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Market Intelligence

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Earnings Call

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Call Participants

EXECUTIVES

Keith Warner Demmings
President, CEO & Director

Richard Steven Dziadzio
Executive VP & CFO

Suzanne Shepherd
Senior Vice President of Investor Relations & Sustainability

ANALYSTS

Brian Robert Meredith
UBS Investment Bank, Research Division

Grace Helen Carter
BofA Securities, Research Division

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

John Bakewell Barnidge
Piper Sandler & Co., Research Division

Mark Douglas Hughes
Truist Securities, Inc., Research Division

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

Presentation

Operator

Welcome to Assurant's Third Quarter 2023 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 third quarter 2023 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 third quarter of 2023. The release and corresponding financial supplements are available on assurant.com. We'll start today's call with remarks from Keith and Richard before moving into a Q&A session.

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

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

It is now my pleasure to turn the call over to Keith.

Keith Warner Demmings
President, CEO & Director

Thanks, Suzanne, and good morning, everyone. We're very pleased with the exceptionally strong results we achieved in the third quarter with adjusted EBITDA, excluding catastrophes, growing nearly 50% year-over-year or 19% on a year-to-date basis, both ahead of our expectations.

Our results were largely driven by continued momentum in Global Housing and our steadfast focus on executing our strategy, including driving innovation, creating efficiencies and strengthening our global partnerships. These efforts have positioned us to exceed our previous expectations of high single-digit adjusted EBITDA growth, excluding catastrophes.

We now expect adjusted EBITDA growth of mid- to high-teens. Our year-to-date performance highlights Assurant's competitive differentiators, including our advantaged Global Housing and Global Lifestyle businesses that have proven leadership positions with scale and significant cash generation. Combined, these businesses are extending Assurant's track record of strong financial performance, thanks in part to the swift actions we've taken across our global operations to improve results and strengthen the business given broader macroeconomic headwinds.

We continue to realize benefits from the actions we announced in 2022 to simplify our business and corporate real estate and realign our organizational structure, allowing us to reinvest throughout the enterprise. We extended our 2022 restructuring plan to include additional actions across the enterprise as we believe further enhancing Assurant's operational efficiency will support our long-term profitable growth and value creation.

We now expect total restructuring costs associated with our extended plan to be between $90 million and $95 million pretax, above our previously announced expectations of $60 million to $65 million.

Looking at our business segments. In Global Housing, I want to thank all of our employees who supported policyholders impacted by Hurricane Idalia and the Hawaii wildfires, as well as several other significant weather events during the quarter.

Assurant plays a critical role in safeguarding our policyholders and supporting the U.S. mortgage industry. Our Global Housing adjusted EBITDA, excluding cats, more than doubled year-over-year and increased 72% year-to-date, led by significant growth in our homeowners business through top line growth and improving loss experience.

Our ability to quickly execute changes, particularly in our lender-placed business, has helped us gain earnings momentum from higher in-force policies, average insured values and state-approved rate increases following inflation impacts in 2022.

Our performance so far this year highlights Global Housing's compelling and uniquely positioned portfolio. Year-to-date, including $89 million of reportable catastrophes, our combined ratio is 82% and our annualized ROE is 29%, demonstrating strong returns and cash generation.

In our Renters business, we saw continued strength in our property management channel, where policies in-force have grown double digits this year. We continue to win new clients, grow existing partnerships and release new capabilities, including our upgraded leasing agent portal and digital insurance tracking enhancements.

We're very pleased with Global Housing's strong performance year-to-date, which reflects our focused execution around streamlined product lines where we have a clear competitive advantage and scale.

Turning to Global Lifestyle. Third quarter earnings increased 7% year-over-year or 14% excluding a onetime client benefit within Connected Living last year. Year-to-date adjusted EBITDA down 6% versus the same period in '22 has continued to improve throughout the year and is tracking in line with our expectations of a modest decline for the full year.

Within Connected Living, we continue to support long-term growth through the development of innovative offerings for our partners. U.S. Connected Living is poised for another year of solid growth, particularly within our mobile protection business, a testament to our breadth of innovative offerings, customer experience expertise and deep relationships with mobile carriers and cable operators.

