S&P Global
Market Intelligence

Assurant, Inc. NYSE:AIZ

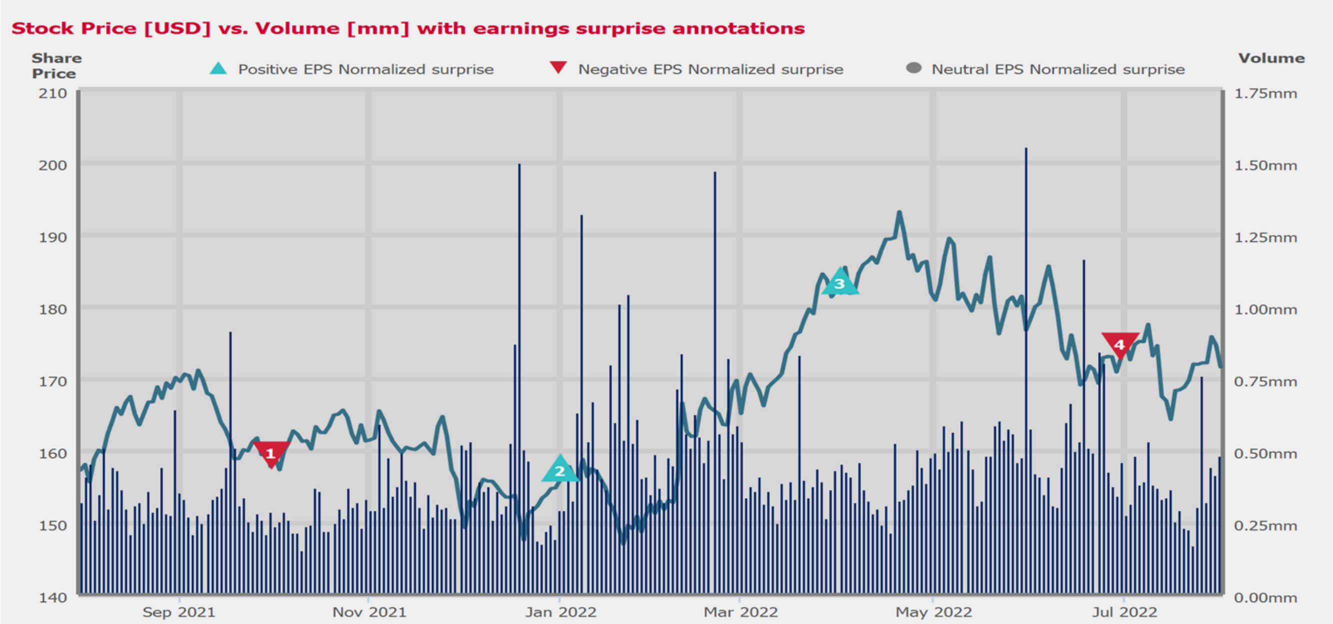
FQ2 2022 Earnings Call Transcripts

Wednesday, August 03, 2022 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2022-			-FQ3 2022-	-FY 2022-	-FY 2023-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	3.18	2.95	(7.23 %)	2.32	12.55	NA
Revenue (mm)	2630.05	2509.70	(4.58 %)	2665.82	10466.96	NA

Currency: USD
Consensus as of Aug-03-2022 7:32 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2021	1.55	1.41	1 (9.03 %)
FQ4 2021	2.31	2.47	2 6.93 %
FQ1 2022	2.80	3.75	3 33.93 %
FQ2 2022	3.18	2.95	4 (7.23 %)

Table of Contents

Call Participants

EXECUTIVES

Keith Warner Demmings
President, CEO & Director

Richard Steven Dziadzio
Executive VP & CFO

Suzanne Shepherd
Senior Vice President of Investor Relations & Sustainability

ANALYSTS

Brian Robert Meredith
UBS Investment Bank, Research Division

Grace Helen Carter
BofA Securities, Research Division

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

John Bakewell Barnidge
Piper Sandler & Co., Research Division

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Michael Wayne Phillips
Morgan Stanley, Research Division

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

Presentation

Operator

Welcome to Assurant's Second Quarter 2022 Conference Call and Webcast. [Operator Instructions] It is now my pleasure to turn the floor over to Suzanne Shepherd, Senior Vice President of Investor Relations and Sustainability. You may begin.

Suzanne Shepherd
Senior Vice President of Investor Relations & Sustainability

Thank you, operator, and good morning, everyone. We look forward to discussing our second quarter 2022 results with you today. Joining me for Assurant's conference call are Keith Demmings, our President and Chief Executive Officer; and Richard Dziadzio, our Chief Financial Officer.

Yesterday after the market closed, we issued a news release announcing our results for the second quarter of 2022. The release and corresponding financial supplement are available on assurant.com. We will start today's call with remarks from Keith and Richard before moving into a Q&A session.

