S&P Global
Market Intelligence

Assurant, Inc. NYSE:AIZ

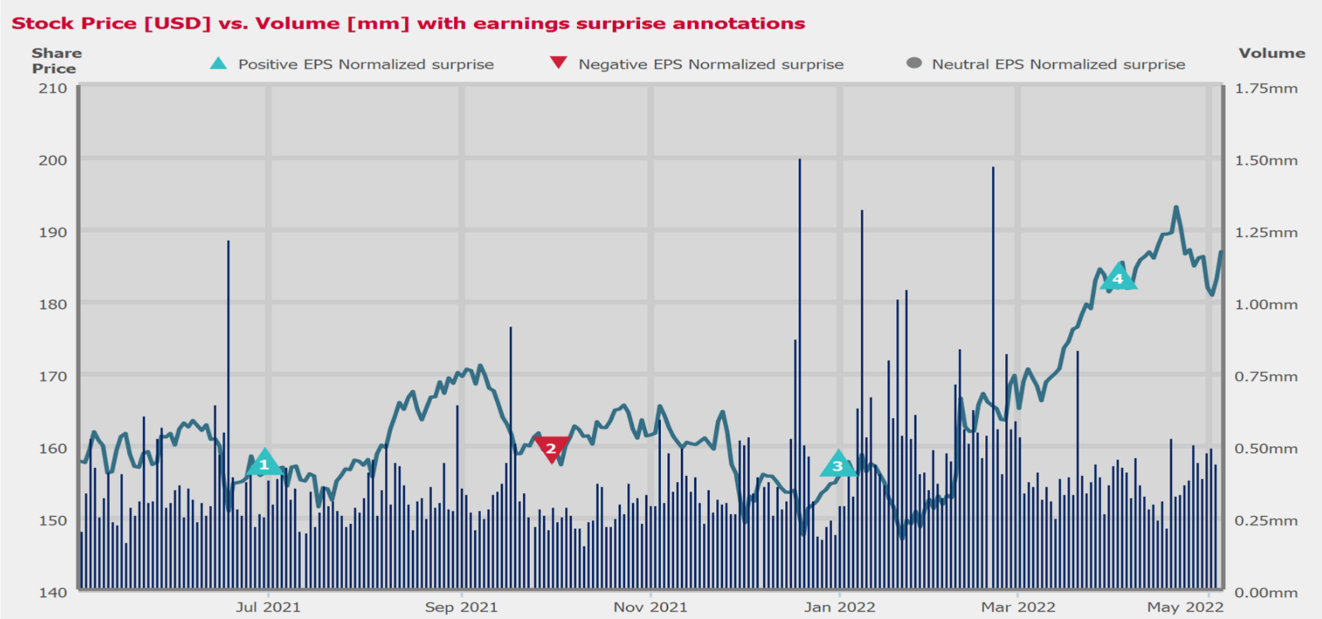
FQ1 2022 Earnings Call Transcripts

Wednesday, May 04, 2022 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2022-			-FQ2 2022-	-FY 2022-	-FY 2023-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	2.80	3.75	▲33.93	3.14	12.43	NA
Revenue (mm)	2621.61	2482.70	▼(5.30 %)	2662.26	10544.89	NA

Currency: USD
Consensus as of May-05-2022 1:36 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2021	2.47	2.99	▲1 21.05 %
FQ3 2021	1.55	1.41	▼2 (9.03 %)
FQ4 2021	2.31	2.47	▲3 6.93 %
FQ1 2022	2.80	3.75	▲4 33.93 %

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Call Participants

EXECUTIVES

Keith Warner Demmings
President, CEO & Director

Richard Steven Dziadzio
Executive VP & CFO

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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 First 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 first 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 first quarter 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 value 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 2, please refer to yesterday's news release and financial supplements as well as the Investor Day presentation materials that can be found on our website.

I will now turn the call over to Keith.

Keith Warner Demmings
President, CEO & Director

Thanks, Suzanne, and good morning, everyone. We're pleased with our performance for the first quarter, which demonstrates the resiliency and strength of our business during a period of macroeconomic and geopolitical uncertainty.

Within Global Lifestyle, stronger-than-expected performance in our capital-light Connected Living and Global Automotive businesses offset softer-than-expected results within Global Housing, mainly from our specialty offerings. The ongoing growth of our fee-based, capital-light offerings across Global Lifestyle and Global Housing accounted for nearly 80% of segment earnings in 2021. This differentiates Assurant as both a service-oriented partner to our clients and a compelling investment given our scaled customer base in markets with strong tailwinds. Our continued alignment with world-class partners and our ability to provide best-in-class products, services and customer experiences has positioned us well for expected profitable growth this year and over the long term.

As we outlined at Investor Day in March, we have a clear vision for the future, to be the leading global business services company supporting the advancement of the connected world. We aren't settling for the status quo. While we currently have scale leadership positions in attractive and growing markets, we have our sights set on being the leader in all of the businesses in which we operate.

With that said, we believe the financial objectives we outlined for Assurant over the next 3 years are attractive and will be supported by our focus on market-leading innovation, business simplification, operational optimization and the benefits of scale. We believe this will lead to continued strong cash flow generation, earnings growth and financial outperformance.