As macroeconomic headwinds have persisted, including impacts from inflation, we've taken decisive action across our global operations to mitigate these impacts. In Europe, expense actions have allowed us to stabilize earnings as we focus on critical opportunities to grow our top line. We also continue to invest to advance product innovation and anticipate our clients' needs as well as improve customer experience through expanded service delivery capabilities. For example, as part of the extension of our '22 plan to realize benefits and simplify our business in corporate real estate, we're consolidating our mobile device care centers into 2 sites in the U.S.

We'll move the services currently offered in York, Pennsylvania to our existing facility in Texas. Over time, we'll be investing in a new site in Nashville, where we can leverage a strong talent market and greater logistics efficiencies as we evolve with emerging clients.

Turning to our Global Auto business. We're beginning to see initial signs of claims improvement, as a result of the decisive actions taken over the last year to improve performance. These actions included implementing rate increases on new policies across impacted clients and advancing opportunities to improve loss experience for programs where we hold the risk. We continue to monitor claims costs closely and expect improvement will be gradual over time given the way the auto business earns.

In auto, we launched Assurant Vehicle Care at over 500 dealers. Building on decades of proprietary data on cost of claims, Assurant Vehicle Care is a comprehensive new suite of vehicle protection products. It was developed to help our dealer partners optimize product design, pricing, training and sales to ultimately enhance attachment and economics. For the consumer, Assurant Vehicle Care provides a digital experience with more vehicle coverage, flexibility and transparency.

Now let's turn to our enterprise outlook and capital. Given our year-to-date results and our business outlook for the remainder of 2023, we now expect adjusted EBITDA to grow mid- to high-teens, excluding catastrophes. Adjusted EPS growth is now expected to exceed adjusted EBITDA growth, each excluding catastrophes. This is primarily due to higher earnings growth that now more than offsets the increase in depreciation expense.

From a capital perspective, we upstreamed $202 million of segment dividends during the third quarter and $493 million year-to-date. We ended the third quarter with $491 million of holding company liquidity consistent with the end of the second quarter.

In terms of share repurchases, during the third quarter, repurchases totaled $50 million. This brings our total repurchases to approximately $100 million for the year, including an additional $30 million of shares purchased through the end of October. Based on our strong year-to-date results, we expect fourth quarter buybacks to accelerate from third quarter levels and to be approximately $200 million for the year, consistent with our underlying repurchase activity in 2022. We're pleased with our strong capital position, which affords us more long-term flexibility over time.

Looking to 2024, we expect a more modest level of earnings growth in Global Housing, excluding catastrophes, building on strong 2023 financial results, which included $40 million of favorable prior year reserve development.

In Global Lifestyle, we expect earnings growth to be led by Connected Living, particularly in the U.S. from the expansion of current programs, as we work to gradually improve the auto business, which we will continue to manage closely.

From a capital perspective, we're committed to maintaining flexibility for our strong balance sheet and deploying capital for share repurchases and opportunistic acquisitions to support our growth objectives. We will share our 2024 outlook in February, factoring in our fourth quarter earnings, business trends as well as the latest forecast of the macro environment for the year.

In the near term, we're focused on achieving our 2023 objectives and setting a path for continued growth and value creation in 2024 and beyond. As we look ahead, we remain committed to execution, innovation and enhancing the customer experience for our clients and their end consumers, particularly as we look to capitalize on growth opportunities while supporting continued momentum.

Before I turn the call over to Richard to review the third quarter results and our 2023 outlook in greater detail. I want to once again thank our employees for their hard work and dedication to deliver for our clients.

Our company was recently recognized as one of TIME's best companies in the world, highlighting Assurant's strong employee satisfaction, revenue growth and sustainability efforts. Assurant was also recognized by Newsweek as one of America's greatest companies. Demonstrating our commitment to and progress in operating more sustainably.

The recognition was timely as we recently introduced Carbon IQ by Assurant. This offering enables clients to see the carbon impact of each device, including new and refurbished devices and provides them with estimated CO_2 emissions throughout the supply chain and life cycle to identify opportunities for reduction.

We're honored to be recognized for our outstanding culture, products and sustainability all of which help us better serve our clients. And now over to Richard.

