Keith, and try to make sure we're doing good deals there. And we would certainly compare returns on both the cash and a GAAP basis to the economics of repurchasing shares when we do that.

<Q – Keith Walsh>: Okay, thanks.

Operator: Your next question comes from the line of Mark Hughes with SunTrust.

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

<Q – Mark Hughes>: Thank you. Anything relative to persistency in the Specialty Property business? Are any sub groups rolling off faster recently? And maybe just as part of that, of the banks, the REOs, have they picked up the pace in terms of their sales of those properties that they're stuck with?

<A – Robert Pollock>: Yeah, let me make just a couple of high level comments, and then I'll turn it over to Gene. But one of the things I start with is the way our model operates first is we're placing a policy today on something that may have become effective a month or two prior. So our business model is a bit of a lagging indicator in terms of how things work, Mark. And we have kind of identified different groups of people who get the policy. Some of them, when notified, work hard and work out as quickly as possible. Others stay on the policy for longer periods of time. So, all that can factor into the mix some. Gene, do you want to amplify further?

<A – Gene Mergelmeyer>: Just for a little color around that, Mark. The average duration of our expired policies is continuing to increase, so we're continuing to see an average duration increase, as well as on our imports. The life to date is continuing to increase. In terms of banks and REO, it's being treated differently on a case-by-case basis. We did see some slowdown in some of the foreclosure activity. Some of it may be temporary. I think a number of states enacted 30 day waiting

periods. We are seeing some get more aggressive and doing some more sales through auction, but others are actually starting to rent out some of their REO property. So, it is across the board. It remains to be seen just exactly what's going to happen going forward.

<Q – Mark Hughes>: Thank you.

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

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

<Q – Steven Schwartz>: Hey, good morning, everybody. A number of them, if I can. Following up on just quickly the foreclosure slowdown, if you will, is that necessarily a -- I don't want to say good thing because you don't want to profit from people's misery -- but is this necessarily a good thing or a bad thing? It would seem to me that once in foreclosure you have a better chance of losing that loan, than if it just remains out, but remains delinquent. Maybe you can talk to that?

<A – Gene Mergelmeyer>: Well, we continue to really monitor all of this closely. It's certainly difficult to predict exactly what is going on. There's conflicting effects that are going on, by a number of the macroeconomic factors, as well as some of the initiatives that are being put in play today by some of the governmental entities. We are trying to just stay focused on our clients. We believe we're well positioned with our industry leading and our industry leadership. So we're working with them, we're working with the Housing Policy Council, Fannie and Freddie, and really trying to support them through these troubled times. We think that that's ultimately just going to improve our relationships with them and continue to set us up for the future.

<Q – Steven Schwartz>: Okay. Following up on the Fannie and Freddie comment, there has been some discussion that maybe the Government winds up owning a ton of homes -- a ton of homes more than they already own. And what the Government does vis-à-vis insuring those homes. Is that an accurate statement? Have you thought about it? Have you been in contact with anybody?

<A – Gene Mergelmeyer>: Well, again, we're continuing to monitor all of this closely.. If you just look at some of the recent actions with the TARP program, for example. They seem to change what they plan to do every day. We're working daily with Fannie and Freddie on a lot of their insurance requirements. So we are trying to stay close to it.

There are a number of questions that are potentially concerning out there in terms of determining what may happen. Whether they're buying mortgage-backed securities, whether they're buying whole loans, all of those things create different situations. Again, offsetting factors are going to be things like rises in unemployment, that are going to put way more pressure on a lot of the foreclosure activity and things of that sort.

So, again, it's very difficult to estimate what is going to happen. We're focusing on the things that we can do, which is focusing on the clients, focusing on our risk management, and just trying to improve our relationship with the leaders in the industry.

<Q – Steven Schwartz>: Okay. One more and then I'll just get back in line. Gene, you talked to the sequential decline in gross premium earned, but how about in homeowners to creditor-placed involuntary, the sequential decline, obviously I understand that the number of loans has decreased slightly, 200,000. But you said placement rates were up, just thinking about it, you would think that maybe replacement rates could offset a -- what is it -- 29 million of loans -- actually a very, very small percentage?