In Global Lifestyle, we remain focused on supporting our more than 250 million customers through our broad set of products and services across insurance, operations, mobile trading and repair and comprehensive administrative services throughout Connected Living and Global Automotive.

For this segment, we continue to expect adjusted EBITDA growth in the low double digits for 2022 with average annual growth of 10% in 2023 and 2024. We anticipate Connected Living will lead our growth for the Lifestyle segment, driven by our multidimensional strategy. Over the next 3 years, Connected Living should benefit from increased mobile and retail client expansion and increase in fee-based traded and repair as well as contributions from strategic M&A. We continue to be excited about opportunities to drive growth in our retail business as we think about longer-term opportunities to serve the connected home.

As of May 1, we're pleased to announce that we have expanded our relationship with one of our largest U.S. retail partners. We moved beyond program underwriting and have expanded our services to provide for the end-to-end administration of the business, including call center support, claims management and oversight of service delivery. Not only does this allow us to deepen our relationship with a critical client, it allows us to continue to grow our retail business, while dramatically increasing our scale to support claims and customer service further improving our relevance with the third-party repair network that supports this business.

We now support a meaningfully larger number of appliance repairs, which we believe is strategically important to our ambitions to provide protection services to the evolving connected home. This partnership will also support additional investments in digital tools and technology platforms that are key to our long-term vision.

Global Automotive is expected to benefit from our increased scale and strong national dealer, third-party administrator and international OEM partnerships. We will continue to invest in technology, integrating our systems and processes following several years of successful acquisitions. Throughout Lifestyle, we'll also continue to invest to expand our market-leading positions. We anticipate incremental spending related to the development of new products, such as our connected home offerings and increased investments for new client implementations.

In Global Housing, the business is expected to grow mid- to high single digits in 2023 and 2024. For 2022, we now expect mid-single-digit growth, given the sharing economy performance in the first quarter. Growth in housing is expected to be led by our lender-placed business, an important provider of property protection in the U.S. housing market. This will be driven by efficiencies across our operating model that will position us to benefit from the modest increase to placement rates and REO volume recovery that we expect later this year. Together, these trends will create scale benefits with our large portfolio of over 30 million loans, which will drive lower expenses across the business.

Multifamily Housing remains an attractive long-term growth story, although 2022 will be pressured as we continue to make investments in our customer experience and technology. These investments should ultimately support growth of our 2.6 million renters policies and further penetrate the approximately 20 million U.S. renters market.

Lastly, our specialty offerings are still expected to grow over the long term despite recent elevated losses in sharing economy from policies previously written under less favorable contract terms, including those from one-off clients. As we consider potential impacts from macro factors, like inflation or supply chain disruptions throughout Lifestyle and Housing, we've not experienced a material impact to Assurant overall. In our mobile business, where the availability of parts fluctuates, we're working proactively with large suppliers to keep higher levels of inventory on hand to ensure timely and cost-effective repairs for customers. We'll continue to monitor developments and any corresponding impact on our business as is necessary.

Our ability to meet our business goals is supported by the successful execution of our ESG efforts. We recently published our 2022 sustainability report, highlighting our commitment to build a more sustainable future for all stakeholders through our ESG initiative. We are continuing to advance our efforts, specifically within our strategic focus areas of talent, products and climate. Our sustainability report showcases recent actions and recognitions, while also providing insight into the impact of Assurant's sustainability efforts utilizing key ESG reporting frameworks, such as SASB and TCFD.

In addition to setting long-term targets for Lifestyle and Housing at our Investor Day, we also provided 3 key enterprise financial objectives; adjusted EBITDA, adjusted earnings per share and cash generation. For this year, we continue to expect to grow adjusted earnings per share, excluding catastrophe losses, by 16% to 20% from the $12.12 we reported in 2021. This will be driven by 8% to 10% adjusted EBITDA growth from the $1.1 billion in 2021 as well as disciplined capital deployment through share repurchases, including using the remaining net proceeds from last year's sale of Global Preneed.

For 2023 and 2024, we expect to grow average adjusted earnings per share by 12% or more with double-digit average adjusted EBITDA expansion, both excluding reportable catastrophes. Through the first quarter, we returned approximately 85% of the $900 million of Preneed proceeds, and we expect to return the balance by the end of the second quarter. At the end of March, holding company liquidity totaled $738 million after returning $280 million in share repurchases and common stock dividends.

Over the next 3 years, as the business continues to grow, we expect to generate approximately $2.9 billion of cash from our business segments, providing us with around $2.2 billion of deployable capital. We'll continue to be disciplined about capital deployment with the objective of maximizing long-term returns, taking a balanced approach between investments in growth and returning capital to shareholders.

Our goal is to maintain greater capital flexibility as we see attractive opportunities for growth. We might hold higher levels of cash, depending on the opportunities we have in front of us, but we won't accumulate cash without line of sight to value-creating opportunities. We'll continue to return excess capital through share buybacks.

Overall, we're pleased with our performance in the first quarter. We're confident in our ability to continue to expand earnings and cash flows. This will also allow us to continue to invest in our businesses and sustain our track record of returning excess capital to shareholders over the long term.

I'll now turn the call over to Richard to review the first quarter results and our 2022 outlook. Richard?