Richard Steven Dziadzio
Executive VP & CFO

Thank you, Keith, and good morning, everyone. For the third quarter of 2023, adjusted EBITDA, excluding reportable catastrophes, totaled $357 million, up $118 million or nearly 50% year-over-year. Adjusted earnings per share, excluding reportable catastrophes, totaled $4.68 for the quarter, delivering year-over-year growth of 67%.

To review results in greater detail, let's start with Global Lifestyle. The segment reported adjusted EBITDA of $192 million in the third quarter, an increase of $12 million or 7% year-over-year. As a reminder, prior period results included a onetime client benefit of $11 million within Connected Living. Excluding the prior period gain, Global Lifestyle's adjusted EBITDA increased 14% or $24 million.

This increase was primarily driven by higher contributions from investment income and mobile growth. Connected Living earnings increased $30 million or 32% excluding the onetime client benefit, demonstrating strong mobile growth from North American device protection programs from carrier and cable operator clients and better trade-in performance.

Financial Services also contributed to the growth. Trading results benefited from improved margins related to higher sales prices for used devices, partially offset by lower volumes, impacted by the timing and structure of carrier promotions.

In Europe, we stabilized performance through expense actions, mitigating the impact of headwinds that began in the second half of 2022. In Japan, results were impacted by subscriber decline which is expected to continue into 2024.

Global Auto adjusted EBITDA declined $6 million or 8%. Results continue to be impacted by inflation of labor and parts leading to higher average claims costs. As expected, claims experience for auto ancillary products has also contributed to higher incurred claims costs in the quarter.

The auto earnings decline was partially offset by an increase in investment income from higher yields and asset values.

Turning to net earned premiums, fees and other income. Lifestyle was up by $83 million or 4%. This growth was primarily driven by Global Automotive, reflecting an increase of 6% from prior period sales of vehicle service contracts. Connected Living's net earned premiums, fees and other income increased 3%. Growth was muted by the previously disclosed mobile program contract changes of approximately $55 million with no corresponding impact to profitability. Excluding the impact of these contract changes, Connected Living's net earned premiums, fees and other income grew by 8%.

The quarter benefited from higher prices on used mobile devices and modest growth in North America mobile subscribers, excluding ongoing client runoff.

Turning to the full year 2023. We continue to expect Lifestyle's adjusted EBITDA to decline modestly. Global Auto will be down for the full year from unfavorable loss experience, including the impacts from continued normalization for select ancillary products previously mentioned. We've taken decisive actions this year in response to higher claims experience in our auto book, including prospective rate increases and repair cost reduction. While we've seen some improvement, the improvement is expected to take place over a longer period of time given the earnings pattern of the business.

In Connected Living, we expect our U.S. business to grow for the full year. Overall, we are pleased with Lifestyle's strong third quarter performance, especially in light of ongoing challenges in auto claims. For the fourth quarter, we expect higher trade-in volumes in mobile, but we also expect ongoing top line challenges in Japan and Europe and investments to support business growth. In terms of full year net earned premiums, fees and other income, Lifestyle is expected to grow consistent with year-to-date trends.

Moving to Global Housing. Adjusted EBITDA was $165 million, which included $26 million in reportable catastrophes, primarily from Hurricane Idalia and Hawaii wildfires. Excluding reportable catastrophes, adjusted EBITDA more than doubled to $191 million, with an increase of $106 million.

Housing performance was mainly led by 3 main items: First, continued top line growth in homeowners from higher premium rates and average insured values in lender-placed as well as an increase in the number of in-force policies. Second, favorable non-cat loss experience across the segment, including a year-over-year positive impact of $39 million related to prior period reserve development. This was comprised of $15 million of reserve reductions in the current quarter compared to reserve strengthening of $24 million in the prior period.

And lastly, additional scale within our homeowners expense base ultimately driving stronger operating leverage. Higher investment income also contributed to earnings growth for homeowners.

For Renters and Others, earnings grew modestly from favorable prior period reserve development. Growth within the property management channel was offset by softer affinity channel volumes. For the full year 2023, we expect Global Housing adjusted EBITDA, excluding reportable cats, to grow significantly due to the strong homeowners performance, driven by top line expansion in lender-placed and favorable non-cat loss experience.

