S&P Global
Market Intelligence

Assurant, Inc. NYSE:AIZ

Earnings Call

Wednesday, February 7, 2024 1:00 PM GMT

Call Participants

EXECUTIVES

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Executive VP & CFO

Keith Warner Demmings
President, CEO & Director

Sean Moshier
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ANALYSTS

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Mark Douglas Hughes
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Presentation

Operator

Welcome to Assurant's Fourth Quarter and Full Year 2023 Conference Call and Webcast. [Operator Instructions] It is now my pleasure to turn the floor over to Sean Moshier, Vice President of Investor Relations. You may begin.

Sean Moshier
Vice President of Investor Relations

Thank you, operator, and good morning, everyone. We look forward to discussing our fourth quarter and full-year 2023 results with you today. Joining me for Assurant's conference call are Keith Demmings, our President and Chief Executive Officer; and Keith Meier, our Chief Financial Officer. Yesterday, after the market closed, we issued a news release announcing our results for the fourth quarter and full-year 2023. The release and corresponding financial supplement are available on assurant.com. Also on our website is a slide presentation that we introduced this quarter for our webcast participants.

Some of the statements made today are forward-looking. Forward-looking statements are based upon our historical performance and current expectations and subject to risks, uncertainties and other factors that may cause actual results to differ materially from those contemplated by these statements. Additional information regarding these factors can be found in the earnings release, presentation and financial supplement on our website as well as in our SEC reports.

During today's call, we will refer to non-GAAP financial measures, which we believe are important in evaluating the company's performance. For more details on these measures, the most comparable GAAP measures, and a reconciliation of the 2, please refer to the news release and supporting materials.

We'll start today's call with remarks before moving into Q&A. I will now turn the call over to Keith Demmings. Keith?

Keith Warner Demmings
President, CEO & Director

Thanks, Sean, and good morning, everyone. 2023 was an extraordinary year for Assurant, our seventh consecutive year of profitable growth. We drove shareholder value by delivering financial outperformance, maintaining a strong capital position and generating significant momentum throughout our businesses. Adjusted EBITDA grew 21% to nearly $1.4 billion, and adjusted EPS increased by 26%, both excluding reportable catastrophes.

Our results were driven by the strength of our Homeowners business within Global Housing, which delivered adjusted EBITDA growth of nearly 65%, excluding cats. In addition, our Connected Living business continued to grow, supported by our strong U.S. partnerships with mobile carriers and cable operators, and our ability to innovate and execute for our clients.

Together, Lifestyle and Housing generated nearly $775 million in dividends. This allowed us to return over $350 million to shareholders, including $200 million of share repurchases. 2023 was a testament to the power and attractive financial profile of our unique and differentiated Lifestyle and Housing businesses.

Assurant would not have been able to achieve this level of success without our talented people, including our newly refreshed management committee, further strengthening our leadership team. As we celebrate our 20th year as a public company, I am proud of the world-class culture we've created, exemplified by the many recognitions Assurant has received throughout 2023. Earlier this week, JUST 100 included Assurant as part of its 2024 rankings of America's most JUST companies, recognizing our commitment to serving our employees, customers, communities, the environment and our shareholders.

In addition, we received recognition from Fortune as 1 of America's most innovative companies, and Newsweek recognized the progress we've made to incorporate sustainability into our strategy by placing us on its list of America's most responsible companies. The dedication from our employees and leadership team, who strive to achieve our vision every day, makes it possible to innovate to better serve our clients and create value for our shareholders.

We begin 2024 in a position of strength and with great momentum. Over the past 2 years, we focused on further strengthening our business portfolio and driving operational excellence while accelerating innovation. By investing in businesses where we have leadership positions, we believe we're well positioned for future success.

For instance, within Global Lifestyle, we've grown our presence in specialized markets, including in the commercial equipment space, where acquisitions have contributed to new client partnerships. We've strengthened our company through active portfolio management, making decisions to exit businesses that are not core to our long-term strategy. This included exiting our sharing economy offerings and international cat exposed businesses in Housing, further simplifying our portfolio.

We've made significant progress in driving operational excellence across Assurant with a streamlined organizational structure and real estate footprint. We've implemented Digital First initiatives across our operations to support our businesses and drive value for end consumers. Finally, we've accelerated innovation in a variety of ways to drive our business growth. Moving forward, technology innovation will continue to be an important driver of growth and value creation for Assurant.

