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Earnings Call

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Call Participants

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Presentation

Operator

Welcome to Assurant's Second Quarter 2024 Conference Call and Webcast. [Operator Instructions] It is now my pleasure to turn the floor over to Sean Moshier, Vice President of Investor Relations. You may begin.

Sean Moshier
Vice President of Investor Relations

Thank you, operator, and good morning, everyone. We look forward to discussing our second quarter 2024 results with you today. Joining me for Assurant's conference call are Keith Demmings, our President and Chief Executive Officer; and Keith Meier, our Chief Financial Officer.

Yesterday, after the market closed, we issued a news release announcing our results for the second quarter 2024. The release and corresponding financial supplement are available on assurant.com. Also on our website is a slide presentation for our webcast participants.

Some of the statements made today are forward-looking. Forward-looking statements are based upon our historical performance and current expectations and subject to risks, uncertainties and other factors that may cause actual results to differ materially from those contemplated by those statements. Additional information regarding these factors can be found in the earnings release, presentation and financial supplement on our website as well as in our SEC reports. During today's call, we will refer to non-GAAP financial measures, which we believe are important in evaluating the company's performance. For more details on these measures, the most comparable GAAP measures and a reconciliation of the two, please refer to the news release and supporting materials. We'll start today's call with remarks before moving into Q&A. I will now turn the call over to Keith Demmings.

Keith Warner Demmings
President, CEO & Director

Thanks, Sean, and good morning, everyone. Our strong first half 2024 results demonstrate continued outperformance from Global Housing and underlying momentum in Connected Living, positioning us to increase our full year 2024 growth expectations for Assurant overall. Excluding reportable catastrophes, adjusted EBITDA increased 20% year-to-date, and adjusted EPS grew 29%. These results were the power of our combined housing and lifestyle business model. Starting with our first half business highlights.

In Global Lifestyle, first half 2024 adjusted EBITDA was $397 million, consistent with the first half of 2023. Our year-to-date performance has been driven by continued growth and momentum within our Connected Living business, particularly in the U.S. In Connected Living, adjusted EBITDA increased 6% or 8% on a constant currency basis. As we previously discussed, 2024 includes incremental spending related to implementation of new partnerships and programs that we expect will support long-term growth for Assurant.

Excluding first half investments of approximately $13 million, year-to-date growth for Connected Living was 14% on a constant currency basis. One example of our innovative new offerings included the rollout of two programs with Spectrum Mobile, anytime upgrade and the repair and replace plan.

Additionally, we onboarded the pre and postpaid device protection subscribers of Telstra, our new partner in Australia. Combined, these new programs added 1.6 million mobile subscribers, driving strong sequential growth. This year, we've also completed long-term contract extensions with all of our major U.S. mobile device protection clients, including T-Mobile and 2 U.S. cable operators, continuing to strengthen our position in the market. In total, these renewals represent 3 of the top 5 largest U.S. carriers by subscribers. With T-Mobile, this included a multiyear contract extension to continue supporting their postpaid and prepaid consumers beyond 2030. The renewal of T-Mobile allows us to continue to invest in this critical partnership and drive innovation for the future.

In financial services, we expanded our long-standing relationship with Chase by partnering with Chase Card Services within our growing card benefits business. We executed a multiyear contract to provide coverage to millions of Chase cardholders. This program will provide end-to-end delivery for approximately 15 travel and purchase protection benefits, including underwriting, claim processing and benefit servicing.

We expect continued investments over the second half of this year as we move toward program launch at the end of 2024. This represents a marquee win for our card benefits business, which has gained strong momentum over the last several years. Our relationship with Chase now spans across our lifestyle and housing businesses, reinforcing the depth of client partnerships that we drive across the Assurant enterprise.

Moving to Global Automotive. Our first half earnings have continued to be pressured by ongoing inflation impacts on motor vehicle repair costs. We expect that the effects of inflation will continue to impact our auto results throughout the second half of 2024 in our vehicle service contract business. In addition, we expect continued elevated loss experience within our ancillary guaranteed asset protection or GAP product.

