S&P Global
Market Intelligence

Assurant, Inc. NYSE:AIZ

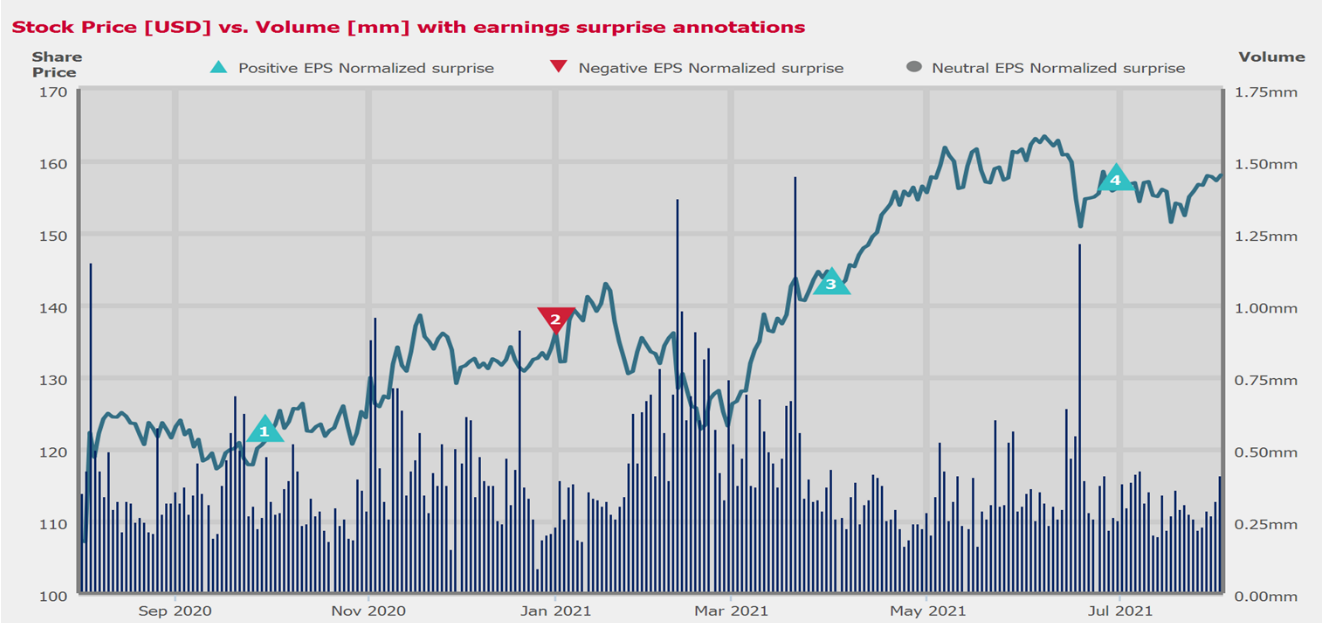
FQ2 2021 Earnings Call Transcripts

Wednesday, August 04, 2021 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2021-			-FQ3 2021-	-FY 2021-	-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	2.50	2.99	▲19.60	2.19	10.01	NA
Revenue (mm)	2397.88	2542.30	▲6.02	2500.29	10003.74	NA

Currency: USD
Consensus as of Aug-04-2021 3:42 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2020	0.99	1.41	▲1 42.42 %
FQ4 2020	2.08	1.82	▼2 (12.50 %)
FQ1 2021	1.94	2.47	▲3 27.32 %
FQ2 2021	2.50	2.99	▲4 19.60 %

Table of Contents

Call Participants

EXECUTIVES

Alan B. Colberg
CEO & Director

Keith Warner Demmings
President

Richard Steven Dziadzio
Executive VP & CFO

Suzanne Shepherd
Senior Vice President of Investor Relations

ANALYSTS

Brian Robert Meredith
UBS Investment Bank, Research Division

Gary Kent Ransom
Dowling & Partners Securities, LLC

Grace Helen Carter
BofA Securities, Research Division

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

Hello, and good day. Thank you for standing by. Welcome to the Assurant Second Quarter 2021 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

Thank you, operator, and good morning, everyone. We look forward to discussing our second quarter 2021 results with you today. Joining me for Assurant's conference call are Alan Colberg, our Chief Executive Officer; Keith Demmings, our President; 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 2021. The release and corresponding financial supplement are available on assurant.com. We'll start today's call with remarks from Alan, Keith and Richard before moving into a Q&A session.

Some of the statements made today are forward-looking. Forward-looking statements are 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 information on these measures, the most comparable GAAP measures and a reconciliation of the two, please refer to yesterday's news release and financial supplement.

I will now turn the call over to Alan.

Alan B. Colberg
CEO & Director

Thanks, Suzanne. Good morning, everyone. We are very pleased with our second quarter results. Our performance so far this year across our Global Lifestyle and Global Housing businesses demonstrates the power of our strategy to support consumers connected lifestyle and continues to give us strong confidence in the future growth prospects for Assurant.