Our approach has driven success within our financial results, and is evident in our track record of winning new business and renewing client partnerships. This expansion of our client base is an integral part of our strategy and creates important tailwinds as we look toward the future.

Now turning to highlights across our business segments. For 2023, Global Lifestyle earnings were relatively flat on a constant currency basis. In Connected Living, 2023 represented another year of growth for the business, with a 3% increase in earnings. Within our U.S. business, we drove high single-digit EBITDA growth as we continue to innovate and execute for our growing carrier and cable operator clients through our device protection programs. We strengthened critical partnerships, including Spectrum Mobile, where we provide mobile protection, trade-in and other value-added services. In addition, we expanded our trade-in programs with major OEMs by adding a large new partner as well as renewing AT&T, where we're deploying robotics in our mobile device facilities throughout the U.S.

We continue to make progress internationally. In Europe, we stabilized earnings by driving expense efficiencies while continuing to address ongoing macroeconomic challenges. Throughout Asia Pacific, we're excited by our market position and our long-term outlook. We're very pleased to announce a new partnership with Telstra, Australia's largest mobile operator. Our new multiyear deal will allow us to provide comprehensive products to support the end-to-end device life cycle for Telstra's broad base of customers, including their core mobile protection program as well as trade-in and repair capabilities. This partnership is significant as we continue to build our presence in Asia Pacific.

Turning to Auto, year-over-year declines were driven by inflationary impacts on claims costs. Beginning in 2022, we took decisive action to address significant inflation that impacted the auto repair industry. For the handful of deal structures, where we've been negatively impacted by underwriting results, we successfully partnered with our clients to implement meaningful rate increases, while making important changes to strengthen and enhance our claims adjudication process. Given the longer average duration of our auto service contracts, we'll earn through the full benefit of these actions over time, with improvement expected to begin in 2024.

Based on the actions taken in Auto and the continued growth of Connected Living, we feel well positioned to deliver Global Lifestyle growth in 2024.

Let's move on to Global Housing. In 2023, this segment grew significantly, driving our overall enterprise performance. The growth was led by our Homeowners business, which was supported by higher premiums and in-force policy growth. The business rebounded from the inflation impacts on claims experienced in 2022 and also benefited from favorable prior-year reserve development.

In addition to highlighting the significant earnings power of the business, our '23 housing results demonstrated differentiated returns and strong cash flow. Excluding favorable prior-year development, our 2023 combined ratio was 83%, including $111 million of reportable cats, which was below our assumed annual cat load of $140 million.

We are also very pleased to announce a new partnership in our lender-placed business. Beginning in the first quarter of 2024, we'll provide lender-placed insurance services to Bank of America's $1.8 million loan portfolio, further enhancing our market position and validating the competitive strength of our offerings. In renters and other, we increased earnings modestly in 2023 as our property management channel continued to expand. Written premiums in the property management channel grew nearly 20% in 2023.

Along with adding new clients, we also achieved double-digit growth across 8 of our top 10 PMC clients, creating significant business momentum. Growth was supported by the continued expansion of Cover360, where we now track over 1 million residents, a nearly 45% increase over the prior-year. Technology innovation also enhanced our digital customer experience, including a new digital agent leasing portal and expanded claims processing powered by machine learning.

Let's turn to our 2024 enterprise outlook. We expect continued profitable growth in 2024, driven by our business momentum. While growth is expected to be lower than the significant outperformance we delivered in 2023, we expect our '24 results will demonstrate the combined earnings power of our advantaged portfolio. Adjusted EBITDA, excluding cats, is expected to grow mid-single digits, with Global Lifestyle and Global Housing delivering similar growth rates for the year. Adjusted EPS growth is expected to modestly trail adjusted EBITDA growth, primarily reflecting higher annual depreciation expenses related to technology investments critical in executing our strategy.

Before concluding, I'd like to introduce our recently appointed CFO, Keith Meier. Keith has been with Assurant for over 25 years and has served in leadership positions, managing P&Ls across many of Assurant's businesses. In his most recent role as Chief Operating Officer, Keith led the transformation of our technology and drove significant operational efforts to support the end customer experience. I have no doubt that Keith, as our CFO, will be an enabler of driving profitable growth while allocating capital strategically.

Now over to Keith to review our quarterly results and 2024 outlook in further detail.