<A – Gene Mergelmeyer>: Yeah, as I commented, I think what's important and what we continue to look at is really the growth drivers. So you look to the insured values, it's continuing to grow, albeit at a slower pace, as we kind of discussed we expected. When you look to penetration rates;

we are still seeing increases in the penetration rates. And again, it is slowing a bit, but what we tend, as Rob mentioned, to be a bit of a lagging indicator. So some of the subprime delinquency rates took a little bit of a dip there in the second quarter. We've seen some things recently that show that maybe they're creeping back up again. So I think we're lagging behind some of those indicators. As we look forward, again, difficult to judge where the thing is going, but we see growth in our main primary growth driver.

<Q – Steven Schwartz>: Okay. Here is what I'm not getting. Placement rates up, loans being tracked down from the second quarter just 1%, and your insured value is up over the second quarter, and yet your gross premium written are down something like 8% sequentially. I just don't get how 1% tracks into 8%?

<A – Gene Mergelmeyer>: Okay, Steven, now I get where you're going. I apologize.

<Q – Steven Schwartz>: Okay.

<A – Gene Mergelmeyer>: Yeah, let me comment on that a little bit, because it is difficult when you're looking at consecutive quarter-over-quarter, particularly on gross written, but also on net earned. As we add, say, for example, new portfolios into our tracking, those are going to be going through tracking processes, and quite frankly, the new written premium gets delayed, because it's maybe a 60 day cycle and then maybe we're placing policies after that period. There's been a lot of turnover in the portfolio as we mentioned. So, when loans are lost, for example, and whether it's -- we talked about the 130,000 on the prime side.

<Q – Steven Schwartz>: Yes.

<A – Gene Mergelmeyer>: As an example, the way those are being treated, they are actually -- their policies are going to remain in force and they are going to run off over time. The 60,000 subprime loans that we mentioned, they were actually cancelled, and so we got a large effect to the gross written premium related to those loans. And those are completely off our books as of the third quarter. So you just see, with the differences of loans coming in and the timing of different placements, you get a wide variability on those indicators, and that's why we've tried to focus particularly on the growth drivers.

<Q – Steven Schwartz>: Okay. Does that have a -- because you did point out -- I'm sorry to step over -- but you did point the gross premium earned. Does that have even a bigger effect on gross premium earned than on gross premium written?

<A – Robert Pollock>: Let me try it one different way, to just add to Gene's. When we get into an RFP process, we are very good at winning and keeping clients. In this environment, there are portfolios that are moving around for different reasons, often the financial condition of the mortgage processor or servicer. We lost some clients -- I think we pointed them out in the first quarter of the year, Steven, okay?

<Q – Steven Schwartz>: Yes.

<A – Robert Pollock>: And as Gene pointed out, some of them, the premium went right away, others we continued to earn premium over time. So, some of the loans that we lost earlier in the year have continued to earn premium in the first quarter, second quarter, third quarter, that are at lower and lower levels, and ultimately are going to be all gone.

<Q – Steven Schwartz>: All right. Okay. I'll get back in line to ask some more. Thanks.

<A – Robert Pollock>: Okay.

Operator: Your next question comes from the line of Beth Malone with KeyBanc Capital Markets.

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

<Q – Beth Malone>: Just a couple of questions. On the share repurchase program, you said you bought some back. Does this mean that the SEC's, your lawyers' concerns about share repurchase are no longer a factor?

<A – Robert Pollock>: No, we actually bought those back in a private transaction. So we're conservative, and we've determined that we're not going to buyback shares while things are underway, but we'll review that policy and will buyback when we think it's appropriate.

<Q – Beth Malone>: Okay. And then on the Solutions business, obviously economic pressures both Europe and domestically are having an impact. How is that changing the strategy of your expansion? Are you accelerating the expansion to try and capture new business from new product lines or something, to offset the slowing of demand for the warranty-based product?

<A – Robert Pollock>: Craig, you want to talk a little bit about that, and maybe go back to when we had the workshop and some of your growth driver areas?