Prior to reviewing our progress against our 2021 financial objectives, I wanted to take a moment to express my deep gratitude to our employees around the world, specifically for their continued dedication and support for all of Assurant's stakeholders during my tenure as CEO and especially over the last 18 months of the pandemic. Our talent is a great enabler of our company's growth and progress, and Keith Demmings' appointment as my successor is evidence of that. With a 25-year-long career with the company, Keith has a clear track record of success and personifies the values and integrity that are emblematic of Assurant's culture and he's a natural choice as our next CEO. His deep operational experience and strong engagement with clients has been instrumental in guiding Assurant's growth across the enterprise. As CEO, Keith will drive innovation through our connected world and Specialty P&C businesses.

The completion of the sale of Global Preneed to CUNA Mutual Group marks another important milestone for Assurant as it enables our organization to further deepen our focus on our market-leading lifestyle and housing businesses. I would like to thank all of our former Preneed employees who have transitioned to CUNA Mutual Group for their tremendous support to Assurant and our clients and policyholders.

As we look to the convergence of the connected mobile device, car and home, we believe our Connected Living, Global Automotive and Multifamily Housing businesses will continue their compelling history of strong growth into the future. Not only do our Connected World businesses have a history of profitable growth, more than tripling earnings over the last 5 years, we're also characterized by partnerships with leading global brands, broad multichannel distribution that provides consumers with choice, value and exceptional service and a track record of innovative offerings that have become industry standards. ESG is core to our strategy and sure we'll build a more sustainable Assurant for all of our stakeholders focusing on talent, products and climate.

During the quarter, we continued to advance our ESG efforts as we work to create an even more diverse, equitable and inclusive culture that promotes innovation, enhances sustainability and minimizes our carbon footprint. We recently completed our 2021 CDP climate survey, our sixth annual scoring submission, expanding this year to include Scope 3 greenhouse gas emissions across several categories. The CDP survey is an important climate change assessment, which many of our key stakeholders rely on each year. Our efforts have led to recognition that we're proud of.

During the quarter, Assurant was recognized as a 2021 honoree of the Civic 50 by Points of Light, distinguishing Assurant as one of the 50 most community-minded companies in the U.S. We are proud of our progress and believe the future of Assurant is bright. Together, lifestyle and housing should continue to drive above-market growth and superior cash flow generation, with the ability to outperform in a wide spectrum of economic scenarios and ultimately, continue to create greater shareholder value over time.

Year-to-date, excluding reportable catastrophes, net operating income per share was $6.02, up 14% from the first half of last year and net operating income was $366 million, an increase of 13%.

Adjusted EBITDA increased 12% to $600 million. These results support our full year outlook of 10% to 14% growth in net operating income per share, excluding affordable catastrophes. While we expect earnings growth in the second half on a year-over-year basis, our outlook for the full year assumes a decline in earnings from the first half, reflecting increased investments to support long-term growth in our Connected World businesses, lower investment income and increased corporate and other expenses due to timing of spending.

Turning to capital. From 2019 through June of this year, we've returned to shareholders over 88% or almost $1.2 billion of our 3-year $1.35 billion objective. In July, we repurchased an additional 737,000 shares for $115 million and declared our quarterly common stock dividend for the third quarter, essentially completing our objective when paid. In addition to completing this objective, we expect to return $900 million in net proceeds from the sale of Global Preneed within the next 12 months, and therefore, expect buybacks to continue at a higher-than-usual level throughout the remainder of the year and into 2022.

I'll now turn the call over to Keith to review our key Connected World highlights for the quarter. Keith?

Keith Warner Demmings
President

Thank you, Alan, and good morning, everyone. I wanted to begin by expressing my thanks to Alan for his steadfast leadership and the successful transformation of Assurant since becoming CEO at the beginning of 2015. Through his strategic vision and intense focus on the evolving needs of our clients and end consumers, Alan and our team have solidified market-leading positions in our Connected World and Specialty P&C businesses, helped Assurant establish a strong growth, capital-light service-oriented business model where our Connected World offerings now comprise approximately 2/3 of our segment earnings and ultimately, work together to unlock the power of our Fortune 300 organization, prioritizing resources against initiatives with the highest growth potential and standing up key enterprise capabilities and functions, which we can now leverage across our growing client and customer base.

As a result, Assurant is on track to deliver our fifth consecutive year of strong profitable growth. As I continue to work closely with Alan over the coming months, I'm also engaging with many of our key stakeholders, including shareholders and analysts, who have shared valuable perspectives as we define our multiyear plan. As I identify key focus areas, I will prioritize developing and recruiting top talent, investing strategically to sustain and accelerate growth through product innovation and new distribution models, differentiating us further from our competition through continuous improvement in our customer service delivery and supporting the investment community in better understanding our portfolio as we look to drive further value creation. Our long-term goal will continue to be to deliver sustained growth and value to all of our stakeholders. Our ability to deliver on these ambitions will require additional innovation and investments to ultimately provide a superior customer experience and deepen our client relationships.