Keith Roland Meier
Executive VP & CFO

Thanks, Keith, and good morning, everyone. Before reviewing the quarterly results, I'd like to share my perspectives as I'm about to wrap up my first 90 days as Assurant's CFO. During my time at Assurant, I've been fortunate to have led several businesses as well as take on a variety of other roles across the organization, including most recently, leading our technology and operational teams. These experiences have provided me with deep insights into our global clients and the understanding of what is needed to deliver a high level of business performance, always backed by strong financial expertise and discipline.

As CFO, driving growth and financial performance will continue to be my priorities. I'm focused on ensuring our capital position remains strong as we create additional shareholder value and drive profitable growth through further innovation and differentiation within our product portfolio.

As I look toward the future, I'm also focused on continued expense efficiencies by utilizing digital and AI technology, which also enables us to deliver better customer experiences. Lastly, I have appreciated the opportunity to meet with many of our investors, employees and clients over the last several months and their willingness to share observations about Assurant as I began my tenure as CFO. Our discussions have enabled me to better shape my views and the path going forward.

Now let's talk about our fourth quarter financial results, which reinforce the strength of our businesses and the performance that we've seen throughout the year. For the quarter, adjusted EBITDA grew 29% to $382 million, and adjusted EPS increased by 38% to $4.90, both excluding reportable catastrophes. Adjusted earnings and EPS growth were driven by year-over-year growth in both Housing and Lifestyle. Our capital position remains strong, generating $280 million of segment dividends in the fourth quarter and ending the year with $606 million of holding company liquidity. This allowed us to return $169 million to shareholders in the quarter, including $130 million of share repurchases.

Let's review the businesses, beginning with Global Lifestyle. For the quarter, adjusted EBITDA grew 12% to $205 million, led by strong earnings growth of 23% within Connected Living as our U.S. mobile protection programs continued to grow. Higher yields on invested assets also contributed to the improved fourth quarter results.

Globally, our trade-in programs represent a critical component of our device life cycle value proposition, as well as a fee-based income driver supporting the growth of our mobile business. Throughout 2023, we serviced over 25 million devices, including 7.5 million in the fourth quarter, which represented a high watermark for the year. While trade-in results were down modestly year-over-year, we saw fee income growth from higher sale prices for used devices and contributions from new U.S. trade-in programs.

Internationally, we continue to be impacted by subscriber declines in Japan, but have stabilized performance in a challenging macroeconomic backdrop.

In Global Auto, fourth quarter adjusted EBITDA was relatively flat as higher claims costs from inflation were offset by higher investment income. Claims were also elevated from the expected normalization of auto ancillary products and from international clients.

During the latter part of the year, we saw positive signs in U.S. loss trends as we began to benefit from prospective rate increases that were implemented.

Turning to net earned premiums, fees and other income. Lifestyle grew by $268 million or 13%. Growth from Global Automotive, which increased 14%, was due to $85 million of non-run rate premium adjustments with no corresponding earnings impact as well as prior period sales of vehicle service contracts. Connected Living net earned premiums, fees and other income increased 12%, benefiting from contributions from new trade-in programs, higher prices on used mobile devices and modest growth in North America mobile subscribers. Looking ahead to 2024, we expect Global Lifestyle's adjusted EBITDA to grow, driven by both Connected Living and Global Automotive.

We expect growth in Connected Living to be led by the continued expansion of our U.S. business. We expect Japan and Europe to remain generally stable throughout the year.

In Global Auto, we expect rate actions taken over the past 18 months to drive improvement over time, beginning in 2024. Investments related to new client implementations will temper growth in 2024 for Lifestyle, but are critical levers to expand our portfolio and strengthen our business over the long term. We continue to monitor foreign exchange impacts, broader macroeconomic conditions and interest rates, which may impact the pace and timing of growth.

In terms of full-year net earned premiums, fees and other income, lifestyle is expected to grow mainly from our Connected Living business.

Moving to Global Housing. 2023 was truly a strong year. We drove growth from the actions taken over the past few years to ensure rate adequacy and drive expense leverage while benefiting from the streamlining that we undertook to simplify our portfolio. Fourth quarter adjusted EBITDA was $186 million, which included $22 million of reportable cats. Excluding reportable cats, adjusted EBITDA increased by nearly 50% or $68 million to $208 million. 2/3 of the increase was driven by favorable non-cat loss experience in homeowners including a favorable year-over-year impact of $35 million related to prior period reserve development.