Our longer-term outlook, however, is bright as we've begun to see moderation of claims inflation on our vehicle service contract business given the rate actions taken over the past 24 months. Within our GAP product, we're experiencing elevated losses driven by the combination of continued declines in used car prices from pandemic highs, higher interest rates and the increase in the number of vehicles declared total losses by the primary insurance carrier. We expect this impact to be shorter term in nature relative to vehicle service contracts as the majority of GAP claims are made within the first 24 months after vehicle purchase.

In addition, over the past year, we've been proactively partnering with several clients to transition the risk on the GAP business, which will reduce a substantial amount of our claims exposure over time. Lastly, we believe the auto business will continue to benefit from our position as a market leader with scale and strong partnerships across multiple distribution channels.

Now let's turn to Global Housing. For the first half of the year, Global Housing's earnings increased nearly 45%, excluding reportable catastrophes, Housing's year-to-date results have demonstrated both the importance of the business to our overall portfolio and the power of our unique and differentiated business model which has largely outperformed the broader P&C market. Our lender-placed insurance business safeguards homes that need insurance regardless of geography, while supporting the U.S. mortgage industry by removing the risk of uninsured loss for lenders, investors and homeowners.

We review rates with each state on a regular basis to ensure that they are appropriate and that homeowners are protected. This process allows us to work together to balance risk and reward with fair and adequate rates while creating product safeguards to address macroeconomic factors such as inflation. In addition, we benefit from our strong track record, continued investments in customer experience and our compliance expertise, our most critical competitive advantages.

These efforts have allowed us to renew existing partnerships and win new clients, including Bank of America. This, in turn, has contributed to increased scale, which combined with technology investments has led to significant operational efficiencies. Ultimately, this creates meaningful expense leverage, which will continue to benefit from going forward.

Our specialized product and client base pride Assurant with differentiated advantages compared to many traditional homeowners insurance carriers. Overall, these combined advantages have led to the recovery and growth of this business within a relatively short time frame. We believe we are well positioned and we continue to believe there's an opportunity for the market to better value our specialized lender place business. In renters, we benefit from an attractive financial profile that is more capital efficient compared to traditional P&C businesses. We are focused on expanding our presence as a market leader within the property management company or PMC channel while providing our partners with innovative new offerings.

In the first half of the year, we increased gross written premiums in our PMC channel by over 20%, reflecting strong client demand for our Cover360 solution. This marks 8 straight quarters of double-digit growth of gross written premium in the PMC channel. Following the initial launch of our Assurant Tech Pro resident troubleshooting service, we recently signed a partnership with the largest PMC in the U.S. to be the first to provide this service to the industry. We expect to begin rollout in the second half of this year.

Turning to our enterprise outlook. Given the strength of our first half results, we now expect full year adjusted EBITDA to grow high single digits and adjusted earnings per share to increase low double digits, both excluding catastrophes. This represents an increase from our initial expectation for both metrics. We anticipate strong growth within Global Housing, which is expected to lead our enterprise growth for 2024. In Global Lifestyle, we expect modest growth in 2024. Connected Living is expected to deliver another year of growth as we remain focused on driving long-term momentum through new partnerships and programs.

Overall, we believe our first half performance and our increased 2024 outlook demonstrate the power of our differentiated business model with unique advantages, which make Assurant attractively valued. Over time, we've enhanced Assurant's risk profile by focusing on our capital-efficient businesses within lifestyle and housing, which are highly cash generative. We've established a track record of winning and delivering for B2B2C clients both lifestyle and housing, many of whom are industry leaders and market disruptors across the globe. We've created leadership positions in amplified competitive advantages through our protection solutions across devices, automobiles and homes. Together with our clients, we've seen these deliver mutual benefit from scale and deep integration, supporting innovative and flexible solutions to differentiate the customer experience.

We focused on specialized attractive markets with growth opportunities and long-term secular tailwinds. These factors contributed to long-term outperformance versus the broader P&C market, particularly the S&P Composite 1500 P&C index. We believe this comparison better reflects our current mix of businesses and offerings as we provide insurance solutions and fee-based services to our partners and their end consumers. In June, our subindustry index classification under the Global Industry Classification Standard, or GICS, transition from multiline insurance to P&C insurance, a product of our multiyear transformation that included exiting pre-need, health and life insurance-related businesses.