In the fourth quarter, we expect higher expenses to support business growth. In addition, the third quarter included $15 million of favorable prior period development.

Moving to corporate. The third quarter adjusted EBITDA loss was $26 million, representing a modest year-over-year increase, mainly related to higher employee expenses. For the full year 2023, we continue to expect the corporate adjusted EBITDA loss to approximate $105 million.

Turning to holding company liquidity. We ended the quarter with $491 million and dividends from our operating segments totaled $202 million. In addition to cash used for corporate and interest expenses, third quarter cash outflows included 3 items, $50 million of share repurchases, $37 million for common stock dividends and $50 million to complete the repayment of our September 2023 notes.

As Keith mentioned, given our year-to-date performance and outlook for the year as well as the strength of Assurant's balance sheet, we expect to achieve full year share repurchases of approximately $200 million.

For the full year, we continue to expect our businesses to generate meaningful cash flows, approximating 65% of segment adjusted EBITDA, including reportable catastrophes. Cash flow expectations assume a continuation of the current economic environment and are subject to the growth of the businesses, investment portfolio performance and rating agency and regulatory requirements.

In closing, through the resilience of our unique business model, the decisive management actions taken and our intense client focus, we are confident in our ability to achieve the higher full year objectives we have outlined today.
And with that, operator, please open the call for questions.

Question and Answer

Operator

[Operator Instructions] Your first question is coming from the line of Mark Hughes of Truist.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Keith, Richard, I really like this housing business, and I'm glad you didn't listen to those people who said you should divest it. Little [indiscernible]. On the housing business, increased policy count, how much of that is coming from, say, voluntary versus some uptick perhaps in the delinquencies or foreclosures or REO?

Keith Warner Demmings
President, CEO & Director

Yes. I'd say, first of all, yes, we're pretty excited about the results in housing and it's tremendous amount of work by the team in the last year, and it's really showing through here the last few quarters, and we're building a lot of momentum.

I would say very little of the policy growth relates to the underlying economy or REO at all. We're really seeing no change in placement rate based on economic conditions, maybe a little bit of increase in policy count in a state like California, I'd say very modest, but a bit of a harder market. So we're seeing a little bit of growth there. Florida, basically flat year-to-date. So most of the growth is clients and client loan-related mix and nothing yet in terms of the broader economy.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

What's your sense of the opportunity for sustained momentum, say, in higher values or higher rate? Has that activity peaked perhaps? Or is there still some way to go on both those fronts?

Keith Warner Demmings
President, CEO & Director

Yes. I mean, obviously, we work on rates related to that product line consistently state by state. We also have, as you know, the average insured value adjustment that we do in the summer every year. And obviously, last summer, we put a meaningful double-digit increase into average insured values. This year, it was just over 3%, 3.1% that went into July.

And then state by state, based on historical performance and expected costs, we continue to work with states. I feel like we still have momentum running through the portfolio. We haven't -- certainly haven't topped out in terms of the impact from the rate adjustments. But we do see it tapering and slowing. Certainly, as we think about Q4 as we head into 2024.

But year-to-date, feel good with where our loss ratios sit. In housing, we're 42% non-cat loss ratio if you adjust for prior period development, very consistent with where we were last year. So we feel like the rates that we have are certainly appropriate. And as we see impacts on cost of claims will modify as we go forward.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Then one final one. Your fee income was up in Lifestyle, your devices service were down 20%-plus. I think you mentioned the higher value per device. Anything else contributing to that, just the divergence between the fee income and the device fee service?

Keith Warner Demmings
President, CEO & Director

Yes. So if we think about that year-over-year, certainly, volumes are down. We saw softer promotional activity in the third quarter, not out of alignment with what we expected. We did see a pickup in the back half of September, obviously, after new product introduction by Apple. So hopefully, that sets us up with what we'd expect in the fourth quarter to be an improvement there.

And as I look at that business, we've done a really nice job in driving operational efficiency and automation to continue to improve the efficiency with which we operate. And then as you said, we've gotten higher sale prices when we're selling devices and obviously, we derive revenue based on how well we sell devices in the secondary market. But I'd say there's not much else to report.