This was comprised of $40 million of reserve reductions in the current quarter compared to a $5 million reduction in the fourth quarter of 2022. The remainder of the adjusted EBITDA increase was from continued top-line growth in homeowners from higher premiums and an increase in the number of in-force policies. Higher investment income also contributed to earnings growth.

Growth was partially offset by incremental expenses to support new business, and an increase to our catastrophe reinsurance premium.

For renters and other, earnings were flat as growth in our property management channel was offset by softer affinity channel volumes. For the full-year 2024, we expect Global Housing adjusted EBITDA, excluding reportable cats, to grow, driven by continued top-line momentum in homeowners.

In 2023, we benefited from $54 million of favorable prior-year reserve development. Our expectation is to deliver growth in housing in 2024, overcoming the $54 million of favorable prior-year reserve development, demonstrating the strength of the housing business.

As Keith discussed, we will begin onboarding 1.8 million loans from Bank of America in the first quarter. When fully onboarded, we expect the placement rate of the book to be below Assurant's current portfolio average of 1.8%, which may impact overall placement rate trends. Due to implementation expenses, we do not expect these loans to contribute significantly to adjusted EBITDA in 2024.

In terms of our cat reinsurance program, we have transitioned to a single April 1 placement date beginning this year. This greatly simplifies our placement process, while maintaining comprehensive coverage in the market. As this is a transition year, we placed virtually all of our 2024 program in January, with some smaller components remaining for the April placement. For our 2024 program, our per-event retention will increase to $150 million, aligning with a 1- and 5-year probable maximum loss or PML, as we continue to optimize risk and return. This is consistent with our 2023 program.

We've expanded our risk protection to align with exposure by increasing our top end limit to protect against a 1 in 265 PML event. Over the past 2 years, we've continued to increase our capital protection, increasing the top end of our program from a 1 in 174 PML in 2022 to a 1 in 225 PML in 2023 and now a 1 in 265 PML in 2024.

Reflecting on these expected changes, we now estimate the appropriate cat load to be $155 million for 2024.

Given the exit of our international property business and the better market pricing as we leverage our strong reinsurer relationships, we expect a modest overall cost savings in 2024. We will provide further updates on the reinsurance program in May.

Moving to Corporate, the fourth quarter adjusted EBITDA loss was $30 million, a $3 million year-over-year increase, mainly due to higher employee-related expenses. For 2024, we expect the corporate adjusted EBITDA loss to approximate $105 million.

Turning to capital management. As we look forward to 2024, we expect to continue to generate significant capital and focus on maintaining balance and flexibility to support business growth. For the full year, we expect our businesses to generate meaningful cash flows, approximating 2/3 of segment adjusted EBITDA, including reportable cats.

Cash flow expectations assume a continuation of the current macroeconomic environment and are subject to the growth of the businesses, investment portfolio performance and rating agency and regulatory requirements.

We repurchased $200 million of common stock in 2023 and currently expect share repurchases to be in the range of $200 million to $300 million for 2024, which will depend on strategic M&A opportunities, market conditions and cat activity. As you can see, we are well positioned to deliver another year of growth in 2024 through the power of the Assurant franchise.

I'll now turn the call back to Keith Demmings to share his views on performance as supported by our differentiated business model. Keith?

Keith Warner Demmings
President, CEO & Director

I'd like to take a few minutes to discuss why we believe that Assurant is so attractively valued today. Assurant is a powerful differentiated business with unique advantages that have outperformed over time. Our B2B2C business model throughout Lifestyle and Housing is different from other insurers and serviceoriented companies. Not only do we operate in unique, highly specialized and attractive markets, but we hold strong market positions and benefit from our scale.

At our core, we provide specialty insurance solutions and fee-based services that are often deeply integrated with our large clients as we play an important role in delivering services to their end customers. Our alignment with industry leaders and market disruptors has helped us generate significant scale within our businesses. Our competitive advantages are further strengthened by our broad set of capabilities that allow us to innovate and execute for our partners and customers, enabling us to be flexible and agile.

We have compelling and unique aspects of our business model that we believe create advantages. Our low capital intensity businesses allow us to grow efficiently, while generating additional capital for deployment. This is evident through our capital efficiency and strong cash generation of $3.5 billion over the last 5 years.