Richard Steven Dziadzio
Executive VP & CFO

Thank you, Keith, and good morning, everyone. Adjusted EBITDA, excluding catastrophes, totaled $302 million, equal to the first quarter of 2021. Performance was driven by strong growth across Global Lifestyle, which was offset by higher non-cat loss experience in Global Housing, primarily from our specialty offerings. For the quarter, we reported adjusted earnings per share, excluding reportable catastrophes, of $3.80 , up 17% from the prior year period, driven by buybacks and a $9 million nonrecurring tax benefit from one of our international businesses.

Now let's move to segment results, starting with Global Lifestyle. This segment reported adjusted EBITDA of $217 million in the first quarter, a year-over-year increase of 13%, driven by continued earnings expansion in both Connected Living and Global Automotive. Connected Living earnings increased by $16 million, or 13% 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 more favorable loss experience and subscriber growth as well as an increase in global mobile devices service, including higher trade-in volumes from continued carrier promotions.

In Global Automotive, earnings increased $9 million or 12% from 3 items: higher investment income, favorable loss experience in select ancillary products and continued growth in our U.S. national dealer and third-party administrator channels, including growth of 5% in global vehicles protected. As we look at revenues, Lifestyle revenues increased by $99 million or 5%, aligning with our expectation that revenue would increase mid-single digits year-over-year. This was driven by continued growth in Global Automotive and Connected Living.

In Global Automotive, revenue increased 9%, reflecting strong prior period sales of vehicle service contracts. Even with the decline in U.S. auto sales year-over-year, net written premiums increased 4% as we continued to benefit from higher attachment rates on used vehicles.

Within Connected Living, revenue increased 2% from higher mobile fee income driven by our global mobile devices service. Devices service encompasses the devices we touch in our trade-in, repair and dynamic fulfillment ecosystem. In the first quarter, the number of global mobile devices service increased by $800,000 or approximately 13% to $6.8 million. This was led by higher trading volumes, supported by new phone introductions and carrier promotions from the introduction of 5G devices as well as initial service and repair volumes.

In terms of mobile subscribers, growth in North America subscribers was partially offset by declines in runoff mobile programs, previously mentioned, which also impacted mobile devices protected sequentially. For full year 2022, we continue to expect Lifestyle adjusted EBITDA growth to be low double digits compared to the $714 million in 2021. Connected Living is expected to be the key driver of adjusted EBITDA growth, driven by global expansion in existing and new clients across device protection and trade-in and upgrade programs. This will be partially offset by strategic investments to support new business opportunities and client implementations as well as unfavorable impacts from foreign exchange in Asia Pacific and Europe. Auto adjusted EBITDA is expected to increase due to higher investment income and business performance throughout the year, which will be partially offset by higher expenses.

Moving to Global Housing. Adjusted EBITDA was $104 million for the first quarter compared to $94 million in the first quarter of 2021, driven by lower reportable catastrophes. Excluding catastrophe losses, earnings decreased $30 million, primarily due to higher non-cat losses in our specialty and lender-placed businesses. Nearly 2/3 of the earnings decrease was from an unfavorable non-cat loss experience in our specialty offerings, including a $14 million increase within sharing economy, primarily related to a reserve adjustment and adverse development from policies previously written under less favorable contract terms.

Taking a closer look at sharing economy, the product where we are seeing higher claims relates to on-demand delivery. It's a short-term liability policy covering the period when a driver may be using their vehicle for commercial purposes, which is not covered by a traditional auto insurance policy. We started writing this business in 2017 and is a relatively small portion of our Global Housing business, representing roughly 12% of specialists annualized net earned premium. We have taken several actions over the years, including modifying contract terms with some of our partners and discontinuing less profitable business to improve performance. However, based on the recent higher claims frequency and severity, we are taking a closer look at the business and expect to take appropriate steps to improve performance as we look to deliver on our financial objectives.

Turning to lender-placed. This business comprised the majority of the balance of the increase in our non-cat loss experience within the segment. This was mainly related to elevated frequency and claim severities from fire claims, ultimately leading to lower earnings year-over-year. I did want to note that while fire claims tend to ebb and flow throughout the year, we continue to see higher cost of claims throughout our book due to inflationary factors, including labor and materials. These impacts continue to be largely offset by higher average insured values. In Multifamily Housing, underlying growth in our PMC and affinity channels was offset by more normalized losses compared to an abnormally low first quarter of 2021 as well as increased expenses from ongoing investments to further strengthen the customer experience.

Global Housing revenue was up slightly year-over-year, mainly from higher average insured values and lender-placed and growth in Multifamily Housing. This was partially offset by lower specialty revenues from client runoff. Overall, we announced that Global Housing adjusted EBITDA, excluding cats, to grow mid-single digits from the $486 million in 2021.

Lender-placed is expected to be a key driver for the following 4 items: first, expense efficiencies across the business, including system enhancements and new digital capabilities, we expect these to create additional scale as the volume of our business grows; second, higher average insured values; third, a modest lift from expected placement rate increases; and last, REO recovery later in the year, noting that volumes were significantly reduced from foreclosure moratoriums during the pandemic. Additionally, we are monitoring higher claims costs as well as reinsurance costs, which are aligned with the increase in AIVs.