Profitability, a little bit stronger. But if you'll remember, third quarter last year, we had a bit of a mismatch between expenses and revenue. So Q3 trading results were a little bit depressed last year.

Operator

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

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

Back to growth in Global Housing. So PFO growth was 23% in the quarter. And I'm just trying to think through the components. You had mentioned inflation guard was 3%, I think, in June or July, but I guess 12% last year. So maybe kind of a mix there earning through. What's rate at? How much was the rate component? And how much was the unit growth component? I'm just trying to think of the different parts there.

Keith Warner Demmings
President, CEO & Director

Yes. So maybe I can start and then certainly, Richard can jump in. Obviously, when you look at Housing's revenue year-over-year, it's up meaningfully, $100 million, $103 million year-over-year. All of that is from growth in homeowners, which is up 31% year-over-year in terms of revenue.

If we think about what's driving the performance from an underlying EBITDA perspective and Richard obviously talked about the prior period development. If you adjust the development, $15 million this year against adverse development last year of '24, we still see a $67 million increase in our underlying EBITDA.

And I would say 2/3 of that is really driven by rates average insured values, which obviously play together, and then relatively stable losses related to higher levels of premium rolling through. And then the balance, maybe 1/3 is split between policy growth, which is up 3.5% year-over-year and then investment income, which is obviously helping with cash yields and more assets being held. But Richard, happy to have you add any other detail.

Richard Steven Dziadzio
Executive VP & CFO

Yes, sure. Yes, that's exact. And I guess I would add, by the way, good morning Jeff, what I would add is that if you just look at the premium component that Keith just talked about, think about it generally as being 1/3 for each of the components that we've just discussed. It's the increase in rates, average insured values and inflation guard. That's sort of the way to look at it.

And the other thing, too, that I would mention is you see -- you heard Keith talk about how much drops to the bottom line. I think that's also a credit to the expense discipline that we've had and the leverage we're getting, and you can see that coming out in the expense ratios that the growth in the premiums and the leverage that we have in the business is really allowing us to increase the bottom line.

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

Got it. Very helpful. And then in Global Lifestyle, just looking at that benefit ratio kind of continue to move up. Despite rate increases, it was 23% in the quarter, mainly driven by auto, it sounds like. Could you maybe just discuss the pricing strategy there? Like when does that begin? What level of pricing can you get in this market? Really, any detail on that would be helpful.

Keith Warner Demmings
President, CEO & Director

Yes, I can certainly start, Richard. So if I think about the auto business, I'm actually pleased with the work done by our team. So we started making adjustments to rate late last year. So we've probably been in about a 12-month cycle, making adjustments with clients. We're really on the risk in a meaningful way for 4 or 5 different programs.

So it's not the bulk of our business, as we've talked about before. Most of that business is reinsured. So there's a handful of clients that we're working with very closely. And we put rate in place that we feel is appropriate to get the business to perform at the levels that are expected.

So that work has been done. It's been ongoing for the last 4 quarters or so feel good about the adjustments we've made. We've had incredible discussions with our clients to try to get the programs to the right level of profitability. We've also been working incredibly hard, not just on rate, but on the claims adjudication process, how we're acquiring parts, how we're thinking about repairs and which repair shops to use when the options are available to us to drive more efficiency, and a lot of diligence end-to-end and very much in partnership with the clients.

So as we look at the results in the quarter, certainly seeing a similar pattern to what we saw in Q2. But the good news is we've seen relative stability. The cost of severity on the auto side is up a little bit in Q3 over Q2, but the premium earning through is also up, and we're seeing a modest improvement in the underlying loss ratio when we look at the risk clients.

So I feel like we're doing the right things. It's going to take time, certainly, to earn through. But early signs of good momentum at least in starting to stabilize as we look to bend the curve. But Richard, certainly anything else you want to add?

Richard Steven Dziadzio
Executive VP & CFO

Yes, I think that's exactly right. And in our prepared remarks, we basically talked about it will take some time. The claims adjudication work we're doing and the teams are doing a fantastic job, that's helping us today bend the curve a little bit. We've been able to get rate, which is fantastic. But it's going to take time because we've sold what we've sold in the past, and that's going to run through and then the new rates and the new premiums we're getting, that will come through and help us bend the curve as we go in the future, but it will take some time.