Our risk profile is attractive. Earnings volatility is lowered by the risk-sharing structures within our business models, reducing the impacts of macroeconomic volatility. For example, throughout Connected Living and Global Auto, approximately 2/3 of total risk is reinsured or profit shared to our partners. Within Housing, our portfolio simplification efforts have focused on exiting more capital-intensive businesses, which has enhanced our risk profile. In addition, our robust catastrophe program substantially limits retained risk due to the low per-occurrence retention level and high limit at the top end of the tower.

Lastly, we're well positioned to adjust pricing to enable our targeted rates of return. Lender-placed is a prime example where our product has a built-in annual inflation guard feature to ensure policy pricing accounts for higher labor and materials cost as we've seen over the last 2 years. In Auto, most of our client deal structures share in the risk through reinsurance or profit shares. This creates close alignment between Assurant's underlying economics and our clients' financial results. Given this dynamic, we have the ability to adjust rates together with our clients to account for inflation impacts in the broader market.

Over the past 18 months, we've successfully worked with our clients to put through prospective rate increases on new vehicle service contracts.

Financial performance is paramount for Assurant. While growth may not always be linear, we've delivered average annual earnings and EPS growth of double digits since 2019, which has generated significant cash flow. Our 2024 outlook adds to this historical growth that we've delivered.

To demonstrate the strength of our business model, we thought it would be useful to show how we performed versus a broad group of insurers on an adjusted earnings basis given the available data. Please keep in mind, this example is not to suggest a new peer group. We've selected the S&P 1500 P&C Index to highlight our performance against a credible and broad index that includes members we are often compared to, including specialty and P&C insurers. Over the past 5 years, we've grown double digits and outperformed the index. Our average annual adjusted earnings growth rate, excluding cats, up 12%, is almost double the index growth rate of 7% over the same time period.

Including reportable cats, we've also outpaced the market, driving 10% average annual growth versus the index growth rate of 6%. We believe that our consistent ability to demonstrate strong, profitable growth and returns with lower volatility and required capital makes Assurant attractively valued. I'm confident that we'll continue to drive long-term profitable growth and create shareholder value.
And with that, operator, please open the call for questions.

Question and Answer

Operator

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

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Welcome Keith Meier. The BofA, congratulations on that. You say that the placement rate is going to be lower? Is the -- is that just because the placement rate on an underlying basis is lower? Or is that the actual premium and the covered homes are not being transferred over to you?

Keith Warner Demmings
President, CEO & Director

No. We're going to be picking up all of the loans and then all of the policies, but the placement rate on that particular block of business is just lower than the average. If you look at our current average, it's 1.8%. It will be south of that, just the nature of the loans and nature of the business. But to the more fundamental point, really excited about the opportunity and many years in the making and a huge congratulations to our lender-place team for doing an incredible job building a relationship and then obviously getting to this point is incredibly exciting and extremely validating.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Yes. And then on the Homeowners business, the reserve -- or favorable reserve development, was that just because Hurricane Ian turned out better than expected? Or is there -- are you seeing a fundamental change in underlying trends? It seems like the non-cat losses have been very favorable lately. Is it something we should view as sustainable?

Keith Roland Meier
Executive VP & CFO

Mark, this is Keith Meier. So I think the first thing I would say is the reserve -- the positive reserve development was more in relation to the higher inflationary environment that we had previously. Now that, that's more settled, that's what's really been the change in the estimates that our team has made there. So I think that was more the driver than any other type of weather activity or any other type of experience. So I think that was the key there.

And then in terms of your question on the quarter, the way to think about that is if you take out the prior-year -- the prior period development and over the whole year, we basically are at about a 40% non-cat loss ratio. It's about 1 point better than last year. And then if you think about looking at 2024, we would see our non-cat loss ratio to be somewhat level to what we're seeing in 2023. So that's probably the way to think about our views on the non-cat loss ratio.

Keith Warner Demmings
President, CEO & Director

And just 1 final thought. I mean modestly better in the quarter when you make the adjustment at 38%, but that's just normal seasonality, nothing we would really point to there, Mark.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Yes. And if I could squeeze in 1 more. The fee income in Lifestyle was up substantially, much more so than the devices service. What was going on there?