Innovation will continue to be a key differentiator for Assurant, especially as we evolve with the convergence of the connected consumer. As part of our ongoing commitment to delivering a superior customer experience with a range of service delivery options, we'll be further building out our same-day service and repair capabilities for which there is growing demand. This requires upfront investments, which we expect to accelerate in the second half of this year as we look to provide additional choice and convenience for the end consumer. These investments are critical to sustain our competitive advantage in markets like the U.S.

As we look to continue our culture of innovation, you may have seen we recently announced 2 key leadership changes to support those efforts. Manny Becerra, a 31-year veteran of Assurant, who is instrumental in driving the growth of our mobile business, was appointed to the newly created role of Chief Innovation Officer. Given his many contributions to our success, including the development of our mobile protection and trade-in and upgrade business, he will bring dedicated resources to accelerate innovation across the enterprise to capitalize on the rapid convergence across our home, automotive and mobile products.

Biju Nair will now lead our Connected Living business as its President. His strong track record of delivering profitable growth and client service excellence combined with his depth of experience, particularly as the former CEO of Hyla Mobile makes him the perfect choice.

A prime example of how innovation has allowed us to deepen and expand client relationships as well as create new revenue streams is our long-standing partnership with T-Mobile. Over the past 8 years, we have worked together to offer their customers innovative device protection, trade-in and upgrade programs while further developing our supply chain services to support their mobile ecosystem. We are happy to announce that T-Mobile has extended our partnership as their device protection provider. While we are currently finalizing contract terms, we are excited about the multiyear extension of our relationship and our ability to continue to expand our services to deliver a superior customer experience.

In addition to our innovation efforts, our investments over the past several years have supported our growth through the success of new and strengthened client relationships. After an initial investment in 2017, this quarter, we purchased the remainder of Olivar, a provider of mobile device life cycle management and asset disposition services in South Korea. While small in size, this acquisition enhances our global asset disposition capabilities and deepens our footprint in the Asia Pacific region while complementing the recent acquisitions of Alegre in Australia and Hyla Mobile. These investments have enhanced our technology, operational capabilities and partnerships in the trade-in and upgrade market, positioning us to capitalize on the 5G upgrade cycle over the next several years.

While later this year, the growing availability of 5G smartphones, combined with trade-in promotions, demonstrate increasing momentum for the upgrade cycle. For carriers, retailers, OEMs and cable operators, 5G offers an opportunity to drive additional revenue and gain market share. Strong trade-in and upgrade promotions have also led to higher trade-in volumes for Assurant as well as higher Net Promoter Scores and net subscriber growth within our client base. Our focus on our client relationships, combined with our willingness to innovate to enhance the end consumer experience, continues to create momentum for our businesses.

Over the last few months, we have delivered several new partnerships and renewals throughout the enterprise, including the renewal of 2 key European mobile clients, representing 700,000 subscribers; renewal of 8 global automotive partnerships, representing over 10 million policies across our distribution channels; renewal of 3 Multifamily Housing property management companies, including 2 of the largest in the U.S. as we continue to grow the rollout of our Cover360 product; renewal of 3 clients and 2 new partnerships in lender-placed as we provide critical support for the U.S. mortgage market.

In summary, I am very excited to lead our 14,000 employees into the future and build on the tremendous momentum created under Alan's leadership.

I'll now turn the call over to Richard to review the second quarter results and our 2021 outlook. Richard?

Richard Steven Dziadzio
Executive VP & CFO

Thank you, Keith. Good morning, everyone. We're pleased with our second quarter performance, especially when compared to our strong results last year. For the quarter, we reported net operating income per share, excluding reportable catastrophes, of $2.99, up 12% from the prior year period. Excluding GAAP's net operating income for the quarter, totaled $184 million. And adjusted EBITDA amounted to $298 million, a year-over-year increase of 12% and 10% respectively.

Our performance across Lifestyle and Housing remains strong, and we also benefited from a lower corporate loss and higher investment income, primarily related to the sale of a real estate joint venture partnership.

Now let's move to segment results, starting with Global Lifestyle. The segment reported net operating income of $124 million in the second quarter, a year-over-year increase of 2%. This was driven by growth in Global Automotive and more favorable experience in Global Financial Services.

Earnings increased $7 million or 16% from continued strong year-over-year growth related to our U.S. clients across various distribution channels. Results within auto also included a $4 million increase from the sale of a real estate joint venture partnership. Absent this gain, investment income in auto was down. Connected Living earnings decreased by $9 million compared to a strong prior year period. The decline was primarily driven by less favorable loss experience in our extended service contract business. Mobile earnings were modestly lower. The less favorable loss experience in service contracts in mobile was primarily related to our European and Latin American businesses. These regions benefited from lower claims activity in the prior year period due to the pandemic.