Before handing it over to Keith Meier, I wanted to highlight our recently published 2024 sustainability report, which demonstrates our progress in advancing our sustainability strategy and initiatives. We've introduced our new sustainability vision focused on advancing a connected, respected and protected world. We've established long-term ambitions to support a thriving society, a circular economy and a stable climate. We believe there's an important connection between our vision and ambitions and how we deliver value for our business and for our stakeholders. These priorities strengthen Assurant for the future, including how we attract, empower and reward a diverse workforce to drive innovation, contribute to the development and adoption of sustainable products and reduce the climate impact of Assurant's operations and supply chain.

Overall, we're excited about the progress we've made so far this year. Continuing to drive attractive financial results and outperformance for the overall enterprise. As we look ahead, we believe we are well positioned to continue to drive business momentum in the second half and beyond. I'll now turn it over to Keith Meier to review our second quarter results and business trends impacting our 2024 outlook.

Keith Roland Meier
Executive VP & CFO

Thanks, Keith, and good morning, everyone. We're proud of our second quarter performance as we continue to invest in value-added solutions for our clients and end consumers. We believe we are well positioned to build upon our historical track record of growth, strong capital generation and long-term shareholder value creation.

Let's review the specifics of our strong second quarter results, which built upon the momentum from the first quarter. In the second quarter, adjusted EBITDA grew 10% to $369 million, and adjusted earnings per share increased by 17% to $4.77, both excluding reportable catastrophes. From a capital perspective, we generated $142 million of segment dividends in the second quarter. Ending the quarter with $735 million of holding company liquidity, up from $622 million at the end of the first quarter. Our strong capital position has provided flexibility to invest in future growth while returning $80 million to shareholders in the quarter, including $40 million of share repurchases. In addition, we repurchased $20 million of shares between July 1 and August 2 and have now completed $100 million in repurchases so far this year.

Turning to our business segments. Let's begin with Global Lifestyle. For the quarter, adjusted EBITDA decreased 4% to $190 million or 2% on a constant currency basis. Driven by Global Automotive, which declined by 8% or $6 million. Results were impacted by higher claims costs due to inflation and elevated losses from ancillary GAP products. In Connected Living, earnings increased modestly on a constant currency basis, primarily driven by global mobile protection programs, including subscriber growth from U.S. cable operators and new Asia Pacific clients as well as improved U.S. financial services results.

International results remained stable on a constant currency basis and have started to show signs of modest growth. Growth was partially muted by investments in new capabilities and client partnerships, which are expected to support long-term growth. Trading results were down from a decline in carrier volumes and business mix, including from lower promotional activity. Unfavorable foreign exchange remains a headwind and impacted Lifestyle's adjusted EBITDA growth by 2 percentage points in the quarter.

Turning to net earned premiums, fees and other income. Lifestyle grew by $75 million or 4% and Connected Living increased 6%, benefiting from contributions from new trade-in and mobile protection programs, including the U.S. and Asia Pacific. For full year 2024, we now expect Global Lifestyle's adjusted EBITDA to grow modestly, reflecting continued strong performance from Connected Living and ongoing elevated claims in Global Auto.

We expect growth in Connected Living to be led by the continued expansion of our U.S. business. We expect investments related to new clients and programs, mainly in Connected Living, to temper lifestyle growth by approximately 3% in 2024, but will be a critical driver for business growth over the long term. In Global Auto, we now expect adjusted EBITDA to be flat to modestly down due to continued loss pressures from inflation and elevated losses within ancillary GAP products. We continue to monitor foreign exchange impacts, inflation and interest rates, which have and may continue to impact the pace and timing of growth.

I'd like to take a moment to discuss our auto business and how we have addressed inflation headwinds. As we've discussed, we expect auto claims inflation to impact our performance over the remainder of this year. Toward the end of 2022, the industry began to see large spikes in motor vehicle repair costs even as overall CPI trends began to stabilize.