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 these statements. Additional information regarding these factors can be found in yesterday's earnings release 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 yesterday's news release and financial supplement that can be found on our website.

We have revised all quarterly and annual results for full year 2020 through first quarter 2022 periods to reflect the change in the adjusted EBITDA calculation to exclude certain businesses that we now expect to exit fully, including our sharing economy and small commercial businesses and Global Housing as well as certain legacy long-duration insurance policies within Global Lifestyle. Results have been revised for the correction of any errors related to reinsurance of claims and benefits payable within the Global Lifestyle segment that occurred in late 2018 through first quarter 2022 as well as other immaterial corrections. The impact of these changes individually or in the aggregate, is not material to results for any prior period. A full reconciliation of certain reported and revised key measures of performance and metrics is provided in our second quarter financial supplement posted on assurant.com.

I will now turn the call over to Keith.

Keith Warner Demmings
President, CEO & Director

Thanks, Suzanne, and good morning, everyone. As we outlined during our recent Investor Day in March, we aspire to be the leading global business services company supporting the advancement of the connected world. And so far in 2022, we've made solid progress delivering on that vision for the benefit of our clients and their customers, our employees and importantly, our shareholders.

We delivered adjusted EPS of $7.22, up 13% in the first half of last year, and adjusted EBITDA was $592 million, both excluding reportable catastrophe losses. We're very pleased that Global Lifestyle had such a strong first half of the year with momentum expected to continue, led by both mobile and auto. Our capital-light and fee income based businesses represented 82% of our adjusted EBITDA ex-cat so far this year and continue to add to the value of our franchise.

While results in Global Housing were below expectations, largely driven by broader inflationary pressures seen across our industry, we have a clear path and several key actions underway to address near-term macro challenges. Longer term, we continue to believe that our combined housing and lifestyle portfolio of businesses is positioned to deliver attractive earnings growth and strong cash flow generation relative to the broader market, while also providing a compelling countercyclical hedge in what remains a volatile economic landscape.

As we look at our Global Lifestyle segment, our business services-oriented offerings generated adjusted EBITDA growth of 12% year-over-year and 14% year-to-date. Our market-leading franchise helped us expand our partnership with several world-class brands in the lifestyle market. In the U.S., we recently signed a multiyear renewal with a large cable operator within our mobile business. This includes comprehensive device protection, trade-in and premium technical support. With the renewal, we'll be including new capabilities, demonstrating our ability to grow relationships with value-added services that ultimately lead to a better customer experience.

We've now renewed two major U.S. cable operators in our mobile business within the last year, while also broadening our product offerings to support their growing mobile subscriber bases. We're pleased with the continued growth momentum in Global Lifestyle, which we expect will continue into the second half of 2022. As a result, we believe the segment will deliver mid- to high teens growth in adjusted EBITDA, mainly from strong mobile results, including device protection and trade-in as well as from the continued strength of our auto business.

Turning to Global Housing. Similar to others in the industry, we were impacted by significant inflationary pressure, which resulted in higher claim severities and reinsurance costs in the quarter, most notably in lender-placed. These higher costs are expected to be mitigated through rate adjustments over time. In addition to regular rate filings in key states, our lender-placed product includes an inflation guard feature designed to address changes in material and labor costs. We recently implemented a double-digit rate increase on policy renewals. This rate increase will be applied to all renewals over the next 12 months. As a result, there is a timing lag that is magnifying the higher non-cat loss experience in the quarter and ultimately pressuring results through 2022. We believe this will normalize as incremental premiums earn over time. As we look at the housing portfolio, we're also taking other actions to improve profitability through ongoing expense efficiencies and driving even greater focus on the housing businesses where we see a path to market-leading positions that can deliver attractive financial returns.

Most recently, we decided to exit the sharing economy business. The strategic and financial objectives for this business did not develop as we originally anticipated, and we want to focus on opportunities that more closely align to our long-term vision and where we have market advantages with a clear right to win. Stepping back and looking at Assurant overall, we believe we have an attractive portfolio of market-leading businesses, which are poised for long-term success. Given the current macro environment, we believe we can deliver adjusted EBITDA growth of 3% to 6%. This takes into account higher expected losses in housing, but also stronger results and momentum within Global Lifestyle.

Adjusted earnings per share, excluding reportable cats, is now expected to grow 14% to 18% for the full year, reflecting this view of adjusted EBITDA. EPS growth will, of course, also be supported by share repurchases, including the return of $900 million in pre-need sale proceeds, which was completed in the second quarter. As we've shown historically through various market cycles, we believe we are well positioned to deliver our strategic objectives over the long term. We expect this period of macroeconomic challenges to be no different. Over time, we believe the strength and resiliency of our business model will endure, enabling us to execute on the 2023 and 2024 objectives we outlined at Investor Day.

Looking forward, we expect adjusted EBITDA acceleration starting next year. While the earnings path may not be linear, we remain confident that in the long term, our combined lifestyle and housing business portfolio will continue to deliver attractive growth, strong cash flow generation and superior shareholder returns relative to the broader market.