<A – S. Craig Lemasters>: Sure. Beth -- internationally, to answer your question, we are pushing very hard, and you're exactly right. I mean the vision of our international expansion really is all around getting scale in several regions around the world to hopefully insulate us more in the future for these downturns in any given region. And so we're pushing hard. And as I mentioned earlier, it's why the timing on some of these investments are where they are. I mean we want to make sure we are properly staffed, we've got the systems in, and we're obviously incrementally spending now in China to gear up for the services. You are exactly right, we're going to push very hard, because we see it as an opportunity at the time to really maximize our opportunities in these marketplaces. It's a lot of disruption in markets we serve, and a lot of people and as well as our competitors are kind of getting back to core things and not so much in our space, so we really want to maximize the opportunity.

With that said, we still seek opportunities domestically, and really it's what drove our two acquisitions that Rob and Mike spoke about earlier, both the GE and the Signal, that we just think position us much better domestically, particularly in the wireless space, which is really dominated by one competitor. We think the Signal acquisition gives us a real unique positioning now to take advantage of that, and again really maximize the opportunities in these uncertain times.

<Q – Beth Malone>: Okay. And then on the Specialty Property. I know you all have a pretty significant market share there, and I understand there is a lot of movement in the market, as you've described, but shouldn't we anticipate -- I mean, isn't the whole idea that as the economy and mortgage problems continue, that we should anticipate that your business should grow? Or does this indicate that we are seeing the peaking of deterioration in the mortgage market for you, and that maybe growth will moderate going forward?

<A – Robert Pollock>: Gene?

<A – Gene Mergelmeyer>: I'm trying to address that by basically looking at, I think, our primary growth drivers. So we do tend to be a lagging indicator. We are continuing to see growth. It has moderated a bit, but it remains to be seen. There's some balances going on here, there are certainly some macroeconomic factors that are driving a lot of this economy and are expected to continue, and then there are some offsetting factors with people trying to do some things, whether it be the Treasury or the FDIC. So it's very difficult to predict at this point in time. We're monitoring it closely, trying to focus on the things that we can do, and just making sure that we're aligning

ourselves with the right players. We're continuing to invest in our model and creating things that are benefiting our customers, and trying to help them through these troubled times.

<Q – Beth Malone>: Okay. Thank you.

Operator: Your next question comes from John Hall with Wachovia.

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

<Q – John Hall>: Good morning, Rob. I was just wondering, first, just a small geography question. The re-instatement premium -- where does that show up in the Specialty Property business?

<A – Robert Pollock>: Gene?

<A – Gene Mergelmeyer>: Yeah, the re-instatement premium showed as an offset in the net earned premium.

<Q – John Hall>: Great, that's what I thought. Okay, I just want to talk a little bit about the investment portfolio and bond losses that we saw coming.

<A – Robert Pollock>: Sure.

<Q – John Hall>: Was there any concentration among the losses via -- I guess statutory entity?

<A – Robert Pollock>: Sure. And I'll turn that over to Chris, but I think hopefully you'll see what our mix of credits are. We tried to outline that as we gave the industry breakdown, so that would give you a geography there, and compare it against issuers in general. Then, as we've mentioned previously, each of our different businesses have separate asset liability, benchmark durations, et cetera, and we manage around that. And Chris, maybe you could provide a little bit more color?

<A – Christopher Pagano>: Yeah, hi, John. Maybe I'll just give you some breakdowns in terms of -- and unfortunately I don't have the specific stat at any breakdowns, but I'll just give you some sense of that 200 and almost 300 million total loss number for the quarter. 229 million of it were in write-downs, and 130 of that were in the names that we disclosed in our release back in mid-September. Another 115 of that, the remaining portion of that, was in sort of the bank and finance sector. And these are situations where we felt that the prices and the yields that were being quoted on these bonds were indicative of fundamental deterioration of credit quality and we decided to realize the losses in the form of impairment or in sale. The concentration that you're talking about with respect to various stat entities, a lot of that is a function and goes back to the AOCI component, the unrealized loss component, where we're seeing significant increases in risk premiums. In the longer duration entities, you're going to see a bigger change in AOCI as a result of that.