Exiting 2023, a the auto industry began to see signs of inflation levels declining. However, in the beginning of 2024, motor vehicle repair costs increased once again, impacting performance in the first half of 2024. Our underwriting risk in auto is limited to just a few clients as many of our clients choose to reinsure or share in the economics of the business, given Auto's profitable returns over the long term. There are a total of five vehicle service contract clients where we retain a portion of the claims risk that will improve over time, which is a small subset of our overall client base.

Since 2022, we have implemented a total of 14 rate increases for these impacted clients with additional increases planned over the coming quarters. In addition to rate increases, we have made changes to enhance our claims adjudication process, adjusting the product and modifying deal structures with clients to ensure mutually beneficial outcomes. Even with these vehicle service contract clients where we do retain some risk, we are profitable as we also earn investment income and receive fees for our administrative program support.

Moving to Global Housing. Second quarter adjusted EBITDA, including cats, was $161 million. During a quarter that included over 25 ISO events that impacted much of the P&C industry, we fared reasonably well with $46 million of reportable catastrophes across five events and no single event incurring more than $15 million in losses. Excluding reportable cats, adjusted EBITDA increased by 23% or $38 million to $206 million. The increase was driven by continued top line growth in homeowners, primarily from an increase in the number of in-force policies from the onboarding of the newly added Bank of America portfolio and the net impact of ongoing client and portfolio transitions. Additionally, lender-placed policies increased due to impacts from hardening traditional insurance markets in certain states. Lender-placed continued to see average premium growth related to higher average insured values and increases in filed rates.

Despite higher expenses from client portfolio onboarding and offboarding activity in the quarter, expense leverage from scale, technology investments and operational efficiencies remains a key driver of performance as reflected in the continued improvement in housing expense ratio, which was 37% in the quarter. Underlying EBITDA growth was partially offset by the unfavorable year-over-year net impact of $11 million related to prior period reserve development. Second quarter 2024 had $17 million of favorable reserve development compared to $28 million in the second quarter of 2023.

We continue to expect Global Housing's full year 2024 adjusted EBITDA, excluding cats, to be the growth driver of our overall enterprise performance. We anticipate growth will be driven by continued top line momentum in homeowners, expense leverage and lower catastrophe reinsurance costs. Placement rate and policies in force, both key drivers of earnings are expected to be impacted by ongoing client portfolio transitions in the second half of the year. However, both are expected to have healthy growth overall for 2024. Lastly, we expect Hurricane Beryl to be a reportable catastrophe in the third quarter. While claims are still developing, our early indication is that estimated losses will be between $30 million to $50 million. We will provide an update prior to our third quarter earnings call as we finalize the impacts.

Moving to corporate. The second quarter adjusted EBITDA loss was $27 million, which improved mainly due to higher net investment income from higher asset levels and yields. We continue to expect the 2024 corporate adjusted EBITDA loss to approximate $110 million, consistent with 2023.

Turning to capital management. We generated significant deployable capital in the first half of the year, upstreaming $395 million in segment dividends. For 2024, we expect our businesses to continue to generate meaningful cash flow. Cash conversion to the holding company is expected to approximate 2/3 of segment adjusted EBITDA, including reportable catastrophes.

Cash flow expectations assume a continuation of the current macroeconomic environment and are subject to the growth of the businesses, investment portfolio performance and rating agency and regulatory requirements. As we look forward to the remainder of the year, we continue to be focused on maintaining flexibility to support new business growth and to return capital to shareholders.
Given our strong capital position and robust reinsurance program, we expect to be on the high end of our $200 million to $300 million share repurchases range for the year. Our ultimate level of repurchases will depend on M&A opportunities, market conditions and cat activity. Overall, we've had a very strong first half of 2024, and we believe we are well positioned to achieve our increased full year financial outlook while also supporting business growth and shareholder value creation over the long term. And with that, operator, please open the call for questions.

Question and Answer

Operator

[Operator Instructions] Our first question is coming from Mark Hughes with Truist Securities.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

On the Global Auto, the sustained impact of inflation, when do we kind of turn the corner on that? When does it become less negative? Understanding that it will continue to be a drag, perhaps for the foreseeable future, when does it become less of a drag?