I'll now turn the call over to Richard to review the second quarter results and our revised 2022 outlook in greater detail.

Richard Steven Dziadzio
Executive VP & CFO

Thank you, Keith, and good morning, everyone. Adjusted EBITDA, excluding catastrophes, totaled $277 million, down 8% from the second quarter of 2021. As Keith mentioned, performance reflected the strong growth across global lifestyle and weaker results in Global Housing. For the quarter, we reported adjusted earnings per share excluding reportable catastrophes, of $3.25, flat from the prior year period. The 2021 baseline for lifestyle and housing adjusted EBITDA has been updated to remove noncore operations and reflect the accounting correction, Suzanne noted to our prior period results.

Now let's move to segment results, starting in Global Lifestyle. The segment reported adjusted EBITDA of $207 million in the second quarter, a year-over-year increase of 12% driven by growth across both Connected Living and Global Automotive. Connected Living earnings increased by $12 million or 11% year-over-year. The increase was primarily driven by continued mobile expansion in North America device protection programs from cable operator and carrier clients, including subscriber growth and more favorable loss experience. This was partially offset by unfavorable foreign exchange.

In Global Automotive, earnings increased $10 million or 15%, primarily from higher investment income, including higher real estate gains and yields, favorable loss experience and select ancillary products also contributed to the results. As we look at revenue, Lifestyle revenue was up by $48 million or 3%, driven by continued growth in Global Automotive. Global Automotive revenue increased 7%, reflecting strong prior period sales of vehicle service contracts. Despite the overall U.S. auto market showing signs of slowing, our net written premiums remained strong even against the record second quarter of 2021, as additional dealerships and strong attachment rates are offsetting the market headwinds.

Within Connected Living, revenue was down slightly due to lower revenue in mobile, mainly from premium declines from runoff programs and unfavorable foreign exchange. This was partially offset by growth in subscribers in North America and higher mobile fee income driven by global mobile devices serviced. In the second quarter, the number of global mobile devices service increased by $1.1 million or approximately 18% to $7.2 million. This was due to higher trading volumes, supported by new phone introductions and carrier promotions from the growing adoption of 5G devices. In terms of mobile subscribers, growth in North America was partially offset by declines in runoff mobile programs previously mentioned, which also impacted mobile devices protected sequentially.

For full year 2022, we now expect lifestyle adjusted EBITDA growth to be mid- to high teens compared to 2021 baseline of $702 million. Mobile is expected to be the key driver of adjusted EBITDA growth for global expansion in existing and new clients across device protection and trade-in and upgrade programs. This will be partially offset by unfavorable impacts, from foreign exchange and strategic investments to support new business opportunities and client implementations. Auto adjusted EBITDA is expected to grow for the full year. But earnings in the second half are expected to be lower than the first half, mainly due to the absence of $14 million of real estate gains. Growth for the year will be partially offset by higher investment income and more favorable loss experience in select ancillary products.

Moving to Global Housing. Adjusted EBITDA was $75 million, which included $20 million of reportable catastrophes for the second quarter. Excluding catastrophe losses, earnings decreased $40 million, primarily driven by $25 million in higher non-cat loss experience, largely in lender-placed and to a lesser extent, Multifamily Housing. This included $12 million in year-over-year reserve strengthening and higher fire losses in the quarter. The balance of the earnings reduction was driven mainly from $17 million in higher catastrophe reinsurance costs. The cost of our reinsurance program reflected both the higher exposures and increased pricing within the reinsurance market. And with the completion of our 2022 catastrophe reinsurance program in June, we believe we fared relatively well in the market given our strong relationships with our more than 40 reinsurance partners.

We maintained an $80 million per event retention including second and third events. We also continued to benefit from the placement of multiyear coverage covering 45% of our program and a cascading feature that provides multi-event protection. In Multifamily Housing, growth in our P&C channels was offset by increased non-cat losses and expenses from ongoing investments to expand our capabilities and further strengthen our client experience. Global Housing revenue was flat year-over-year as higher catastrophe reinsurance costs were offset by higher average insured values and lender placed.

For the full year, we now expect Global Housing adjusted EBITDA, excluding cats, to decline by low to mid-teens from the 2021 baseline of $512 million. In addition to the higher claims costs, REO volumes have continued to be muted and placement rate trends we are seeing are softer than originally expected. At the same time, we continue to realize expense efficiencies from new system enhancements and strength in digital capabilities. While the duration and magnitude of inflationary trends remain fluid, rate filings and inflation guards are expected to start to flow through premiums as we exit the year.

At corporate, adjusted EBITDA loss was $25 million, up $8 million compared to the unusually low second quarter of 2021. This was mainly driven by higher employee-related and technology expenses. For full year 2022, we expect the corporate adjusted EBITDA loss to be approximately $105 million.