Our underlying mobile business continued to grow in North America and Asia Pacific from enrollment increases at mobile carriers and cable operators with an increase of over 1 million covered devices in the last year. In addition, contributions from acquisitions such as Hyla Mobile benefited results.

For the quarter, Lifestyle's adjusted EBITDA increased 6% to $186 million. This reflects the segment's increased amortization related to higher deal-related intangibles for more recent transactions in mobile and Global Automotive.

IT depreciation expense also increased, stemming from higher investments. As we look at revenues, Lifestyle increased by $169 million or 10%. This was driven mainly by continued growth in Global Automotive and Connected Living. Within Global Automotive, revenue increased 13%, reflecting strong prior period sales of vehicle service contracts.

Industry auto sales continued to increase during the quarter, with April seeing record levels in the U.S. This was reflected in our net written premiums of roughly $1.3 billion in the quarter, the highest quarter ever recorded.

Connected Living revenues were 7% for the quarter. In addition to growth in service contracts, mobile fee income was driven by strong trading volumes, including contributions from Hyla. For the full year, Lifestyle revenues are expected to increase modestly compared to last year's $7.3 billion, mainly driven by year-to-date Global Auto and Connected Living growth. We continue to expect covered mobile devices to grow mid-single digits in 2021 as we increase subscribers in key geographies like the U.S. and Japan. This also reflects a reduction of 750,000 mobile subscribers related to a European banking program that moved to another provider in the second quarter. As we previously outlined, this is not expected to significantly impact our profitability.

For 2021, we still expect Global Lifestyle's net operating income to grow in the high single digits compared to the $437 million reported in 2020. While we expect earnings growth year-over-year for the second half, earnings in the second half of the year are expected to be lower compared to the strong first half performance, primarily due to 2 items: First, investments will increase across Connected Living in the second half of the year, including our same-day service and repair capabilities. While these investments will mute earnings growth in the short term, they are expected to generate growth over the long term. And second, the investment income will be lower as we are not expecting gains from real estate joint venture partnerships that benefited the second quarter in auto.

Adjusted EBITDA for the segment is still expected to grow double digits year-over-year at a faster pace than segment net operating income.

Moving now to Global Housing. Net operating income for the quarter totaled $94 million compared to $85 million in the second quarter of 2020 due to $10 million of lower reportable catastrophes. Excluding catastrophe losses, earnings were relatively flat as growth within lender-placed and higher investment income was offset by the expected increase in non-cat loss experience across all lines of business. Investment income included a $4 million increase from the sale of a real estate joint venture referenced earlier.

Regarding the non-cat loss ratio, the second quarter of 2020 benefited from unusually low non-cat losses, including impacts from the pandemic. As anticipated, we saw an increase in the frequency and severity of claims in the second quarter. We also increased reserves related to the cost of settling runoff claims within our small commercial book.

In Multifamily Housing, underlying growth was offset by increased investments to further strengthen our customer experience, including our digital-first capabilities. Within lender-placed, higher revenues and investment income were partially offset by unfavorable non-cat loss experience and declining REO volumes from ongoing foreclosure moratoriums. Looking at loans-tracked, the $1.5 million sequential loan decline was mainly attributable to a client portfolio that rolled off in the second quarter. However, the decline in loans-tracked, that should be partially offset by 2 new client partnerships in the quarter, which should enable us to onboard approximately 700,000 loans by year-end.

We also continued to reduce risk within housing. At the end of June, we completed our 2021 catastrophe reinsurance program. To mitigate multi-event risk, we added a flexible limit that can be used to reduce our retention from $80 million to $55 million in certain second and third events or increase the top of the tower of $50 million in excess of $950 million in the rare case of a one in 174-year event. We also increased our multiyear coverage to over 50% of our U.S. tower.

In terms of revenue, Global Housing's revenue increased 5%, primarily due to double-digit growth in Multifamily Housing as well as higher revenue in lender-placed, including higher premium rates and average insured values. As a result of the strong first half, we now expect Global Housing's net operating income, excluding cat, to be flat compared to the $371 million in 2020. This is above our initial expectations that earnings would be down this year. Earnings in the second half are expected to be lower than the first half of the year, primarily related to 3 items: first, lower net investment income, particularly considering the real estate joint venture gain in the second quarter; second, lower results in our specialty P&C offerings after a strong first half; and third, continued investments in the business, particularly in Multifamily Housing to sustain and enhance our competitive position. We also continue to monitor the REO foreclosure moratoriums and any additional extensions that may be announced.