The problem here, and our biggest challenge right now is, we're trying to distinguish between what portion of that increase in risk premium is due to deteriorating credit fundamentals, and how much of it is a function of de-leveraging, lack of transparency, and the like. Fortunately we have the ability to make that assessment. We're not forced to sell into this because of our business mix. We can take a step back and say, well, this particular issue, and again you'll see the list of our top 30 issuers, although there is an unrealized loss there, some of which may be concentrated in some of our longer duration portfolios, we feel as though we have the flexibility to not sell into that, and allow us to get through this based upon the long term fundamentals of the credit market.

<Q – John Hall>: Great. And I appreciate the additional disclosure that you offer on the investment portfolio, and looking at it, it seems that maybe in an overall context the exposure to financials is within the range of asset allocation models. But looking at that list of top 30 holdings, there seems

to be a very clear over-concentration in terms of sizing with financials. I am just wondering what the thought process around that is?

<A – Robert Pollock>: Well, we have a detailed investment policy that really outlines how we think about how much we'll invest in any one issuer, okay. So it starts with a policy that's based on that. I think if you look at the relative amount that is issued within the financial sector, they have tended to be big issuers of corporate debt. What I look at and take some comfort on is a number of those names have recently gotten capital infusions under the TARP program that obviously have improved their position from where they were from a capital standpoint in September. Chris, you want to comment any further?

<A – Christopher Pagano>: Yeah, maybe just some general comments. We have issuer limits that are applied at the total portfolio level. Triple-A rated is 1.5%, single-A is 1%, triple-B three quarters of a percent, and so on. What you're seeing here, when you think about in the context of a \$12 or \$15 billion portfolio, are relatively small exposures on an individual issuer basis. The issue of where the concentration is of unrealized losses again goes back to the issue related to our asset liability management, where we will match up the duration of various issuers with the durations of our liabilities. So I think, in context I think that what you're seeing here may feel like an unnecessarily high concentration, but on a broader scheme of things, factoring in the total size of the portfolio, you'll see that's within our issuer guidelines.

<Q – John Hall>: Great. Thank you very much.

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

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

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

<A – Robert Pollock>: Good.

<Q – John Nadel>: And so a couple of quick ones and then maybe one a little bit more involved. The international expenses for new development at about \$13 million, is that expected to continue at that level?

<A – Robert Pollock>: In the near term, I'd say absolutely. And what we should see going along with that, John, and then I'll have Craig comment, is obviously we're expecting revenues to start coming forth, because that's why we're doing the spend.

<A – S. Craig Lemasters>: That's exactly right, John, and a lot of this is people-related, so those that stay with us. I mean in any given quarter, we can have some one time expenses -- build out of offices, some of the system expenses, that sort of thing. But certainly the people-related ones, which are really the key to the model, of course, those would stay with us. And again, as Rob said, I mean the whole goal here, it's really to gear up mode. And the goal would be you will see the percent of -on the gross premium start to go down as we add top line internationally.

<A – Robert Pollock>: I'd also add that Craig has metrics around each of these countries that we look at, monitor on a regular basis, to make sure we're making progress along the lines that he is comfortable with.

<A – S. Craig Lemasters>: Just -- what I thought -- I mean just again the volatility in some of these markets is challenging, but again we see it as an opportunity really to maximize some things that we've been working on and really push even harder, so that's what our international team is doing right now.

<Q – John Nadel>: Okay. Second question is in the health division, is the higher expense ratio entirely related to higher commissions due to higher sales?

<A – Donald Hamm>: John, this is Don.

<Q – John Nadel>: Hi, Don.

<A – Donald Hamm>: Partly, but primarily it is due to a little more technology spend in the third quarter, before the introduction of our new product portfolio. If you look at the year-to-date numbers, they're exactly the same for 2008 as 2007.

<Q – John Nadel>: Okay. And consolidated basis -- do you guys have an estimate for your statutory capital, as of 9/30?