Turning to holding company liquidity. We ended the second quarter with $595 million, $370 million above our current minimum target level. In the second quarter, dividends from our operating segments totaled $189 million. In addition to our quarterly corporate and interest expenses, we also had outflows from three main items: $232 million of share repurchases; $75 million from the repayment of our 2023 notes; and $39 million in common stock dividends. For the full year, our outlook assumes $365 million of shares repurchased from the remaining premium sale proceeds plus an additional $200 million to $300 million.

Through July, we've bought back $504 million worth of our stock. Given changes in investment portfolio values, reserve strengthening for noncore operations and accounting adjustments, we expect segment dividend to be moderately below our target of roughly 3/4 of segment adjusted EBITDA, including catastrophes. While lower, we still expect capital generation to be strong given our business model and product mix. As always, segment dividends are subject to the growth of the businesses, rating agency and regulatory capital requirements and investment portfolio performance.

In conclusion, we believe Assurant is well-positioned for long-term growth and strong capital generation, underscored by the attractive portfolio of Global Lifestyle and Global Housing businesses.
And with that, operator, please open the call for questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Michael Phillips from Morgan Stanley.

Michael Wayne Phillips
Morgan Stanley, Research Division

So I guess I want to talk on the inflationary pressures you're seeing on the lender-placed, but can we switch that over to the lifestyle side? And anything that you're seeing there on either Auto or Mobile, maybe you can talk about how much risk you retain on that side. It's clearly not 100%. But anything that you're seeing there that might cause pressure from inflationary pressures there? And if so, kind of your ability to combat that?

Keith Warner Demmings
President, CEO & Director

Terrific. Yes. So I think the Lifestyle business has obviously performed very well this year. We've raised the outlook for the full year. So we're confident in the momentum. I would say in terms of the resiliency, we've been dealing with a couple of things, certainly inflationary pressures, but also supply chain constraints as you think about the last couple of years of the pandemic, particularly around parts, both on the Connected Living and the Auto side.

So I think the nature of our deal structures is quite favorable. 2/3 of the time we're not holding the risk relative to the services we perform and the programs that we manage. So that's been very helpful. I'd say we've got a stronger orientation to fee income, even in deals where we retain risk, we're targeting fees. We've got typically allowable loss ratios, ability to reprice. You will see timing issues occur in terms of -- sometimes losses are a little higher, we may recover that over time with client deal structures.

But it hasn't been an issue that's emerged over the course of the last several quarters. We feel really good about it, certainly never fully insulated, but a very different operating model. And then if you think about inflation on the housing side, we've got rate filings, inflation guard and a number of factors that are being put in place to combat that. So lifestyle has been quite resilient from that perspective.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. Okay. You mentioned, Keith, on the opening comments about -- on the lender-placed side, in inflation guard and then you also mentioned double-digit on renewals. Was that the same -- was that double digit? Was that the inflation guard? Or is that on top of the inflation gaurd?

Keith Warner Demmings
President, CEO & Director

So the -- so if you think about inflation guard, we put a double-digit rate increase in July. So that is going to flow through the book as it renews. We've also got regular course rate filings. We've been accelerating rate filings with states, obviously, as severities have been higher and losses have been higher. We've actually gotten 30 state rate filings approved this year, not all of which have been fully implemented, but they're all approved and will be implemented by the end of the next year -- or by the end of this year, sorry. And then we've got an additional set of discussions ongoing with states. So that additional rate layers on top of the double-digit increase that we talked about relative to inflation guard.

Michael Wayne Phillips
Morgan Stanley, Research Division

Is there any difference in here, can you maybe just talk about the difference that you have in those other rate filings by state that you're alluding to, different than a traditional, say, homeowners insurance company where the clients are individuals like me and you, your clients knowing your place are a little different. So does that give any differences in the ability, the speed at which or the ability to take higher rate and the speed that you can take them than maybe a traditional insurance company?

Keith Warner Demmings
President, CEO & Director

Yes. I think probably a couple of things. First of all, these are short-tail policies, they're annual policies. So as we do get rate, it flows through over a 12-month period, number one. I think the fact that we've got inflation guard built into the product, we don't have to get approval. That's already approved, and we just apply an inflationary factor every year. That drives AIVs up and corresponding increases to rate. So that -- I would call that normal course.

Obviously, inflation is elevated. The industry data supports a higher inflation factor driving more AIV. In terms of the rate, I think as we work with states, we're really looking at the historical experience to justify the increases that we're getting. And I'd say that, that happens like very consistently with what other insurers would be doing. But we've been more aggressive as others have, just in terms of the heightened severities that we're seeing in the marketplace.

So good opportunity to get rate. We're looking to make fair returns on the business. I would say it doesn't have a huge impact on volume. So we've got exceptional relationships with our clients. Obviously, this is a lender-placed policy, and we expect to see consistent policy counts as we move forward even in this higher inflationary environment with more rate flowing through.