Keith Roland Meier
Executive VP & CFO

Yes, Mark. So I think the first half this year was kind of the tale of two different stories for the first quarter and the second quarter. The first quarter was really driven by the inflation from our vehicle service contracts. And so -- but in the second quarter, what we've seen is more on the GAP side, that was really what was driven by the used car values declining, higher interest rates and more total losses declared by traditional insurers. So the vehicle service contract side was really moderated a bit in the second quarter, the GAP was really the driver of the challenges in the second quarter. So as we look at the back half of the year, we actually expect the rates that we've been putting into place with our clients to stabilize and improve modestly as we go through the back half of the year.

And I think one other key point about the second quarter as it relates to the GAP product, we've been working on this over the past year or so to reduce and transition some of that risk with our clients. So we don't see that as something that's going to sustain over a long term. And GAP actually improves faster than the vehicle service contracts, that really should improve in less than -- in the next couple of years, so less than 2 years. So overall, if we're going to have a challenge in auto, this is probably a good time to have the challenge when we're raising our outlook, and I think this is really just creating a little bit more of a tailwind for us in our auto business over the next few years.

Keith Warner Demmings
President, CEO & Director

Yes. And I would just add as we think about getting off a lot of that GAP risk over time. That process started back when our GAP was actually performing well. We know it's a volatile product line. Our goal was to strategically try to reduce volatility and make that strategic decision. And obviously, that's something that we'll continue to work on as we go forward. And as Keith said, not something that we expect to be a long-term pain point for the business.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Yes. So fair to think the pain this year is already factored into your guidance when we think about 2025, it could would be less negative, i.e., positive year-over-year comparisons in this dimension.

Keith Roland Meier
Executive VP & CFO

Yes. It's definitely factored into our '24 outlook. And then as we go through the year, we'll provide an update on '25, but we certainly see an improvement going into the back half of the year.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Yes. And then in the card benefit business, could you talk a little bit more about the opportunity there? It sounds like an interesting agreement with Chase. How important is that within the lifestyle? And is that a new opportunity that could be a marginal contributor to growth?

Keith Warner Demmings
President, CEO & Director

Yes, definitely, and I would say a couple of things. So we've been growing successfully our card benefits business the last several years, in particular, in the U.S. And a couple of things specifically on Chase, number one, it's a phenomenal opportunity to expand our relationship. We obviously have a long-standing relationship around the lender-placed business with Chase that spans many, many years, and this is a chance to expand across product lines in between segments within lifestyle, which is great.

We definitely are investing in this launch. It's part of the investments that we've talked about relative to Q2 that will ramp as the year progresses. We're actually converting all active Chase customer cardholders in the fourth quarter of the year. So there's a lot of work to stand that up. And then it will certainly be EBITDA positive as we enter 2025 because it will be at a full natural run rate entering next year. And yes, we're very excited.

And certainly, it will be one of several drivers of growth for the Connected Living business. And part of what we've been signaling to the market is specific discrete investments in long-term growth that are directly connected to new programs, new products and what I think are clear strategic growth levers for the business.

Operator

Our next question comes from Dan Lukpanov with Dowling Partners.

Darkhan Lukpanov
Dowling & Partners Securities, LLC

Going back to the auto, just curious. So we've been seeing the traditional insurers, car insurers reporting a moderation in physical damage severity and just knowing your product, you don't have the liability side. You have little, it's mostly physical damage, same drivers of materials side. Just curious, I get that the GAP was sort of the negative in the quarter. But on the vehicle service contract side, did you guys see any acceleration on the improvement. I did -- that the loss cost trend year-to-date change, your view on how fast you can recover the business.

Keith Roland Meier
Executive VP & CFO

Yes. So I think through the first couple of quarters, we saw the loss cost trends moderate. The CPI index for auto repairs went down modestly, and so it's about 9 million -- or 9% year-over-year. So we're seeing it moderate a bit, Dan. And I think we're in a good position to have those rates start coming through and improve sequentially for us as we go forward.

Keith Warner Demmings
President, CEO & Director

Yes. And I think just to amplify, I mean we talked about 14 rate increases over 5 clients over the last couple of years. So a meaningful amount of rate increases have been put in place. And obviously, we're starting to slowly see that earn through, combined with moderation on the inflationary side. So that momentum builds over time. It doesn't solve itself nearly as quickly as what we saw in the housing business, but certainly excited to see progress in Q2, and we'll monitor that as we think forward through the rest of the year.