Overall, for Housing, we would expect the combined ratio, including cats, of 84% to 89%. At Corporate, adjusted EBITDA was a loss of $22 million, an improvement of $6 million compared to the first quarter of 2021. This was mainly driven by 2 items; first, lower employee-related expenses; and second, higher investment income from higher asset balances following the sale of premium. For full year 2022, we expect the Corporate adjusted EBITDA loss to be approximately $105 million. This reflects lower investment income compared to 2021. In addition, the first half of the year historically experiences lower expenses as investments ramp throughout the year.

Turning to holding company liquidity. We ended the first quarter with $738 million, $513 million above our current minimum target level. In the first quarter, dividends from our operating segments totaled $129 million. In addition to our quarterly Corporate and interest expenses, we also had outflows from 2 main items: $242 million of share repurchases and $37 million in common stock dividends.

As Keith mentioned, we expect to return the remaining portion of the $900 million of Preneed proceeds or approximately $125 million in the second quarter. Our outlook assumes returning an additional $200 million to $300 million throughout the year. For the year overall, we continue to expect segment dividends to be roughly 3/4 of segment adjusted EBITDA, including catastrophes. As always, segment dividends are subject to the growth of the businesses, rating agency and regulatory capital requirements and investment portfolio performance.

In summary, we're confident in our ability to achieve our financial objectives for 2022 and over the long term, as we discussed at Investor Day. Our earnings growth, strong capital generation, product and service offerings as well as our business resiliency continue to differentiate Assurant as a strong partner and as a compelling investment.
And with that, operator, please open the call for questions.

Question and Answer

Operator

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

Michael Wayne Phillips
Morgan Stanley, Research Division

First question is on the comments, Keith, you made about the expanded partnership with the retail. How much -- anything you can quantify there and how that might impact the outlook for 2022?

Keith Warner Demmings
President, CEO & Director

Yes. Certainly, it's considered in the full year outlook. I would say not a material driver. There'll be some investments that we're making. We've been making already to this point in the year. That will continue as we kind of ramp the full scale of services. We'll also see volume and revenue start coming in as well. So that will typically be fairly well aligned in this case. So I would say fairly neutral this year. And then obviously, as we kind of build scale and ramp, it will become more meaningful as we look to '23 and beyond and really exciting opportunity for us.

If you think about the retail landscape in the United States, if you think about the opportunity to broadly serve the connected consumer in the future with bundled solutions around the connected home, this does give us a pretty material step change in terms of the scale of our services, particularly around the appliance side of the business. It's a disproportionate increase to our volume. And I think it will definitely bear fruit longer term, and we're really excited. And it's an important client. Certainly, it helps us protect the client, but really expanding our services and then making investments in our platforms that I think will support further growth longer term is what gets me most excited.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. Congrats on that. Second question is just again on the outlook and maybe trying to get into some of the drivers behind that. Specifically, can you say to what extent you have -- in the Lifestyle, mobile business, what's your outlook for mobile sales for the year? And how does that influence your outlook for the year there?

Keith Warner Demmings
President, CEO & Director

Yes. I mean I think we're seeing really strong results in the mobile business. If you look back over many years, it doesn't always show up in the subscriber count number. Now we've started to give devices service where you're seeing a fairly significant ramp in our trade-in volume, which has been true over the last several quarters. I think we are seeing underlying growth in our most mature markets. That's masked a little bit. So in North America, we're definitely seeing increases in our subscriber counts. That's true with our mobile partners in terms of mobile operators, but it's also true with the cable operators that we do business with for device protection. They're growing. They're achieving net adds every quarter in terms of postpaid customers. So we're definitely seeing growth there. Those are the most mature markets. And then that's kind of masked by a little bit more softness in some of our international markets and then some client runoff that's got a fairly limited economic impact overall.

We're still seeing strong demand in the market for mobile devices. We're seeing a lot of carrier competition, carrier promotions. I think we're extremely well positioned with clients, both in terms of device protection, but then the breadth of clients we serve with respect to trade in, which has only grown over the last couple of years. So I feel like we're really well positioned, and there's still a tremendous amount of consumer demand. We'll see as the year progresses if that changes. But certainly, at this point, we feel really good about how we're positioned.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. Last one for now. On the specialty business and the charge there. Actually, Richard, you alluded to some steps you're taking to improve the performance there. Can you kind of talk about what are the things you're doing there to make sure that doesn't happen in future results.

Richard Steven Dziadzio
Executive VP & CFO

Yes. Thanks, Mike. Go ahead, Keith.

Keith Warner Demmings
President, CEO & Director

I was going to say, why don't you talk a little bit about some of the work that we're doing, Richard, and I'll talk more strategically.

Richard Steven Dziadzio
Executive VP & CFO

Okay. Okay. Great. And first to start out in the specialty area, we talked about sharing economy and the charge we took of $14 million. Really, most of that charge is linked to past business, past contracts we had in place. So call it runoff, I think about it runoff in my mind that there are old contracts, clients that we canceled over time and we're getting those charges come through right now. So we have done, I would say, as Keith said in his remarks, we have done some actions. We're going to continue to do more actions. I think we're deep diving into the types of contracts we have. We're understanding the volatility about those contracts. We're understanding the quality of the clients we have behind those contracts. So our goal is to make sure that we're hitting our financial objectives, as we said in our remarks. And so we're not happy with taking the charge, and we're going to work on that very hard. Keith?