At Corporate, the net operating loss was $12 million compared to $29 million in the second quarter of 2020. This was driven by 2 items: First, lower employee-related expenses and third-party fees, which we expect to increase in the second half of the year. And second, we had $6 million of favorable onetime items, including a tax benefit and income from the sale of the real estate joint venture partnership. We also anticipate higher spending in the second half of the year compared to the first half due to an increase in recruiting and moderate travel and related expenses as we expect to begin a phased reentry of our workforce. In addition, third-party expenses are expected to increase due to acceleration and timing of investments. For the full year 2021, we now expect the corporate net operating loss to be approximately $85 million. This compares to our previous estimate of $90 million.

Turning to holding company liquidity. We ended the second quarter with $353 million, which is $128 million above our current minimum target level. This excludes both the $1.2 billion in net proceeds from the sale of Preneed and the net proceeds from the second quarter debt offering, which were used for the July redemption of senior notes due in 2023. In the second quarter, dividends from our operating segments totaled $243 million. In addition to our quarterly corporate and interest expenses, we also had outflows from 3 main items: $191 million of share repurchases, $42 million in common stock dividends and $17 million mainly related to mobile acquisitions, including Olivar and Assurant Venture investments.

For the overall year, we continue to expect dividends to approximate segment earnings, subject to the growth of the businesses, rating agency and regulatory capital requirements, investment portfolio performance and any impact from a potential change in corporate U.S. tax rates.

In summary, our strong performance for the first half of the year positions us nicely to meet our full year financial commitments while continuing to invest in our long-term growth.
And with that, operator, please open the call for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Brian Meredith from UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

A couple of questions here for you. First, I'm just curious, the LPI customer that you lost, why did you lose that customer? Is it competitive reasons? I always thought that's kind of a pretty sticky business.

Alan B. Colberg
CEO & Director

No, I think it is actually a very sticky business. If you look at that line of business over the last 2 or 3 years, we've renewed or early renewed almost all of the clients, on occasion business does move. And as you saw in our prepared remarks, we did pick up 2 new clients that will begin to onboard as we move into Q3 and Q4. And the reason we've had such strong success has been our investments in both the customer experience as well as the client experience and making sure we're delivering a fully compliant product. But no, we feel good about LPI and are well-positioned if and when the housing market does weaken.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. And then second question, I'm just curious, how are conversions going with respect to the T-Mobile and Sprint customers? And are you seeing a pickup in that at this point?

Keith Warner Demmings
President

Yes. It's Keith, maybe I'll jump in. Thanks for the question. Obviously, we continue to be pleased with the progress of the ramp of Sprint customers. As T-Mobile continues to ramp and migrate Sprint to T-Mob products and rate plans, we continue to see additional enrollments into our programs. I would say it's happening, as we would have expected, largely on track. And we talked about the renewal and extension of our relationship. We're clearly really excited about our long-term opportunities with T-Mobile. We've had a great track record working together for the last 8 years, innovating in the market, adding new products and services. And certainly, as we think about Sprint continuing to ramp over time, we're really excited about working together to grow the overall business.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. And then one last one just quickly here, probably for Richard. As we look at the capital management that's going to happen here over the next 12 to 18 months, a lot of stock to buy back. Have you all considered ASRs, or accelerated share repurchase programs, as a part of capital management?

Richard Steven Dziadzio
Executive VP & CFO

Yes. Thanks for the question, Brian. I think a couple of things first. As you heard in the remarks, we're really pleased to have put a check next to our $1.35 billion commitment with the third quarter dividend, and that will be issued, we'll meet that objective before time. So we're very pleased about that. We did close on Preneed and received the proceeds this week on that. And as we said earlier, we will be buying back our shares at about -- over the next 12 months, I would say. So that's going to be put in place very quickly. We consider all options, we think share repurchases is the best way to go.

Alan B. Colberg
CEO & Director

And Brian, this is Alan. The one thing I would add is we're also excited that we were able to complete our expectation from the 2019 Investor Day with what we did in July and then the announcement of the quarterly dividend in Q3, we are now effectively done with that expectation and we can move on to returning the $900 million from Preneed in orderly fashion, as Richard just said.

Operator

And your next question is from Tommy McJoynt from KBW.

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

So that's great to see the T-Mobile contract renewal is underway. Are there any notable changes to the economics or contract terms or anything else with that multiyear extension that you would want to share with us? And just confirming that the contract for Sprint as well, which doesn't need to be separately negotiated.

Keith Warner Demmings
President

Correct. Yes. So it's for the totality of T-Mobile's business as we move forward. We mentioned earlier, we're still negotiating the final details of the agreement. So more to come as we lock down some of the moving parts. In terms of economics, I'd probably make 2 points. First, I'd say that it's not uncommon for us to forgo some economics when we recontract with major clients. We recontract obviously, quite regularly, often think about the broader long-term potential of the relationships. The potential for additional volume and for offering new products and services over time.