Darkhan Lukpanov
Dowling & Partners Securities, LLC

Okay. And do you see used to new car mix normalizing, I think during the inflation of cycle, you saw more used cars and in the production, do you see that normalizing at all?

Keith Roland Meier
Executive VP & CFO

Yes. I think it's still in the range of 50-50 in terms of used and new. It's definitely moderated. There's certainly more new car volume going back into the system. But it's a pretty -- we have a pretty nice balance within the business. And to your point, it did tilt more used car during the pandemic, and I'd say it's normalized at this point.

Darkhan Lukpanov
Dowling & Partners Securities, LLC

If I may squeeze in one more. The -- in the Financial Services, I think you called out a profitability improvement in the U.S. business. What was that? Can you provide any more color on that?

Keith Roland Meier
Executive VP & CFO

Yes. I think that's just a continuation of the leading programs that we have in our financial services business. So we've been growing that business over the last few years. So I think that's just a continuation of that. And I think the Chase win is just another highlight of the really good momentum that we're having in our financial services business.

Operator

Our next question comes from Jeff Schmitt with William Blair.

Jeffrey Paul Schmitt
William Blair & Company L.L.C., Research Division

So how much of the auto revenue mix is the GAP business? And how much is sort of a handful of accounts where you share writing profits? Any details you could give on the actual like what inflation is kind of currently running at for those, [teaser] plans would be helpful.

Keith Roland Meier
Executive VP & CFO

Yes. So for GAP, it's actually a very small part of our business, Jeff, and it's actually continuing to be even less and less as we mentioned earlier, we've been working on over the last year, transitioning some of that risk. So it's becoming a smaller and smaller part. Some of the things that you're seeing now are programs that have already been transitioned for going forward contracts. So we're just working through some of the existing contracts today. So overall, not a big driver of our auto business. And that's why there's a little bit of volatility within there, and that's why we've been reducing that part of that business.

Jeffrey Paul Schmitt
William Blair & Company L.L.C., Research Division

And just in terms of the percentage of mix of the handful of accounts that you share profits with, how much is that?

Keith Roland Meier
Executive VP & CFO

Yes. It's only 5 clients. And it's actually with our rate increases, that's becoming a better performing piece of our business over time, Jeff. We don't split that out necessarily of those clients. But overall, it's -- most of the business, the vast majority, we do reduce the risk and share risk with our clients. So this is really the smaller part of the business, not the main part.

Jeffrey Paul Schmitt
William Blair & Company L.L.C., Research Division

And then just a question on the renters business. I mean, I think a few years ago, you'd expect the growth to be kind of in the high single digits, continues to run much weaker. I'm just curious what the weakness there? And are you getting rate in that business as well? What rate are you getting?

Keith Warner Demmings
President, CEO & Director

Yes. I think our rate is probably at a very good level right now generally. What I would say on the revenue side is -- and we've talked about this a little bit in the past. Definitely, if you look at it year-to-date, it's relatively flat. I think we're up 2% on revenue. Policies are up 4%. What's probably a little bit more exciting is our year-to-date gross written premium, think of that as a leading indicator of future revenue. It's actually up 8%. And it's really two pieces.

So our property management company part of the renters portfolio is up 20% year-to-date, which is obviously pretty significant growth. And then the affinity business is relatively stable. We expect that affinity business to slowly improve over time. We expect the momentum in the PMC side of our business to continue. We've shown double-igit growth for the last 8 quarters straight. We really like the business. I think we're incredibly positioned. We've been investing not just in our products, but in our platforms. And I think we're certainly set up as the market continues to find ways to drive growth, we'll be participating in that over time.

Operator

Our next question comes from John Barnidge with Piper Sandler.

John Bakewell Barnidge
Piper Sandler & Co., Research Division

My first question is on the Global Housing combined ratio. How do you view the long-term combined ratio guide? There's been consistent profitability achieved in that business, not just from underwriting improvements, but it appears to be expense leverage has been achieved over the last 5 quarters. I'd love to get your take on how you view the long-term combined ratio you targeted.

