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Assurant, Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) Your first question comes from John Nadel.

John Nadel – Sterne, Agee & Leach

Hi, good morning everybody.

Rob Pollock

Good morning, John.

John Nadel – Sterne, Agee & Leach

So, a couple of questions for you. I think – thinking about Specialty property, we have been, we all I think have been watching prime mortgage delinquencies continue to rise. And may be I'm a bit surprised to see it's not showing up more in your numbers in the past quarter too. I may be wrong on that and some of your new disclosures might add a bit differently. Can you talk about what you are seeing there? May be give us a sense for how much that placement rate is moved up within the 1% to 2% band and also comment on any effects you are seeing from foreclosure or activities that stand foreclosures?

Rob Pollock

Sure. I just want to make one comment and then turn it over to Gene. And that is I want everyone to remember the way our business model works in this business it is a lagging indicator. In other words, we send out to customers the fact notifications of, they need to show proof of insurance and then if they don't respond we'll place policy. That can often be 60 day and 90 day lags that occur in that. So, again just need to remember that's how the model works. Now Gene you can comment and share more on the specifics.

Gene Mergelmeyer

Sure. Let me try. Certainly the – which are in between the segment of the business between REO and the creditor-placed business. And one thing to remember is typically while writing REO on the subprime business, and so from that standpoint when we look at what is going on in the creditor-placed business, we've actually see pretty consistent growth in that prime category. It's just that did at a lower rate than we have in subprime. Recently, the trends were actually in subprime while we are still seeing growth, that growth has actually been decreasing. And I think that's really

occurring as part of the fact that we are seeing delinquencies still rise in subprime but they are rising at a lower rate. So, that's one of the phenomenon that we are seeing that have been contributing to growth. Your second question was really around the effect of any more targets. Certainly, I think we have seen that effect. And we have mentioned in the call that creditor-placed was 23% of the gross earned premiums similar to last quarter. You likely noted – even though we do believe that gross written premium is less of an indicator because there is just so many fluctuations on that business. One other reason that was down was to real estate owned business. So, we did see a slowing as a result of the more – but when you really look at what's going out there now in the industry, one of the bigger factors was actually California and some legislation that was put into place there that delayed some foreclosures. So, we saw foreclosure activity, foreclosure starts actually go down a bit in the third and fourth quarter. But when you look at some of the newest statistics, I think they are recording that December notices the following scenario, I mean they are literally up 17% over November. And they are literally doubled in California. So, there is some macro economic things going on out there. There's a lot of activity around trying to mitigate things, and it is having some impact on our business.

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