<A – Donald Hamm>: I just don't have it with me, John. I'm sorry.

<Q – John Nadel>: Okay. And then the last one is -- just sort of go back and maybe beat a little bit of a dead horse on the property side. It's my sense that, while we've been worried about capital and balance sheet and investment portfolios for everybody, and it's not to say that we shouldn't be focused here as well, but I think the stock is trading today more as a result of a surprise slowdown in the growth rate on both the net earned and the gross written and premium line in Specialty Property, right? And so, I guess I am struggling with the idea of a loss of a couple of customers here and 130,000 loans and 60,000 subprimes. I mean if I think about the placement rates and the average premium of 1,800 bucks, that doesn't seem to explain to me the slowdown here, and I guess I am sort of surprised that we saw the slowdown as much as we did in a single three month period, especially since delinquencies and foreclosure rates really have done nothing but continue to go higher. So I don't know exactly how you can explain it, but I'm struggling to get there with you guys on this, especially on the gross written premium line?

<A – Robert Pollock>: Yes. Well, Gene, go ahead, then I'll add.

<A – Gene Mergelmeyer>: Again, we try to focus on the growth drivers. It is very difficult to look at consecutive quarter, quarter-over-quarter, when you're looking at the gross written premium because of the wide fluctuations. And subprime loans, in particular, that are producing lots of premium volume, can have some big swings. And so we did see that impact occurring.

<Q – John Nadel>: Gene, can you give us a sense, I mean if you have the data, what proportion of the swing was that? I mean was that a third of it, was it half of it?

<A – Gene Mergelmeyer>: Again, looking at the swing and decline in the gross written premiums?

<Q – John Nadel>: Yeah, I am thinking more sequentially. I am looking at the creditor-placed involuntary homeowners gross written premium, and the growth rate year-over-year in the second quarter was 39%, and in the third quarter I got 17%. I think I'm looking at the right numbers.

<A – Gene Mergelmeyer>: Yes.

<Q – John Nadel>: And so if we think about stair-stepping down like that from near 40 to mid-teens, I mean that's a dramatic change in a three month period of time, obviously. And just sort of trying to understand if you're sort of focused a little bit on some swings in subprime, how much of that could that be? And I guess along the same lines, is that something that can come back real quick? I mean, if it's swinging one way, is it just as possible that it could swing the other?

<A – Gene Mergelmeyer>: Yes.

<Q – John Nadel>: I'm sorry to put you on the spot like this. It's just that that's such a surprising change in a three month period, and I think it is the reason why people are selling your stock today.

<A – Gene Mergelmeyer>: Let me speak a little bit to it. First of all, again, looking at it over a period of time. So focusing on last quarter, there were actually some activities in that quarter that probably bumped up that a bit. And then you've got some negative activities occurring in this quarter that brought it down a bit. So, particularly gross written premium is one that you're going to get some varying factors, because based on the timing of kind of adding new portfolios in and any delay that might occur as a result of that, and with some lost accounts, how quickly some of that can occur. The net earned premium is a little bit of a more stable and better factor.

<Q – John Nadel>: Yes.

<A – Gene Mergelmeyer>: One of the biggest contributors to some of the decline in net earned premium, I'll just kind of remind you, had to do with the reinsurance cost.

<Q – John Nadel>: Yeah. No, I think that makes perfect sense to me. If we adjust for that, we've got a pretty stable growth rate on the income statement line item.

<A – Gene Mergelmeyer>: Right.

<Q – John Nadel>: And I am thinking more about what the future portends from the gross written premium?

<A – Robert Pollock>: Right. So, if you stay on the gross written -- I think that because of how our model works, the second quarter had some gross written premium in it that may have belonged in the first quarter. So sequentially, because we didn't get it in time to know that's where it may have been.

<Q – John Nadel>: Okay.

<A – Robert Pollock>: So, if you think about first quarter was understated a little because how the model works. Second quarter then got overstated, and on a client, it was then at run rate, John.

<Q – John Nadel>: Okay.