Specifically with respect to T-Mobile, given that the relationship continues to scale with significant volume from Sprint, we do expect to achieve lower per unit economics, but we expect that to be offset by significant volume growth and economies of scale within the overall programs. I would also say that we're well-positioned as partners to help them introduce new products and services over time. We've had a great track record of expanding the services we provide over the last 8 years to continue to evolve to serve the consumer. And finally, I'd point out from a mobile perspective, we really are excited about our overall long-term potential to compete in this market across the value chain and from an efficiency point of view.

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

Okay. And switching gears a little bit. Would you characterize the loss in claim rates that we saw in 2Q as fully back to normal? Or should we still expect some kind of further normalization over the medium term, if you could answer that with respect to both Lifestyle and Housing, that would be that would be helpful.

Alan B. Colberg
CEO & Director

Yes, Keith, you want to take a Lifestyle, then I can comment on housing maybe.

Keith Warner Demmings
President

Sure. And I think we obviously saw favorability if we look back to Q2 of 2020. We've seen that normalize quite a bit as we look at the results in this quarter. So for the most part, losses have sort of come back to a more normalized level. There's still some moving parts, I would say, within international. As we look at COVID and various lockdowns and how things are progressing in different markets. But overall, we're at a much more normalized level from a loss ratio point of view.

Alan B. Colberg
CEO & Director

Yes. It's effectively the same in Housing. We had a better Q1 loss experience than we would have expected, just some of the lingering impacts of the COVID and the lockdowns in various parts of the economy. But in Q2, we're more back to what we expected, and we expect that will continue the rest of the year.

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

Great. Then I'll just sneak one more in here. So with the strong second quarter and the first half of the year, it was a bit surprising to see the full year NOI guidance to be higher that you went through some of the puts and takes as to why the second half should be lower than the first half. If you were to see some upside -- but where do you think it would be, kind of which [indiscernible] would you most likely to see upside?

Alan B. Colberg
CEO & Director

Yes. What I would say is, first of all, we're very pleased, obviously, with the first half and second quarter, very strong. In fact, probably a little better than we'd expected going into the year. If you think about what could cause us to exceed our outlook. First of all, we're still confident that we're in that range. but it would be things that are less within our control like what happens with the loss ratio in the market or could there be some other impact from COVID and the Delta variant. But with all that said, it's a really strong first half. In the second half of the year, even as we've guided to be lower than the first half, we still expect to grow strongly versus second half of 2020. And the business is performing well, and we continue to expect that looking to the future.

Operator

And your next question is from Mark Hughes from Truist Securities.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

You had a particularly good results in the Automotive business. Could you maybe try to break out how much of that was just kind of strong rebounding economy versus new relationships, higher attachment rates? How much momentum does that give you in the second half in terms of new business?

Keith Warner Demmings
President

Sure. And it's Keith, maybe I'll take that. I mean, overall, I would say we've seen healthy double-digit growth rates in car volumes from pre-pandemic levels. So yes, you're correct, a huge recovery in Q2 versus Q2 of last year. Obviously, Q2 of last year was quite depressed. This year was an incredible rebound. We saw a net written premium up 68% over the same quarter last year. But a lot of that is -- the depression last year and then a really strong quarter this year. If you look at it over 2019, which is sort of pre-pandemic normal, it was a 36% increase this year.

So really, really strong. And yes, we're seeing strong attach rates in the business. We've seen a slight shift between new and used. So our new and used mix is normally around 50-50 or maybe 53% used today. Used tends to have slightly higher attach rates. Obviously, it earns a little bit quicker. We've seen our clients taking share through consolidation. We've seen clients expanding their used car operations, rolling out strong digital brands. So there's a lot of growth, I would say, within our core client base. And then certainly, we've added some new clients as well. But strong car sales, large clients that are gaining share and then winning some new deals in the market.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

In the lender-placed insurance business, any issues around inflation in materials or labor?

Keith Warner Demmings
President

Yes. It's interesting. We kind of have offsetting effects there. So if you think about our premiums, it's driven by average insured value. So as house prices rise and we issue new policies, those are going to naturally be at a higher premium rate. So we're getting some positive benefit there. The offset is cost of claims will rise as well. And ultimately, we'll be able to reflect our experience in future rate filings. But if you put it all together, we don't think it's particularly material to our business. It may not be perfectly aligned quarter-to-quarter those effects, but over time, not material.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

The lender-placed insurance, your placement rates is the end of the foreclosure moratorium. Is that an important -- or how important an trigger is that for your placement rate? I know your REO is directly impacted, but are there other drivers that are restraining your placement rates based on government action. Could you just talk a little bit about that?

Keith Warner Demmings
President

Yes. What I think you've seen over the last year or so is that our placement rate is roughly flat at this point, with really no significant trend up or down. And the good news is through the actions we've taken over the years, the business is in a really strong position. We're delivering great customer and client experiences. And if the market weakens, we will benefit and grow over time. So in terms of moratoriums and when they come off, if and when they do come off, we will see the impact with a lag. So even if they came off today broadly, which is -- there's still a lot to work through there and there'll be modifications and other things that will happen.