Keith Warner Demmings
President, CEO & Director

You bet. I think mid-80s combined is the right way to think about the business, we think about a non-cat loss ratio of around 40%. We had about 7 points for cat losses and then expenses in the high 30s. There's no doubt we've demonstrated a tremendous amount of discipline around expense management, driving efficiency through the use of technology and a lot of other things, and it's certainly showing up. And it's a scale business.

So as we've grown the business, you're seeing the benefits of that flow through on the expense line. But I would say, mid-80s combined is the way to think about that business generally longer term, and we feel incredibly proud of the growth of that business. I mean our policies are up 9% year-over-year. AIVs are up 11% and then expense leverage of more than 200 basis points if you look back. So it's performing incredibly well and very fortunate that we've got the team that we've got.

Keith Roland Meier
Executive VP & CFO

And I would just add, the expense ratio story really is a great one, and it's really sustainable as well. And it's really driven by the combination of scale, the digital enhancements that we're making, the AI investments we're making and then also our integration platforms. When you take all of that we've been doing over the last few years, it's really been an amazing journey. And I think that's really delivered an incredible customer experience through technology and it's also enabling us to differentiate versus others in the industry. And I think that's why you're seeing us win some important new clients with those investments we made that are really paying off for us.

John Bakewell Barnidge

Piper Sandler & Co., Research Division

My follow-up question is on the Global Lifestyle business. Telstra, Spectrum really seemed to have delivered nice unit growth, $1.6 million, I think you called out there. But generally, ahead of a program launching, there's a period of investment. Are you able to quantify the level of investment for Telstra and Spectrum that impacted EBITDA in the quarter for Connected Living?

Keith Warner Demmings
President, CEO & Director

You bet. I think what we've tried to quantify is the overall level of investment. So we talked about $13 million of incremental investment year-to-date, $5 million in the first quarter, about $8 million in the second quarter and think about that trend line kind of being maintained as we think about the second half of the year. So that's probably the easiest way to think about it, not necessarily at the client level. And there's no doubt we're excited about both of those opportunities to grow in the market.

And there's certainly a step up in the second quarter with subscriber counts. We took over the in-force business at Telstra, which is terrific. So we start from a pretty robust place in terms of subs. And then with Spectrum as well because part of the program is embedded in the top-tier rate plan, that actually gave us a step-up to existing subscribers in the second quarter, and now we're in a more normalized period of growth.

What I think you'll notice, if you unpack the subscriber counts is we actually generated net growth even separating the $1.6 million incremental that we talked about, and that's following several quarters of declines in that metric. So we're really pleased not just with the growth from these two clients but with the underlying performance around subscribers and certainly expect that growth to continue, not at that level, but to continue as we go forward.

Operator

[Operator Instructions] Our next question comes from Tommy McJoynt from KBW.

Thomas Patrick McJoynt-Griffith
Keefe, Bruyette, & Woods, Inc., Research Division

How much is higher investment income offsetting, I guess, the otherwise, what I'll call core weakness in the auto segment. I guess just basically do you know what percentage of autos bottom line EBITDA is investment income. And I'm not sure what the duration of those investments are. But is there any risk that if short-term rates come down meaningfully over the next year and that potentially fits auto's bottom line before all the work you're doing on rate increases gets a chance to earn in. Is that a risk that we should be thinking about?

Keith Roland Meier
Executive VP & CFO

Yes. I think we're in a good position in terms of investment income, Tommy. Our duration is about 5 years on our investment portfolio. We've got a very high-quality portfolio. Our book yield is up 12 basis points over the last quarter, up to $5.16. New money yields are still a little bit higher than that.

So overall, we feel good about where we stand for the remainder of the year and our outlook in terms of investment income. And then also with certain clients, we share some investment income. So to the extent that interest rates go down a little bit, then it actually -- there's a natural offset there for us with some of the clients. So overall, not as big of an impact in the short term.

Operator

Our next question comes from Grace Carter with Bank of America.

Grace Helen Carter
BofA Securities, Research Division

Can you all hear me?

Keith Roland Meier
Executive VP & CFO

Yes, we can.