<A – Robert Pollock>: Those kinds of things can contribute.

<Q – John Nadel>: Okay.

<A – Robert Pollock>: We talked about the 130,000 in the quarter, but remember, we mentioned a big block of loans that was lost earlier in the year in consolidation. Okay?

<Q – John Nadel>: Okay.

<A – Robert Pollock>: Those things have impact where, depending on the particulars of how the client was taken over, we may continue to get some written, and for certain we continue to get some earned on those, but at a declining rate. So those things are all contributing to a little bit of the noise and it's why we've tried to focus on the growth drivers.

<Q – John Nadel>: Okay. All right, thanks. I'll follow up with you guys later. Thanks.

<A – Robert Pollock>: Okay.

Operator: Your next question comes from Dan Johnson with Citadel.

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

<Q – Dan Johnson>: Good morning. Most of mine have been addressed for now, but the placement rates have been static – at least the ranges have been static year-to-date. Can you talk specifically in the prime category and talk a little bit about what you're seeing sequentially within that 1- 2% range as well?

<A – Gene Mergelmeyer>: Again, consistent with some of the increases in the delinquencies and the foreclosures on the prime side, we continue to see, albeit at smaller rates, we're seeing continued increases in the penetration on the prime side. As we have pointed out in prior quarters, we're typically not writing real estate owned properties related to those prime loans, so we do see a slower growth associated with those.

<Q – Dan Johnson>: And to take your words from earlier, you said you see growth in your growth drivers -- average premium, placement rates – well, not really monitored units at the moment. But if we have growth in your growth drivers, is there a scenario where that does not turn out to be growth in premium?

<A – Gene Mergelmeyer>: Typically not, other than for some of the nuances that we've been trying to explain on the rest of this call.

<Q – Dan Johnson>: Right. But those nuances sound more like sort of quarterly comparison issues, but just as you look out, not necessarily next quarter, but anywhere that we'd call the reasonably near term future, if you have growth in average premium, if you growth in placement rates, and growth in TIVs, can you do anything but have growth in premium?

<A – Gene Mergelmeyer>: That is what we would expect, yes.

<Q – Dan Johnson>: Okay. Thank you.

Operator: Your next question comes from Adam Klauber with Fox-Pitt.

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

<Q – Adam Klauber>: Thank you. I want to focus on the capital again.

<A – Robert Pollock>: Sure.

<Q – Adam Klauber>: The 200 million you mentioned, is that over rating agency standards?

<A – Robert Pollock>: Yes, because that's what we capitalized to, Adam. I mean we capitalized to the BCAR ratios.

<Q – Adam Klauber>: Okay. And in line with that, it seems like the rating agencies are getting more stringent on excess capital requirements. Have they talked to you about that, or because your businesses are somewhat different than some of the other insurers, have they said you're okay, or we're not going to be more stringent on you?

<A – Robert Pollock>: Yes, let me make a comment and then I'll turn it over to Chris. But remember, Best has a regular process where they adjust their capital form RELAs on an annual basis. And we have regular dialogue with them, and as we pointed out, in Gene's business in particular this year, we got them to recognize our model was different, and as a result, make an adjustment to how their normal factor works. Chris, do you want to just talk about recent conversations or anything that would add anymore color here?

<A – Christopher Pagano>: We have a regular dialogue with all the rating agencies, A.M. Best in particular, because that's who we capitalize to. And it is entirely possible as part of their review process in '09 that they're going to make some adjustments to the asset charges associated with the various companies that they monitor for us. Having said that, we don't have a lot of asset intensive businesses – the diversified business mix is such that where we do have some -- for example, our Preneed block is a very asset intensive business. The flip side is the total assets to capital in the aggregate is less than four. So it's going to vary by stat entity, and we capitalize to a certain credit rating based upon the BCAR and we'll make adjustments as need be. We have not had any indication from Best recently that there is something coming out imminently, but that could change, and we'll again react from a capital perspective to whatever they come out with.