Keith Roland Meier
Executive VP & CFO

Yes. That's mainly the higher trade-in volumes that we have seen in the fourth quarter. So in the fourth quarter, we also saw the addition of two new programs. So one, with one of the major OEMs, and then also a program that cuts across several of our other clients, then that's also tempered a little bit by some of the promotional activity. But overall, we felt really good about the trade-in performance in the quarter.

Operator

Our next question is coming from John Barnidge with Piper Sandler.

John Bakewell Barnidge
Piper Sandler & Co., Research Division

My first question, I know there was an expense reduction program in December '22, with full savings emerging in '24. Are you able to talk about geography of those savings that's supposed to emerge in '24 and how you view a run rate global housing expense ratio?

Keith Roland Meier
Executive VP & CFO

Sure. So I think the -- it's a blend of both employee actions as well as some of our facilities that we've been able to gain some efficiencies on as well. But I think in terms of the expense efficiencies for Housing, we had a really, really strong year, and this has really been the story over the last couple of years, especially a lot of our technology investments and the work that we've done through our digital programs and really driving an even better customer experience.

When you look at our expense ratio year-over-year, we're down 6 points from 46 to about 40. And so that really has been a story of a lot of our technology investments that we've been making. And I think that's what's enabling us to -- if you think into 2024, we should be able to take a lot more expense leverage with the growth we had in Housing, but not increasing our expenses in a corresponding way.

So really proud of the work that our teams have done there to not just lower the cost, but also create advantages in the market. And I think when you think about the customer experience that we've been delivering, I think that's a great example of why a client like Bank of America would want to do business with Assurant. So I think those investments are paying off in multiple ways.

John Bakewell Barnidge
Piper Sandler & Co., Research Division

And on Auto input costs, can you maybe talk about the ability to recoup the elevated Auto input costs through contracted actions for '24? I think you talked about improvement expected this year.

Keith Warner Demmings
President, CEO & Director

Yes. So maybe I'll take that. And I think what I would say is there's a handful of clients and deal structures where we're feeling the pressure on the underwriting results, which we've talked about. We've made significant rate adjustments over the last 18 months or so with all 5 of these clients and feel really good about how we're positioned. I mean the relationships are incredibly strong. To your point, our contracts are built with transparency. We've got very much aligned interest in terms of financial performance. So we put a lot of rate in. We'll continue to look at performance, obviously, monitor claims activity.

I would say that we saw things level off in the fourth quarter, which is a good sign. We've stabilized severity in the business. And then based on the nature of these service contracts, it takes a little longer for it to earn through than when you think about what happened within the housing business. Those are annual policies. These are 3-, 4-, 5-, 6-year policies. So it's a little bit different from that perspective. But I would say we feel really well positioned and certainly see improvement in '24, and that should continue to flow through in '25 and beyond.

Operator

Our next question is coming from Tommy McJoynt with KBW.

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

There's a -- it sounds like there's a couple of moving pieces related to the mobile side. So you called out some upcoming investments in that space, and you also have the onboarding of Telstra in Australia. Are you going to quantify some of the figures around that in terms of the investment cost, the onboarding costs and then what the run rate, either revenue or earnings contribution from Telstra could be? We're just trying to think about after the next 12 months sort of what the earnings power of that Connected Living mobile device business might look like?

Keith Warner Demmings
President, CEO & Director

Yes, I'd probably offer a couple of thoughts. Obviously, it's a pretty exciting development. We're super proud of the team in Australia. And it's a great example of leveraging our capabilities and our global reach. It's going to roll out in phases. We expect to launch in the first quarter, and then there's a number of different phases to the rollout. So it will be, I would say, probably modestly EBITDA negative this year in terms of the investment to get that ramped up. Obviously, I would expect it to be significantly improved in -- certainly in '25 -- sorry, yes, in '25 over '24.

In terms of the size and scale of investments, so one thing I would say, Tommy, there's quite a bit of investment going on within Assurant. Certainly, we talked about BofA. But even just on the Lifestyle and Connected Living side, Telstra is one example.

Obviously, we're talking about it publicly, but there are also a lot of other investments that we're making, building out capabilities, and we're in many, many discussions with different clients, different prospects about rolling out new products, new services. So I would say we probably have more investment going on even beyond Telstra within Connected Living this year than we would in a normal average year.