We don't expect anything to happen in our placement rate this year, and where we could see an impact is when you get into 2022 and beyond. But I think the important takeaway on lender-placed is, we're still a clear market leader with a strong commitment to customer and client experience. And we will be there to partner with the world's leading or U.S. leading banks, if and when the housing market weakens.

Operator

And we have a question from Michael Phillips with Morgan Stanley.

Michael Wayne Phillips
Morgan Stanley, Research Division

First question on the investments that you talked about and the impact of that in the second half of the year. But really, the question is when will we see the impact of that -- the benefits of those? Is that more -- you talked about growth potential, is that more top line benefits? Is it more margin benefits or both? And then when you say long term, kind of -- can you kind of put a time frame around it. Is that something we'll start to see benefits of those things in next year or even longer than that?

Keith Warner Demmings
President

Maybe I'll take that one, Alan. So let me just clarify first the 2 buckets where we're making the investments or at least the most significant investments. So first we talked about is around same-day service and repair, this has been -- become a really important component of our value proposition. It's become more critical in the market demanded by clients, demanded by consumers and really improve the overall service experience. So we are going to be accelerating investments in the second half in terms of leadership personnel, in terms of technology and equipment. We're also working very hard to integrate our service delivery options seamlessly into the claims experience to really create a more dynamic claims process to give customers a better choice and options.

That's, I think, critically important strategically for us. And I think we've got great advantages there today. So we're trying to accelerate those advantages in the market. That will drive revenue as we think about moving into 2022. We see this as a important opportunity to expand services with existing clients and also expand with new clients.

In terms of the second bucket, I would say, operational investments that are focused on really the entire enterprise between both Housing and Lifestyle, investing more heavily in digital capabilities, self-service and automation. Think about things like digital sales and self-service portals, investing in our customer-facing applications integrating our communication channels, automating decisions around claims to make the process more efficient and more repeatable and then automating back-office tasks. We've got a fairly large project going across multiple lines of business and multiple geographies. And that will generate cost efficiency over time. But more than anything, it will create a much more seamless customer experience and I think make us that much more competitive in the market.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. Two more, I guess, probably quicker ones. What can you share about the cost or the impact on the cost of the reinsurance structure that Richard talked about?

Alan B. Colberg
CEO & Director

Richard, do you want that take?

Richard Steven Dziadzio
Executive VP & CFO

Yes, maybe I can take that. The overall cost is going to be up this year from last year, but not that much. But essentially, what we did is we bought a -- what we call a second and third cover. So if ever we have an event that goes up into our retention -- past our retention on a second and third event, we actually go and reduce the retention down to $55 million from $80 million or if we didn't use that and there was a major event, it would help us at the top of the tower, too. So that will add a little bit, but it's a modest increase in our overall placement.

And we were actually pleased to see that every year when we go to the market, we have a stable list of reinsurers that follow us. Think about 40 carriers being A- or better. And we are able to place our reinsurance on a kind of a like-for-like basis without this new feature I talked about at a little bit below where the market is. So we're really proud of what we've done with cat. And I guess the last thing I would say is the cat exposure that we have today is less than we had in previous years given how we've been working on our cat exposure overall, but also the growth in our other businesses, Multifamily Housing, Global, Auto, Connected Living.

So one of the things we mentioned in our press release earlier this year that, for example, in a one in 50-year event, back in 2017, we would have kept 40% of our earnings. Now in a one in 50-year event, we retained 70% of those earnings. So it would just show you the big change that's been made in our management of our cat exposure and the growth of the company elsewhere.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. Last quick one for me. On the impact of rising home prices on the LPI premiums, is that true just for new policies or also for fire issue policies as well?

Alan B. Colberg
CEO & Director

So for the new policies, it's obviously immediate. And when we place them for existing policies, it's on the renewal date. And these are annual policies. So it would happen on the renewal.

Operator

Your next question is from Jeff Schmitt from William Blair.

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

Could you discuss just how that legacy Sprint customer transition works. I believe they get an option to sort of switch over to the T-Mobile network if they want when they sort of trade in or upgrade their phone. Switching to mobile protection plan to Assurant, is that a separate decision? And do you have a sense on what that uptake rate is? How many are coming over versus kind of staying with what they have?

Keith Warner Demmings
President

Yes, I would say that as they're moving customers on to T-Mobile product, T-Mobile rate plans and services at that point, they're offering the customer the opportunity to enroll in insurance and effectively reenroll as they're enrolled today. and that's automatically moving over to Assurant. So I would say, very typically, as that happens and as T-Mobile pushes more and more customers onto T-Mobile product, we're seeing the increase sort of one-for-one come through.

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

Okay. And then you'd mentioned that covered mobile device growth should start moving up here in the second half. I think you said mid-single digits. And I know it takes a couple of years for an account to mature, you kind of start at 0 there. But what are some of the newer accounts there that would drive that ramp up? Is that KBDI, the cable operators, how far into those relationships are you?