Michael Wayne Phillips
Morgan Stanley, Research Division

Congrats, and best of luck in the future.

Operator

Our next question comes from the line of Jeff Schmitt from William Blair.

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

What is your view on where the placement rate in the lender-placed business could go next year if we move into a recession, whether we're in one now or not, let's say, sort of a deeper recession if interest rates continue to move up, could that move above 2% pretty quickly? Or where do you think that could go?

Keith Warner Demmings
President, CEO & Director

Yes. I think it depends on a range of factors. I would say that as you see the placement rates are relatively stable and have been so for several quarters, and that's just the strength of the housing market, the fact that there's so much positive equity. And I also think about placement rate really tracking closely to delinquency and you've got a prevalence of servicers working on loan modifications, a lot of loss mitigation efforts that's really limiting delinquency, it's limiting foreclosure activity.

Obviously, if that starts to shift and that starts to change and delinquency rates rise at any level significantly, that would have a corresponding impact on our placement rate. Obviously, if there are more foreclosures that would drive up our REO volumes, which are really probably 1/3 of pre-pandemic level. So there's certainly upside over time in placement rate. The real question is, when does that emerge in the economy just because of the strength of the Housing market.

You've also got rising interest rate pressure, certainly, a hardening voluntary insurance market, higher inflationary pressure. So I think we need to see how the economy responds and how consumers respond to get a better feel. We're not counting on a big increase in placement rates as we think about our longer-term expectations. And obviously, if that does happen, that's where we talk about it being a countercyclical hedge from a housing perspective.

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

Right. Okay. That makes sense. And then the expense ratio in Global Housing continues to run above 46%. I think in the past, you've guided to sort of 44% to 46%. Is there some kind of inflation driving that higher? Or when do you think it could move below that 46% level?

Keith Warner Demmings

President, CEO & Director

Yes. And maybe, Richard, do you want to talk about expenses?

Richard Steven Dziadzio
Executive VP & CFO

Yes. Yes, it's a great question. It is up a little bit over the last quarter to 46%. So I think you're right. It's a little bit higher than we'd like to see it. We are -- we've talked about in previous calls. We are investing digitalization in projects like that, create more efficiencies, as Keith said in his opening remarks. So we would see that, I would say, over time as these projects and these efforts come through. Also, the first question on placement rates as the volumes of the business grow, obviously, the things that we have in place in our operations are very leverageable. So that would also bring down the expense ratio over time.

Operator

Your next question comes from the line of Tommy McJoynt from KBW.

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

So what are the expectations for the noncore operations loss contribution going forward? Is that meant to be more of a breakeven? I know it's excluded from the guidance. And what's the general time horizon for that wind down?

Keith Warner Demmings
President, CEO & Director

Sure. Maybe I can start, and then Richard can add on. So we made the decision this quarter, as we talked about, to exit all of our long-tail liability business and driven by the decision around sharing economy. So as we talked about, just wasn't strategically aligned with the direction that we're headed as a company. And it was highly specialized niche business with inherent risk and volatility. We didn't see a path to leadership. We didn't think we could generate the financial returns. But it wasn't strategically aligned with the direction of the company.

So as part of that, all of the clients have already been notified. All of the contracts will be non-renewed. I would say, by first quarter of '23, the net earned premium will be immaterial. And by this time next year, it will be gone completely, really just at that point, managing the runoff. As you saw, we put up a reserve. So as we exited did a very comprehensive top-to-bottom review of the performance of the business, I did a lot of scenario analysis to try to think about how this could emerge over time, put up a full reserve to adequately cover the runoff, which we think is appropriate and look to put this behind us.

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

Okay. And I guess, as you kind of explored what to do with those businesses, there was no way to sort of monetize what you've built there. And I guess, just you have typically been kind of sellers and ways to monetize things, there just wouldn't be any kind of takers for those businesses?

Keith Warner Demmings
President, CEO & Director

Yes. I think potentially, we could have looked at that as a path. We didn't see it viable. And really, it could have become a distraction to focusing on driving growth through the rest of the organization. We will certainly consider alternatives now that we've put it in runoff to see if there's a way to structure something around sharing the risk with a third party. That's certainly possible, and we'll look to consider that. But the value for monetization, I would say, was lower than the distraction factor of trying to work through that process quite candidly.

Operator

Your next question comes from the line of Mark Hughes from Truist Securities.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

The multifamily business is kind of flat in terms of top line this quarter. What's happening there?

Keith Warner Demmings
President, CEO & Director

Yes. So a couple of things. First of all, I would say we feel like we're really well-positioned in the retros business. We've got 2.6 million customers. So it's giving us a great opportunity in terms of market leadership, scale. We've been investing in the customer experience, deepening our expertise. So we do expect long-term growth. It's a very attractive part of the market.