Keith Warner Demmings
President, CEO & Director

Yes. The only thing I would add, I think the business that we're writing today, to Richard's point, the team has done a really good job modifying pricing, terminating certain partnerships that we didn't think were going to pay off long term and changing deal structures, changing the terms and conditions around the products. There's been a lot of good work done. The charges that you're seeing flow through for the most part relate to business that's since been modified through a lot of those actions that we've taken. I'd say the underlying profitability on the business we write today, new business that we're putting on the books is significantly better than the historical. So that's definitely a good thing. But the team is not happy overall with how this business is performing at the moment. So we're definitely looking at it very closely.

One of the strategic I guess in terms of the thesis with this business was not just giving us access to the gig economy, really fast-growing kind of emerging marketplace that we thought was really interesting, a place where we could innovate and develop some new distribution opportunities. We also thought there would be opportunities to provide additional coverages, like mobile protection, vehicle service contracts. Those are pretty important types of coverages for a gig economy worker, that hasn't materialized to this point. That was part of the strategic rationale and the thesis behind entering this marketplace. So obviously, we're evaluating whether those opportunities can exist for us in the future. So more work to be done. To Richard's point, we're not happy with the results. We're definitely going to be making sure this business is built to deliver the economics that we would expect based on the risk reward trade in the marketplace.

Operator

Your next question comes from the line of Gary Ransom from Dowling & Partners.

Gary Kent Ransom
Dowling & Partners Securities, LLC

I had a couple of questions on the interpretation of the new items that you're giving in the earnings. One is the EBITDA margin. I know in the past you've talked about how different contracts have different revenues versus different margin levels based on how they're structured. Is there any different way I might interpret the 11% margin that came in, in Lifestyle? Or are those -- just how are you thinking about that?

Richard Steven Dziadzio
Executive VP & CFO

And maybe I can...

Keith Warner Demmings
President, CEO & Director

Go ahead, Richard.

Richard Steven Dziadzio
Executive VP & CFO

Yes. No, I think the EBITDA margin, to a certain extent, it's a reflection of the mix of business that we have, Gary. I think that as we go, when we become more fee-based as we've talked about, you're going to get naturally as opposed to putting it over premiums or gross premiums. You're going to have that margin naturally improve. Keith talked earlier about kind of the mix of products and the fact that we do have clients with more fee-based services. So that definitely is a positive for us. And also, I guess, the bottom line too is Lifestyle had a very good quarter overall in terms of profitability. And that obviously then translates into the margin as well, which helps.

Gary Kent Ransom
Dowling & Partners Securities, LLC

And the other one I wanted to ask about is the mobile devices service, which you did talk about it being up strongly year-over-year. But there also seems to be some seasonality, the decline sequentially. Can you just remind us what the -- how to think about the sequential seasonality for that measurement?

Keith Warner Demmings
President, CEO & Director

Sure. And you're right, there's definitely seasonality. We tend to see a fairly significant Q4 related to devices service. We also tend to see strength in Q1. As we look at devices, iconic devices launched in the back half of the year, that obviously leads into a lot more activity in terms of customers trading in old devices in the fourth quarter to try and get the new devices that are being actively marketed in the marketplace. We tend to see that spill over into Q1 as well.

And then it really is a function of the promotional activity that the carriers are doing in the market. So if you think about all of our global partners that offer trade-in programs as they're being more aggressive with trade-in offers to try and get consumers into the latest technology and which is particularly true today with the push for 5G. That is ultimately what drives -- the seasonality is those promotions that are driven by the carriers.

So we saw strong activity in Q1. I expect we'll continue to see strength as we go through the year. But you're correct. We tend to see a really strong first quarter, a really strong fourth quarter. And then we'll see what happens with respect to the promotions as we go through the year. And obviously, we'll see what also happens with consumer demand and other factors that our partners are trying to navigate as well.

Operator

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

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Question on the Global Automotive business, vehicle business, what kind of new business in the -- and I'm sorry, it's kind of a strange time in the auto market in terms of sales. Should we anticipate growth in terms of vehicles covered? Or is this more steady as she goes?

Keith Warner Demmings
President, CEO & Director

Yes. I mean, first of all, I'm really happy with the overall performance of the auto business, and it was a particularly strong first quarter, not just in terms of the ultimate profitability of the business as we look at the EBITDA growth that we were able to deliver. But also just in terms of the performance on a net written premium basis, if you look at revenue was up 9%, net written premium was up 4%, and that's dealing with Q1 auto sales this year, which were down 12% versus Q1 last year. So I would say that our team is outperforming the underlying results within the auto industry in terms of car sales.

So I think that's really positive. That's a testament to the I think the breadth of our client partnerships, the fact that we've got really, really well diversified distribution channels and our partners are being successful in the market, and they're gaining share. So that's helped us significantly. And our teams are also expanding our own market share just because of the scale and breadth of our offering. So feel really good about automotive broadly. Covered vehicles is relatively flat, as you mentioned right now, but we are seeing underlying growth in net written premium, which to me is a really good sign. And we'll see what happens with the auto industry.