<A – Robert Pollock>: What I would anticipate on this is, okay, you can breakdown, and if they decide to make, for instance, asset class adjustments, I think they're probably going to go after the classes that have caused the most problems. And again, we're not in a lot of those asset classes.

<Q – Adam Klauber>: Okay, thank you. One follow-up.

<A – Robert Pollock>: Sure.

<Q – Adam Klauber>: On the Solutions business, given obviously tougher economic environment, you're still expanding internationally, is it too optimistic to think that you would have material margin expansion next year in that business?

<A – Robert Pollock>: Craig, you want to comment on that?

<A – S. Craig Lemasters>: Yeah. I can't give you specific guidance on that, but what I can tell you is that we're very comfortable with the progress that we're making internationally. Again, Europe has been affected. We see sort of unprecedented volatility in Europe, much like here. Latin America, South America has not been as much affected, so we're pushing very hard there. So again, I think our team is very energized around these opportunities in these uncertain times. And again, we want to try to maximize some of these opportunities while there is uncertainty in some of these marketplaces.

The other piece that we're getting traction -- I talked about our global client management process where we have a pretty intensive collaborative planning process that we're doing with both retailers and banks and credit card companies that have a similar global footprint as ours, and we're getting traction around there, so we're pushing very hard to drive those combines down internationally.

And then of course, on the domestic front, the GE transaction we think is just an outstanding investment and really positions us domestically much better, but will also have an impact as we go forward in driving down our loss ratio in our domestic combines. And still very committed to the high 90 long term domestic combine, as well as the mid 90s in the international piece.

<Q – Adam Klauber>: Okay. So its sounds like it is still a focus and that we might see some progress next year, is that correct? On the margin.

<A – S. Craig Lemasters>: That's correct. Again, that's absolutely what we're pushing at. Again, keeping in mind, this is still, particularly in international, a long term investment. But absolutely are driving towards progress in the coming quarters.

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

Operator: Our last question comes from Vinay Misquith with Credit Suisse.

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

<Q – Vinay Misquith>: Hi, good morning. The loss of loans -- would that include the Merrill Lynch or deals sold to Bank of America?

<A – Robert Pollock>: I don't think we disclose particular client-related activities, Vinay, and I'm not even sure that we know what the contract terms are. Maybe you do, Gene?

<A – Gene Mergelmeyer>: Well, I have received this question before, so let me just address that. We do service Merrill Lynch loans, but we don't service all of the loans that are processed by Merrill Lynch. We do have those under continuing contracts through the end of '09, and the numbers do not include any of those. Again, there is going to be changes. We can win some and we can lose some, but we still believe that alignment with industry leaders is what really positions us well.

The other thing -- I mean I still feel really good about our business model. It has been a good business model and it'll continue to be good business model. I think a lot of the investments that we continue to make are paying off. We're very pleased with things like our other premium. It's still small, but we're incubating some smaller businesses, and we've seen some terrific growth out of them. We still like the auto collateral protection market. It's a specialty insurance market where there are few competitors, and we think it's a very strong adjacency for us. We continue to receive interest from prospects in that area as well. And we believe it's a compelling business model for the lenders that are out there. Again, we think that model is going to take some time, but we still think like we're very well positioned in that model.

<Q – Vinay Misquith>: Fair enough. And when the premiums from the foreclosed properties start to roll off, do you think that you could speak to the regulators and ask to pull out the capital that you have in the business because of that?

<A – Gene Mergelmeyer>: I think we will be very aggressive at making sure that we right-size our capital, despite -- I mean in conjunction with wherever our growth goals. Again, focusing on making sure that we're making returns.

<Q – Vinay Misquith>: That's good. Thank you.

Robert B. Pollock, President and Chief Executive Officer

I'll just point out, first, I want to appreciate everyone for being with us today, and just point out that, in changing market conditions, it's often painful, but it creates opportunities. And we're going to continue to take actions to minimize the downside impact of the changing markets, with an eye toward maximizing opportunities that may develop to better position the company moving forward. And we'll continue to update you on our progress and look forward to doing that next quarter.

Operator: This does conclude Assurant's Third Quarter Conference Call. You may now disconnect.

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