I would say in terms of the results being flat, we do have strength in growth within the property management company channel. So that continues to grow exceptionally well. We're gaining share. We're driving attach rates, and we're having a lot of success with our Cover360 product, really just more integrated into the byflow. We've talked about better digital tools, collecting the insurance as part of the rent and just leveraging our full capability. So that's going extremely well.

We have an affinity portion of our business, which the growth has slowed where we partner with insurance companies. I think as insurance companies have been focusing on getting rate and dealing with inflationary pressures, a little less marketing generally with some of our partners. So I think that normalizes over time as the economy finds more stability in the future. But we are seeing growth, and we do think long-term growth will emerge as we continue to focus on this part of our business.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

And, Richard, the investment portfolio, what do you anticipate in terms of the progression in the yield? What's the new money yield? What kind of turnover is there in the portfolio? A little bit on that would be helpful.

Richard Steven Dziadzio
Executive VP & CFO

Yes, sure, Mark. Yes. First of all, I would say that rising interest rates overall are good for the business, and we've been seeing that in this quarter as well. We've had some real estate gains, as we mentioned in our remarks, but we also have fixed income and yields on fixed income raising. We have a 5-year duration. So think about 20% of the portfolio rolling over every year. So we won't have any quantum step in terms of long-term rates and long-term yields. But it will gradually increase over time, which is a good thing. I think you probably saw the yield for this quarter over 3.5%, which is quite good.

What's interesting too about it is if we look at our book of business, if we go back a year from now, the assets that were coming to maturity or the fixed income coming to maturity, we're rolling over at lower levels than they were maturing at. Now they're rolling over for the most part at higher levels. So that bodes well for the future. And short-term rates, yes, we have some of our money and cash, obviously. And we're getting an immediate impact on that. Obviously, smaller dollars given a smaller level of cash that we have relative to the fixed income portfolio.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Then, Keith, you had -- I think you said you expect adjusted EBITDA to accelerate next year. Could I hear that properly? And any other metrics you want to throw out for next year, maybe EPS growth?

Keith Warner Demmings
President, CEO & Director

Yes. I think as we look at the year at 3% to 6% in terms of our EBITDA growth. We certainly expect that to be increasing as we move into 2023. And I'd say, largely, we do expect the lender-placed business and Housing overall to continue to improve as we get more rate. And then we do have great momentum in Lifestyle. So we haven't set the specific target for 2023 and 2024. What we have said is on average, we want to deliver north of 10% EBITDA growth. We're still committed to our long-term objectives from Investor Day, which I think is really important. And we're going to do everything we can to deliver those results and be accountable to delivering our financial commitments.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

And then just one final one. The timing of the rate increase is going to get the inflation guard for the lender-placed, does that only kick in if there is a renewal cycle around that? Or why wouldn't that kick in immediately?

Keith Warner Demmings
President, CEO & Director

Yes. So the policies are annual, and they renew it each year. So if you think about, let's take July, for example, we put in place double-digit rate increases for the cohort of annual policies that renewed in July. So think about that rate going in 1\12 at a time over 12 months and then think about it earning 1/12 at a time after it's in place. So the whole cycle takes 24 months, but it builds momentum month by month by month.

And then we've also got, as I said, state-related rate increases that go in at different periods in the year. That's also contributing. And I mentioned 30 approved rates really affecting about 75% of our premium overall and then a number of additional filings that are ongoing. So we do feel like we've got a great opportunity with rate, it's a terrific mechanism and designed to deal with inflationary pressures. And we expect it to work, and we expect to get the housing business where it needs to be from a total return perspective.

The one thing that's interesting, if you think about Housing, and it's a tough quarter, right? We're not pleased with the results in the quarter. The first half housing combined ratio is 86%. The first half annualized ROE, it's 20.6%. That will normalize as we get through the rest of the year. But we still think it will be quite strong overall, given we're underperforming our own expectations.

So I do want to highlight that as the backdrop. It is a strong business. It generates tremendous cash flow. We've got great market-leading advantages, and the financial performance is still strong. It's just not where we want it to be to deliver on our total commitments.

Operator

Your next question comes from the line of John Barnidge from Piper Sandler.

John Bakewell Barnidge
Piper Sandler & Co., Research Division

You talked about a -- signing a multiyear renewal with a cable operator. Last quarter, you also talked about an expanded relationship. Can you talk about maybe what the renewal calendar looks like? And how do you think about potential hit rates for expanded relationships as you come up on renewal?

Keith Warner Demmings
President, CEO & Director

Yes. We've had a pretty good track record of maintaining our clients, and this is true across the board. We actually renewed two of our larger lender-placed clients on the housing side this quarter. I didn't mention in the prepared remarks, but our team did a fantastic job on those client renewals. And I'd say that we've got a track record of renewing clients. Average tenure of clients is extremely long. So we're proud of that, and it's all based on delivering and executing for the clients, but ultimately for end consumers.