I certainly expect, at some point, there's a lot of pent-up demand for new vehicles. And as new vehicles become more readily available, obviously, we'll start to see the benefits of that flowing through on the new vehicle side. That will probably alleviate some of the pricing pressure on the used car market. Used car markets are extremely elevated right now and that too should normalize. So -- but again, I feel like there's definitely upside in this business over time, particularly as we look at interest rates today. We had favorability in the quarter, both from interest rates as well as from the underlying performance and growth of the business. And certainly, that's an opportunity as we look forward.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Maybe a similar question on Multifamily. I think your renters, the count was up 5%, 6%. The revenue was up low single digits, which is a little bit below the recent trend. What do you think is the prospect there?

Keith Warner Demmings
President, CEO & Director

Yes. I think we -- first of all, we really like the renters business. We've got a strong market position. We cover 2.6 million renters. So we've got a really nice market share as well, and it's been growing historically over time. And the renters market has also been growing. If we look back just because of attach rates improving historically. So I really like the position that we're in. You're correct. We saw a little bit slower growth in the quarter. Slower growth from some of our affinity partners offset, I would say, by really favorable strong growth within the PMC channel.

We've talked before about the success we're having with Cover360 with our property management partners, where we've got just a more much more integrated solution into the buy flow with better digital access. Premiums for renters are collected as part of the rent. So there's a lot more opportunity for us to continue to grow in that market as we scale that solution and as more clients adopt it. So I do expect this business to drive long-term growth. It's a key focus. We continue to look for ways to differentiate our solutions and then broaden distribution, and that's going to be a key focus for the team as we move through the year.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

And then Richard, on investment income, anything you would -- is this a good kind of run rate at this point when we think about new money yields, is that going to lead to an increase in investment income as we get into the rest of this year and next year?

Richard Steven Dziadzio
Executive VP & CFO

Yes. Thanks for the question, Mark. I mean definitely, the increase in interest rates is a positive thing for us, both long term and short term. So we are benefiting from that, and we'll continue to benefit from that as kind of the book rolls through, so to speak, and the assets come to maturity. So very, very positive news for us.

I would say -- in terms of your question on run rate, I wouldn't necessarily take this as a run rate because in this quarter, let's say, we're up about $8 million over the prior year quarter. That's coming part from some real estate gains. So part from interest rates and investment income coming from the fixed income book, but also part from real estate gains. We had a few million dollars of real estate gains in there, just a little under 5, I would say. So part of that, I would consider a little bit of a one-timer. But the rest of it is good news and hopefully a harbinger of things to come as interest rates continue to stay at an elevated level and even increase as we've seen over the last couple of months.

Operator

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

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

So it sounds like just kind of going back to the sharing economy and on delivery products that further reserve strengthening this quarter. So while it's a growing kind of exciting piece of the economy, to the extent that you do deem that it's unlikely to meet your return hurdles? Or if you think that cross-selling to those gig economy workers just looks too challenging. Can you talk about what a wind down of that business would look like? I know in the past, you've exited things like small commercial that didn't meet your return hurdles. So just kind of how material is that business? And is it a profitable business right now? Or is it a drag? Just kind of any more kind of numbers you can put around that?

Keith Warner Demmings
President, CEO & Director

Yes, maybe I'll offer a couple of thoughts, and then Richard, feel free to chip in. But we've talked about it being 12% of the specialty line. I'd say $50 million to $60 million a year in net earned premium in terms of the size and scale of that business today operates across multiple clients, primarily in food delivery. If I look at the P&L over the lifetime of the business, I'd say it's relatively neutral. It's not been a big drag in terms of losing money. We look at the inception to date, profitability of the business. Forget about quarter-to-quarter and year-over-year changes, is this business making money. So pretty marginal at this point overall. But as we talked about, that's absorbing the learnings, the investment to scale the business, early losses as we sort of had to learn the market as the market was being created.

So not a terrible result and it's something that we built and incubated. And I think our team has done a really good job. It's a really well diversified mix of business. There's a lot more protections in how that product and how the programs are structured today. We've built a lot of expertise around managing the claims and integrating with our partners. And then obviously, there's a lot of complexity in this business. So I think from that perspective, it's worked in terms of what can this mean for us going forward? How large can it be? Can we get the strategic value out to your point, that's something that we've got to continue to work on and making sure we can define that. But it's not a big drain in terms of the actual P&L effect that we're feeling. It's just not hitting the hurdle rates that we'd expect at this point, 5 years into learning this part of the market.

And Richard, feel free to add anything else.

Richard Steven Dziadzio
Executive VP & CFO

No. I think your last comment is the one I would underscore for Tommy, which is it was a business that we started 5 years ago as an incubator to innovate and see if there was a part to get into the gig economy that way and see that. Over time, with 5 years, the overall profitability, I would say, has been fairly neutral for us. The new contracts that we have in place are profitable. And so that's what we're going to dive into is to say, okay, well, do we have something here that we can build upon? Or is this a business that we need to change drastically? So that's what we're deep diving, as Keith said, to do and really to understand it. So overall, for this year, given the results of the first quarter, I wouldn't think it would be a positive or a negative to the rest of the year, right, in terms of the outlook that we have out there. So some work to do there, Tommy.

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

That's great. Thanks for all those numbers that you guys gave there. And then just my other question, could you guys talk about what could be some of the drivers for the favorable loss experience in Lifestyle that you guys referenced, when there's really widespread reports of higher severity via higher cost in parts and labor in most industries out there.