Keith Warner Demmings
President

Yes. I would say the one thing to remember with the sub count is we did have a loss of client in Europe, a banking client for 750,000 subs. So that has moved down our sub count, which is why it's flat as we sit here today year-to-date, but we do expect it to be mid-single digits by the end of the year. And I would say largely the U.S. and Japan are driving the majority of that growth. And certainly, I think all of our clients in both markets are growing.

Operator

Your next question is from Grace Carter from Bank of America.

Grace Helen Carter
BofA Securities, Research Division

I was wondering since we saw growth in Global Financial Services for the first time in a little bit, does that have to do with the disruption last year at this time? Or is this an inflection point? And if we could just talk a little bit about the outlook for that segment.

Keith Warner Demmings
President

Yes. I think it's more to do with the disruption last year. Q2 was depressed. We had some additional losses related to some travel products in a couple of our markets. I would say as we look at the results today, there are more normalized which we think is a good jumping off point. We certainly have ambitions to grow that business over time. We're excited about the work that our teams are doing around the world, but it's mainly due to the depression in results last year.

Grace Helen Carter
BofA Securities, Research Division

Okay. And then I was wondering with the Lifestyle business, given the recent concerns about the delta variant, if you all have seen any impact on your global supply chains in that business?

Keith Warner Demmings
President

I think broadly, our teams have done an incredible job. We operate physical depots in many markets around the world. So making sure that we're able to perform essential services is critical, keeping our employees safe has been a priority. I think we've done a very good job of executing service. There's some parts disruption due to the chip shortages as we think about repairing devices. Our teams have done a really good job working with manufacturers to procure and acquire parts. Broadly speaking, we haven't seen much disruption to our business to date. Hopefully, that will continue as we move forward. But overall, this is a strength of Assurant. Supply chain is one of our key differentiators in the Connected Living business and really proud of the work the team has done.

Operator

And your last question is from Gary Ransom from Dowling & Partners.

Gary Kent Ransom
Dowling & Partners Securities, LLC

A lot of my questions have been answered. But I wanted to ask the -- a little bit broader question on the opening economy and recovering economy. You did respond a little bit on the auto market. But are there other parts of your business that you -- that will show more growth or be influenced significantly by an assumption that the economy continues to strengthen and reopen this year?

Alan B. Colberg

CEO & Director

Yes. Maybe I'll start and talk a little bit about housing. And then, Keith, maybe you can add any more color on lifestyle. If you look at Housing, our largest growth business is Multifamily Housing or our renters business. Arguably, in a market perspective, that was one of the most disruptive markets through COVID. But with that, we've still seen strong growth. So even with the disruption, even with the impacts on COVID, we've had a very strong growth in line with our long-term expectations in Multifamily. And driven in part by the strength of our partnerships, also driven by the launch of our new product, Cover360.

If you looked at LPI, that business, as I mentioned earlier, is stable. We have a very strong base of customers and clients there. And if the economy weakens, we'll grow. So from a housing perspective, we've seen growth even through the disruption of COVID. And we would expect in a weaker market economy, we'll see growth, and we'll continue to see growth if the economy just chugs along. But that's housing, but let's go to Lifestyle, Keith.

Keith Warner Demmings
President

I'd probably add that on the Lifestyle side, and particularly in Connected Living, we see really strong positive impacts from 5G. We talk a lot about our trade-in business. I would say trade-in is a really important part of our value proposition, something that our carrier partners lean quite heavily on to drive promotions in the market to try to get additional dollars in the hands of consumers to allow them to be able to upgrade to the latest 5G technology. We've seen obviously very aggressive promotions in that space, and we're supporting our clients scaling our operations.

And I think doing an incredible job leveraging all of our acquisitions, think about Hyla, Alegre, all of our -- we've made several investments around trade-in capabilities. I think we've got a global market-leading position and this continues to be more important. We've seen dramatic increases in trade-ins in terms of volumes and promotional activity, but also the attach rates at point of sale and consumers' willingness and education about trade-ins has increased dramatically. So expect that to continue as we move forward in the year. Obviously hard to predict what will happen with COVID, but there's some pretty strong trends on mobile.

Alan B. Colberg
CEO & Director

Yes. And if I just elevate to an overall Assurant level, and I mentioned this in the prepared remarks, we are well-positioned and expect to outperform no matter what the external environment is. And the COVID really again demonstrated that resiliency of our business model, driven by the great value that we're bringing to consumers around the world.

And with that, I want to thank everyone for participating in today's call. With the close of the sale of Global Preneed and our strong year-to-date performance, we believe we're well-positioned for the future. We'll update you on our progress on our third quarter earnings call in November. In the meantime, please reach out to Suzanne Shepherd and Sean Moshier with any follow-up questions. Thanks, everyone.

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