In terms of the cable space, I think we've become a market leader with cable operators who are -- who have entered the mobile space, they're growing rapidly. They're evolving their products and services meaningfully every year, and we're really proud of the work that our teams have done there. And I think that's built a lot of momentum.

So we're strong with carriers. We're strong with new market entrants. And we've been a company that's been quite nimble in how we've approached the market. Hopefully, that also sets us up to grow new relationships with new clients as we move forward. And we think we're extremely well-positioned in Connected Living, And we've invested significantly over many, many years to get to this position, and we have great fantastic momentum.

John Bakewell Barnidge
Piper Sandler & Co., Research Division

And then as it relates to expanded relationships similar to what you announced today and then in the first quarter, how do you think about the potential to leverage what you've done so far?

Keith Warner Demmings
President, CEO & Director

Yes. I think -- when I look at the growth opportunity in Connected Living, I still think that we have more growth opportunity there than in any business that we operate. And it's growing the fastest and it's the largest contributor to financial results. So that's a pretty strong place to be. On your biggest, most successful business still has more white space, both in terms of the core of what we do, but also in terms of expanding our scope of services and then winning new clients. We've talked about trade-in and the fact that we do trade-in services with multiple brands now around the world. That creates opportunity for us to build deeper partnerships where we can add additional value over time. As we think about the evolution, we've talked a lot about leveraging our network for in-store repair. Those are additional capabilities. We operate 500 CPR stores. That is something that we want to continue to leverage to create value for our partners.

As I think about the work that we've done with T-Mobile, that's another great example in terms of service and repair. It wasn't designed to be a significant financial contributor overall. It was designed around how do we give consumers choice and better options to get their repairs done at their convenience. As I think about that part of the business, volumes have been a little lower than expected, but customer feedback and Net Promoter Scores have been exceptional, and I would say higher than we would have otherwise anticipated. We actively work to optimize that program to modify the program and expect over time, changes to be financially beneficial for both parties. So a lot of interesting momentum in this part of the business.

John Bakewell Barnidge
Piper Sandler & Co., Research Division

Great. And then if I could ask one more question. On the expense initiatives that you talked about, which should help to offset inflation. Is there a way to size or dimension how we should be thinking about these scale economies?

Keith Warner Demmings
President, CEO & Director

Yes. So probably a couple of thoughts, and then Richard can certainly add in. We have seen progress in a lot of the great efforts by our team, particularly in housing on digital first, so really transforming our operations and driving more efficiency and better experience. That's building quarter over quarter over quarter. So we do see momentum in the second half and further acceleration as we get into 2023, even at the current level of placement rates in the current scale.

We're also looking to continue to simplify the business. optimize support structures, how do we focus our energy where we can move the needle the most. So that work is ongoing as well. And then to Richard's earlier point, if we do get an increase in volume through placement rate over time, we have natural economies of scale that will benefit the P&L over time.

Operator

Your next question comes from the line of Brian Meredith from UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

A couple here. First, Keith, could you remind us what the potential impact here? Is it from a consumer-led recession on mobile subs as well as just growth as well as like average revenue per subscriber. Will you see that decline if you've got a kind of consumer-led recession?

Keith Warner Demmings
President, CEO & Director

Yes. I think from a mobile perspective, I would say that, first of all, there still seems to be very strong demand for high-end smartphones in key markets, even as we see pressure in the economy. The high-end smartphone market is up year-over-year, and it's up in our core markets. So that's a really good thing. We see clients continuing to push for growth today to take advantage of their investments in 5G and the relevance of the mobile device today, it's increasingly important for consumers. So that's helpful backdrop.

I would say that the majority of our total economics in mobile are driven by our device protection subscribers. We've got 63.5 million global subs. Whether a customer buys a new device or retains their old device, it doesn't move that number a significant amount. Obviously, if our clients are growing or shrinking in terms of net adds, that can have an impact over time, but fairly moderated and based on the nature of the subscription service. Where I would see more pressure would be potentially less trade-in activity, if there were less mobile phone sales, which we certainly haven't seen. Mobile phone sales are strong, trade-ins are very strong, but that would be the leading indicator if trade-in starts to slow down.

That's not a big driver of total economics. The counterpoint would be used devices will become more valuable, more attractive, and there may be other ways for us to monetize it. So I think mobile is relatively protected from any kind of short-term shocks from a recessionary environment.

Brian Robert Meredith
UBS Investment Bank, Research Division

But I'm just curious also if -- because I know you've all talked about selling additional services per sub, right? And that's been a big -- does that slow down? Or is somebody did not take that optional AppleCare or whatever it is product?

Keith Warner Demmings
President, CEO & Director

No, I don't think so. I think we've seen really steady attach, really steady churn. I think consumers are inclined to protect high-end devices generally. And certainly, if there are more strap for cash having protection in place is probably a good thing. But we haven't seen through economic cycles, really material changes in terms of the attach of the churn over time. So we don't expect that would be a big driver.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. And then I guess my next question, just curious, we've talked about the lender-placed, but on the multifamily business, what's the impact of inflation there? I would imagine you get some pressure there as well potentially.