Keith Warner Demmings
President, CEO & Director

Yes, maybe I'll offer a couple of thoughts. We -- and there's a few moving pieces, but I would say if we look at -- the first thing to underscore is that for the vast majority of the business we're -- either we're risk sharing or reinsuring or we're profit sharing back with partners. So we're not on the majority of the risk, and we've talked about that, historically. And then where we are on risk, there are some interesting things that are happening. If I think about the auto business, we write some gap insurance.

And obviously, with used car values at all-time highs, the GAAP losses have been dramatically lower as you think about the depreciated value of the used car is much higher today than it would have been under normal circumstances. So that's creating some favorability. That normalizes over time, I would say, is the used car market moderates. And when will that happen, it's hard to know, right? Because it's all connected with more broadly the supply chain issues that are creating that situation.

And then in terms of the mobile side, we had a little bit of elevated losses if you look back to Q1 of '21. When you think about some of the business where we actually are on the risk, a little bit more elevated losses last year due to just some parts availability pressure in that business. Our teams have done an incredibly good job buying inventory, maintaining inventory to make sure that we're able to deal with our claims efficiently. You've got, obviously, as product continues to roll out in the market in terms of new devices, the quality of those devices continues to improve, which is also helpful.

And we've just seen some underlying strength in our ability to manage loss costs around that mobile experience. We're doing a lot more repair as well. So there are several factors at play. Again, most of that accrues to the benefit of our partners because of the deal structures. But for those where we are on the risk on balance, we've been really pleased with how the team has performed.

Operator

[Operator Instructions]. Your next question comes from the line of Jeff Schmitt from William Blair.

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

The cost for the T-Mobile in-store repair rollout, they looked to have peaked in the fourth quarter of last year, but you've mentioned that should continue in the first half of the year. Can we get a sense on how much costs for the quarter? And would you expect to see some -- there still wasn't year-over-year margin expansion, but should we sort of expect that next quarter? Or is that more of a second half of the year? Just any detail you could provide there.

Keith Warner Demmings
President, CEO & Director

Yes. I would say, first of all, we're thrilled with everything that we've done with T-Mobile as we look back over the last several months, the migration of the Sprint customers went incredibly well, and we're really proud of the work that we've done there. And then the build-out of same unit repair in the T-Mobile stores. Again, a lot of that work happened in Q4. We had to recruit technicians. We had to train. We had to develop all of our technology interfaces, all of our inventory management solutions, all of that work to stand that up and was largely done by the end of 2021. And as we look at Q1, I would say, relatively neutral effect overall in terms of the P&L.

So there's some ongoing investments, a little bit less about new store scaling and more about refining process, refining platforms, investing in the underlying technology and then just trying to make sure that we're evolving how we execute and deliver value to end consumers in partnership with T-Mobile. And that will never stop, right? We'll always be looking to invest to improve. And we're seeing incredible Net Promoter Scores. I would say we had a really, really high NPS prior to same unit repair. It's taken it to another level, and it's pretty exciting to see the favorable reactions we're getting from the customers. And obviously, that's reflecting well on T-Mobile and their brand. So -- but relatively neutral in the quarter and expect that to improve as we go through the year and as we reach a more mature and steady state with the solution. But you couldn't be prouder of the work that the team has done and the actual results that are being delivered to the end customer.

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

Okay. Great. The -- and then on the covered mobile devices, was down a little bit sequentially, but could you talk about the sort of underlying growth there, excluding the legacy Sprint customers coming on? What was the impact of the runoff clients? And what's your outlook for that kind of underlying growth? So I think if you go back to quarter 2 before Sprint came over, you'd mentioned that maybe going in the mid-single digits. But what is your sort of outlook for that?

Keith Warner Demmings
President, CEO & Director

Sure. Yes. And obviously, when you look year-over-year, it's a big step change because of Sprint, and we've talked about the importance of that relationship. But you're right, in terms of the underlying subscriber growth, we're seeing the U.S. market continue to drive growth. It's masked in the numbers because, obviously, we're showing a global total. But we are seeing fundamental growth there, expect that to continue as we move quarter to quarter to quarter. So that's -- and as I referenced earlier, both in terms of mobile operators, but also our cable partners as well, who are having success and doing well with respect to offering our services to end consumers. So that will continue. A little bit of softness in some of the international markets where things have been a little bit slower to open up from COVID, not a big economic concern. Obviously, it shows up in the numbers in terms of accounts, but not a massive impact from an economic point of view.

And then we had a client that we talked about last year that had runoff, again, not material economically. So I have no concerns with respect when I look at where we are for mobile devices protected. I think what's important is we're building deeper and deeper relationships with some incredible global partners. And the deeper those relationships get, the more services we provide, the more we can help solve problems and innovate to deliver value, and that's what gets us really excited. There's a lot of great momentum in the market. Our teams are really, really integrated, and we're passionate about serving clients, solving problems and delivering for end consumers. And I think that's the game that we're trying to win over the long term.

Operator

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

John Bakewell Barnidge
Piper Sandler & Co., Research Division

That new partnership that you talked about the end-to-end sounds very exciting. Are there opportunities to expand that for other similar relationships? Or do you need to get past the ramp-up phase to really create the leverage to expand with others?