Grace Helen Carter
BofA Securities, Research Division

Okay. Perfect. So I was wondering on the auto risk question. I think historically, you all have said that you retain about 1/3 of the risk across the lifestyle book. I was just curious if that continues to be kind of the best way to think about the segment overall, just given the work that you've done in the auto book over the past several quarters.

Keith Warner Demmings
President, CEO & Director

Yes. I think it's generally the right way to think about it at the lifestyle level, maybe a little bit -- we may retain a little bit less of it on the auto side. A lot of the deals are reinsured within the dealer business and with various clients. So -- but I do think, overall, that's a good way to think about it. And the nice thing with auto, as we think about the pressure on the VSC side, it's a handful of clients, so it's somewhat manageable.

We're trying to work with only 5 partners to make the right adjustments. And as you've seen, 14 rate increases with 5 clients over the last couple of years is a meaningful amount of activity and traction to try to right the ship. So I do feel like that allows it to be much more manageable because it's quite concentrated.

Grace Helen Carter
BofA Securities, Research Division

And I guess you mentioned expecting higher repurchases for the remainder of the year, but also gave us some guidance for how Hurricane Beryl losses might be shaping up. Just given the forecast for an active hurricane season, can you talk about what gives you the confidence to kind of increase the outlook for repurchases for the remainder of the year? And just kind of given the seasonality of hurricane season, if we should expect those to be more weighted towards 4Q rather than 3Q?

Keith Roland Meier
Executive VP & CFO

Yes. So I think, first of all, we get the confidence from our strong capital position, and we've really just continued to strengthen our reinsurance program. So we feel really good about how we are positioned going into the back half of the year. I think you also highlight, Grace, the strong cash flow generation of our portfolio of businesses. And we have a very strong track record of deploying that capital back to shareholders. And we've already completed $100 million of the buybacks.

And I think we're going to be on pace to deliver that higher end of the $200 million to $300 million range. And I don't think we see any reason why that wouldn't be the case, and that's why we raised our guidance there. So overall, I think being in this type of capital position is exactly where we want to be and it allows us to operate from a position of strength.

Operator

Our last question is coming from Mark Hughes with Truist Securities.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

In the Global Housing, your fee income was quite strong this quarter. Anything unusual there? Is this kind of elevated fees? Is that going to continue? I think we said $53 million, if I'm looking at it properly, a big jump year-over-year. Could you talk about that?

Keith Roland Meier
Executive VP & CFO

Yes. So in the fee income, there was a business change that was made. And all it really was, Mark, was a reclassification between fee income and our expense lines. So no bottom line P&L impact, just movement between expenses and the fee income line.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Yes. Okay. And then you talked about a client transition in housing that could impact the second half. I'm not sure whether you said anything more about that, but what was the import of that statement?

Keith Warner Demmings
President, CEO & Director

Yes. So we've got -- there's a lot of ongoing activity within the lender-placed business. And at times, certain portfolios roll off, certain portfolios roll on as clients are making different acquisitions in the market, buying books of loans, et cetera. And what we've said is we'll see some movement on that over the course of the back half of the year.

But overall, I would say our expectation for policy counts is relatively stable as we think about the second half of the year. So any losses relative to that transition will be offset by pickups with respect to other portfolios.

And if we have no other questions, then maybe just one final comment for me and then we can wrap it up. And I think we try to put some emphasis in the materials, but we do have a very strong track record of driving performance across a variety of different economic cycles.

We're certainly proud of what we've delivered so far this year. Excited about the raised guidance. And as we highlighted in the materials, with the current guidance, we're actually poised to deliver 10% EBITDA growth on average since 2019, so over the last 5 years. And we're going to more than double the absolute earnings per share with a 16% CAGR over that same 5-year period.

So again, we're incredibly proud of the track record that sits behind us. We've got a lot of momentum in the business. We're showing that with a number of new client launches, new wins. We're working on a number of other things that we'll talk about in future quarters. But again, just excited to be driving growth and creating shareholder value. So we'll look forward to the next call. We'll get back together in November after our Q3 and really appreciate the time. Thanks very much.

Operator
Thank you. This does conclude today's teleconference. Please disconnect your lines at this time, and have a wonderful day.