When we talk about mid-single-digit growth for Lifestyle, you could probably think about the investment putting pressure on that by a few points. So it would be more in the high-single-digit range if we weren't making some of these what are, for us, significant investments in the future.

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

Got it. I appreciate you quantifying some of those numbers. You also separately reported some pretty high net investment yields across the various business lines this quarter and even for the full year. Is there any upside to the net investment income from here? And what's the sensitivity of those various portfolios to potential rate cuts?

Keith Roland Meier
Executive VP & CFO

Yes, Tommy. So I think, one, in terms of our expectations for next year, we see investment income being relatively flat to slightly up. We -- you mentioned the higher results for this quarter. We had our real estate joint venture sales so that contributed. We don't think we'll have as high of real estate sales into next year, but we do think it should be relatively positive going into next year. Right now, we've -- our portfolio book yield is at 4.99%, so just under 5%. New money rates will be a little bit higher than that. And so we do expect, as the year goes on, of course, the Fed is expected to reduce rates through the year. So depending on the timing of some of those rate changes, those will be kind of offsetting the increase that you saw this year.

So overall, we think it will -- we're in a pretty good place from an investment income standpoint but probably slightly up for next year.

Keith Warner Demmings
President, CEO & Director

Yes. And maybe, Tommy, just to add a little bit more color on how I'm thinking about that. I mean, when you look at the overall guide for the year, we're overcoming $54 million of PYD in Housing. And then we don't have material tailwinds on investment income. It might be modestly positive, but not like what we saw this year. So obviously, being able to deliver strong growth on top of those 2 factors we feel really good about, along with the investments that I mentioned earlier.

Operator

Our next question is coming from Brian Meredith with UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

A couple of them here. First one, I'm just curious, Keith, you mentioned that Japan was going to be relatively flat this year. I'm just curious kind of how we should think about that with respect to the contract kind of changes that are going on? Is that kind of ending in 2024? Are there still pressures there, and you expect some growth? And then also on that, kind of maybe you can kind of tell us what your kind of baseline macro assumption is in your kind of outlook for 2024?

Keith Roland Meier
Executive VP & CFO

Yes. Sure, Brian. And so starting with Japan, we mentioned the 4-year customer contracts that were running off, and then the new contracts were evergreen. That's still going to be a bit of a pressure for us, not as much as '23, but there'll still be a pressure for us in '24. I think that is offset a little bit by some new structures and new programs that we have launched in Japan. So that's where that -- you'll see that moderating. And I think longer term, I feel even better about Japan, where, a few years ago, we only had a couple of relationships with the mobile carriers. Now you fast forward to today, we've got a business -- active business that we do with all of 4 top mobile operators.

And so in our business, it's not easy to win big clients. But when you can be an existing partner already, and then be able to grow that relationship from there, I think that puts us in a very good position and why we have a lot of optimism for the future of Japan. But with some of those new programs coming up, I think that's what's allowed us to feel like we've gotten past some of those headwinds from before.

Keith Warner Demmings
President, CEO & Director

Yes. And we certainly stabilized Japan here if we look at the last couple of quarters, Q3 and Q4 in terms of the overall financial performance, so we feel good about that. And I would say, as we look forward to '24, expect to see some modest improvement over time. And then to Keith's point, longer term, still an exciting market for us.

Keith Roland Meier
Executive VP & CFO

And in terms of the macroeconomic conditions, Brian, I don't think we're expecting anything significant. Obviously, we talked about interest rates and things like that. But beyond that, not -- there's nothing that's contemplated that's that significant.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. And then 1 other just quick 1 here. On the BofA deal, I'm just -- I'm assuming your kind of guidance for cat load for this year includes the BofA deal?

Keith Roland Meier
Executive VP & CFO

Yes, it does.

Operator

Our final question is coming from Grace Carter with Bank of America. It does appear we did lose Grace. One moment, please. It does appear that Grace has dropped off the call, gentlemen.

Keith Warner Demmings
President, CEO & Director

No problem. All right. And that was the last question. Am I correct?

Operator

That is correct, sir.

Keith Warner Demmings
President, CEO & Director

Wonderful. Okay. Well, we will call it a wrap for today, and we'll look forward to speaking to everybody again in May. And then, obviously, in the meantime, please feel free to reach out to our IR team, who will be happy to answer any questions that everybody has. But thanks very much, and we'll talk soon.

Keith Roland Meier
Executive VP & CFO

Thank you.

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