Keith Warner Demmings
President, CEO & Director

Yes. Definitely, there is some incremental increases in the non-cat loss ratio. Certainly, a little bit of that is inflation. But I would say, broadly, it's more getting to in-line with pre-pandemic. So we saw more favorability in loss ratios as people were home more during the pandemic. I think we've seen that normalize. And obviously, we get rate adjustments on that product line, too, as needed and as justified. But I don't see a huge inflationary impact. It's more just lining up with historicals.

Brian Robert Meredith
UBS Investment Bank, Research Division

So it's more from a frequency perspective, that things are picking up rather than severity, okay.

Keith Warner Demmings
President, CEO & Director

Correct.

Brian Robert Meredith
UBS Investment Bank, Research Division

And then just quickly, last question, Richard, just curious the, call it, underlying loss ratio for Global Housing was 47%, but when you adjust out some of the current year development and prior year development. Kind of what's the baseline kind of run rate loss ratio in that non-benefit ratio?

Richard Steven Dziadzio
Executive VP & CFO

Yes. When we back out the reserving that we did, the strengthening of the reserves that we did, we're getting closer to the low 40s. I would say -- on the other hand, call it 43%. On the other hand, what I would say, as Keith articulated earlier, we do have inflation coming through. There will be a lag in terms of when the rates and inflation guards come through. So I wouldn't see that rate coming down so faster than that, faster than 43% or lower than 43% any time kind of in the next quarter. I think over time, we're going to see that improve and probably go closer to 40% as we go through the end of the year into next year, so forth. It's hard to predict because, obviously, it's hard to predict what inflation is going to do for the rest of the year. But essentially, as we're looking forward at our forecasting, that's what we're looking at.

Operator

And your final question comes from the line of Grace Carter from Bank of America.

Grace Helen Carter
BofA Securities, Research Division

So I just had kind of a quick clarification question to start from one of the prior questions. I guess thinking about the original adjusted EBITDA growth targets for 2023 and 2024, I think average of 10%. And I mean just thinking about like the lower base, I guess, expected for 2022. I mean is -- should we just assume that the 2024 adjusted EBITDA levels will come out a little bit lower than maybe the original growth expectations implied? Or I guess, what is the likelihood that EBITDA growth over the next couple of years could accelerate sufficiently to get it kind of back in that original range?

Keith Warner Demmings
President, CEO & Director

Yes. It's a great question. And I would say that my commitment and the goal that we have in terms of financial performance is to deliver the original Investor Day outlook for 2024. So what that implies is we've got to accelerate growth beyond the original 10% in '22 -- or '23 and '24 to make up for the shortfall in 2022, which is exactly your point. So that's certainly how we're thinking about it, Grace.

Obviously, there's a lot of moving parts and there's a lot of unknowns as we think about the economy and inflation. The good news is, I think the miss, as we look at 2022, is entirely driven by housing loss ratio from inflation, in particular from severity. And because of the features within the product and the ability to get rate that naturally resolves itself over time without a degradation in volume. So provided that, that rolls through as we expect and hope that it will, provided inflation calms down.

So our current thinking is inflation stays elevated through the end of the year begins moderating and moderates consistently through '23 and then sort of normalizes into '24. If that happens, we do feel good about our 2024 long-term commitment. And part of it is the strength of Global Lifestyle and in particular, investment income in Auto has been strong. The business has been generating significant growth. And then Connected Living and Mobile, in particular, has been on quite a role in the last handful of years.

Grace Helen Carter
BofA Securities, Research Division

And then, I guess, I just wanted to confirm that the -- kind of target combined ratio range that [Doug] mentioned before, I think 84% to 89% in the housing book still holds even with the exit of certain businesses? And I guess just kind of how should we think about the ability to stay within that range over the next few quarters as -- just given the pressure from inflation, versus still kind of waiting for the rate increases turn through?

Keith Warner Demmings
President, CEO & Director

Yes. I would say that we're going to finish the year at least if we think about our forecast today and what's implied in that forecast when you unpack Housing. It may be a little above our range on a combined ratio basis, probably at the low end in terms of ROE. So pretty strong financial performance still overall based on those metrics. But let's say, a little bit worse than the range. We definitely think that 84% to 89% range over time is the right target for this business. And the exit of sharing economy, I'd say it wasn't a huge business, not a big driver, and it doesn't significantly change the way we think about combined targets.

Well, thank you very much, everybody. Appreciate all the questions and the interest in the company. We had a solid first half of the year, led by the strength of the Global Lifestyle segment. We believe our business model remains well-positioned, as we've talked about, even in a challenging macro environment. In the meantime, please reach out to Suzanne Shepherd and Sean Moshier with any follow-up questions. Thanks, everybody. Have a great day.

Operator

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