Keith Warner Demmings
President, CEO & Director

Yes, I definitely think there are opportunities to expand. I think scale, and I've talked about this previously, scale is important, right? And I think this relationship will give us a tremendous increase to our scale. It's quite material in terms of what it means for our ability to deliver customer service to manage a third-party repair network and then to make the underlying investments I think that will happen quickly. And I think we will have opportunities to drive growth, both in new and interesting ways with this partner, who is significant and always trying to innovate around the customer, but also as we think about the capabilities and the foundation that we continue to build, how do we then leverage that foundation. And I would say that foundation will get built and scaled fairly quickly. It won't be 3 or 4 years from now, we'll finally have solution that then is really relevant in the market. That relevance will emerge fairly quickly.

John Bakewell Barnidge
Piper Sandler & Co., Research Division

Okay. And then a follow-up question. What does the international growth opportunity look like given increased FX volatility?

Keith Warner Demmings
President, CEO & Director

Yes. So no doubt, as we look at Q1, we saw some effects from FX. We expect that to continue as we look towards the rest of the year. Luckily, as Richard has talked about, we're pretty resilient. There are a number of pluses and minuses as we look at more broadly, inflation macroeconomic factors, interest rates. So we feel like we're well positioned. But there's definitely we'll see some effect from FX. Think about Europe and Japan, as good examples, where we'll expect to see that. I do think we've got great momentum around the world. I mean our international footprint has continued to mature over the last many years. We haven't expanded into new countries. We've really focused on how do we gain relevance and scale within the key markets that we want to be in. And I think our teams are doing a great job.

Our services, our solutions, we continue to deploy them on a global basis. So as we build services like you think about it an easy example like same unit repair or premium technical support or trade in, those services are relevant everywhere in the world. They may be more relevant in a certain market today and 2 years from now, that trend catches up in another part of the world. So I think that's one of the powers of operating as a global business. It's allowed us to build things once, build them in a standard way, build kind of global platforms that we can scale and then deploy those internationally. And we've got some incredible clients around the world. I'm so proud of what our international team has done, and I think there's lots and lots of opportunities.

And today, it's mobile. Connected Living is the biggest part of international. We've got through the acquisition of TWG, much more automotive going on in various parts of the world. And as we continue to find the other relevant parts of Assurant to export to take advantage of our biggest markets, I think that will create longer-term tailwinds for us. But certainly, in the short term, FX is a challenge.

Operator

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

Grace Helen Carter
BofA Securities, Research Division

I was wondering if you all could talk about, I guess, the percent of the LPI book that's historically been in REO and just how that compares today versus historical and I guess, just kind of the evolution of that over the course of the year?

Keith Warner Demmings
President, CEO & Director

Yes. I would say, in simple terms, our REO volume is down significantly. It's probably 1/3 of what it would have been pre-pandemic roughly in that order of magnitude. I'd say we've seen it stabilize in terms of volume in the first quarter. I would expect that to slowly increase over time as properties enter foreclosure later in the year. So I definitely see that growing over time. Obviously, there's a ton of strength in the housing market. Our partners are working closely with customers in terms of loss mitigation activity. There's a lot of equity still in the homes for customers.

There's a lot of opportunity for mortgage servicers to work with customers. So that will take some time to normalize. But certainly, it's dramatically lower than pre-pandemic, and we'd expect things to normalize over a reasonable period of time over the next couple of years, I would say.

Grace Helen Carter
BofA Securities, Research Division

And sticking with the housing book, if there's any more color you could offer on the cost efficiencies that you referenced, just kind of thinking if that should ramp over the year or there should be kind of a more even impact starting next quarter? And just any sort of directional guidance on maybe the magnitude of the impact?

Keith Warner Demmings
President, CEO & Director

Yes, I think we're investing heavily in terms of digital investments automation. We've got a large operation that we run within the housing business. It's fairly intensive, labor-intensive in terms of the services that we provide. We've talked about how deeply integrated we are with our partners. And really, it's just operational transformation initiatives around digital and finding simpler ways to serve customers more quickly in partnership with our clients. And I would expect it to ramp naturally over the year as we continue to deploy digital tools, digital solutions, and that will allow us to drive that efficiency going forward. But Richard, what else might you want to add?

Richard Steven Dziadzio
Executive VP & CFO

Yes, I think that's exactly right. I don't think there will be a threshold moment per se. And a lot of the leverage that we're getting today is based on projects that have already been launched, that already were doing. So we're going to continuously, as Keith said, gets leverage out of it. And where I see some good leverage coming out is coming back to your previous question, Grace on REO, as we get more revenues out of that as revenues grow overall in lender-placed, we should hopefully get some leverage out of the expenses as well. Knowing, of course, that over time, it's more of a revenue and top line issue as opposed to just pure expenses because, obviously, we have rate filings to do. And over the longer term, that will balance itself out. But we do see over the short term that expenses and the leverage we're creating will really be helpful to us.

Keith Warner Demmings
President, CEO & Director

All right. Well, thank you again, everyone. And I would just like to close by saying we're really pleased with our first quarter performance. I certainly look forward to updating everyone on our second quarter results in August. And then in the meantime, please reach out to Suzanne Shepherd and Sean Moshier with any follow-up questions. But thank you very much, and have a great day.

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