Operator

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

Brian Robert Meredith
UBS Investment Bank, Research Division

Could you talk a little bit about what's going on in Japan and maybe when we might see a flip there from a growth perspective? I know you said you'll still see some pressures in 2024, and I know you've got the new contracts that are going in. When do we see that flip? I would have thought that was going to be a nice little tailwind for growth in '24.

Keith Warner Demmings
President, CEO & Director

Yes, sure. We start at the highest level with Japan, I mean -- and I've talked about this before, and hopefully, this comes through. I mean this is a really, really critical market for Assurant. It's a tremendous mobile marketplace. It's the second largest in the world after the U.S. And I do think we are well positioned for long-term growth. That's the fundamental point. We're doing a lot of investing in the market, investing in not just capabilities but also talent. And we're in a really fortunate position today in that we have relationships with every major operator in the marketplace.

We don't do all things for all operators, but we've got access, we've got deep relationships. And I think over time, that will bear fruit. I would say, as we think about exiting 2023, we're certainly stabilizing the financial performance in Japan. We've seen some subscriber runoff as we've talked about in the past. I expect that to continue to decelerate into '24.

And we do think we'll grow EBITDA in Japan year-over-year, '24 over '23. So I'm really pleased with the hard work that the teams are doing and how we're positioned in the market. But that market is about what is it going to look like in 5 years? And how do we unlock the full potential of what I think we can achieve in that market.

Brian Robert Meredith
UBS Investment Bank, Research Division

Do you have like a percentage you can give us of how much of the Japanese business is now on a perpetual policy versus, I guess, it was a 4-year policy is what they were?

Keith Warner Demmings
President, CEO & Director

Yes. So the 4-year policies continue to run down. Certainly, the majority of the business is on an evergreen policy. A 100% of the business that is sold today is on an evergreen policy, but certainly, the vast majority.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. And then second question, just going back to Global Housing. I'm just curious, what are you seeing right now from an inflationary perspective in that business, right? It sounds like it's pretty modest given what your loss ratios are pretty good. But if I look at some of the other homeowners insurance companies, they're still seeing a fair amount of inflationary pressure there. And maybe you can pivot that into maybe your business is a little bit different, and you've got better ways to control those that inflation than maybe some of the traditional homeowners companies?

Keith Warner Demmings
President, CEO & Director

Yes. So we definitely have still seen inflationary pressure. If we look at the Q3 results as an example, we did see higher severities year-over-year. We did see higher frequencies year-over-year. But because of the rate action that we've taken and the change with inflation guard on insured values, the premiums that we're getting more than offset those increases from a claims perspective. So I'd say that's largely why we're outperforming in this market. And obviously, our team is doing a really good job, to Richard's point, not just on the way we operate claims and the diligence that we work with, but the effort around expense efficiency.

I mean if you think about Housing, we've scaled that business -- and it really is a scale business. We've scaled tremendously and our expenses -- operational expenses are flat to down for the bulk of the Housing business. And overall, done a really good job on containing G&A, simplifying and focusing and driving a lot of digital initiatives to drive efficiency.

So it's a combination of 4 or 5 things that are coming together to lead to the outperformance. It's not as simple as rate. It's a lot of work across the board over the last 12 months-or-so.

Operator

[Operator Instructions] Your next question comes from the line of John Barnidge of Piper Sandler.

John Bakewell Barnidge
Piper Sandler & Co., Research Division

You talked about on the call consolidating mobile service centers to 2 areas. I believe you name check Texas and Tennessee, if I heard correctly. Both are low tax, previously low-cost states. Are there further opportunities into '24 to move businesses or operations in cheaper areas in the U.S. that you're considering?

Keith Warner Demmings
President, CEO & Director

Yes, I would say that we're not actively considering any other relocations. If you think back to when we acquired HYLA. So go back to December 2020, we acquired HYLA. HYLA had a large facility in Nashville, Tennessee, and then Assurant had a facility in New York and a facility in Texas. And as we've looked at our business model, and we always wanted to have multiple sites for redundancy, certainly in operational resilience, but trying to get back to 2 sites, feels like a strategically the right thing to do for the business.

And then looking at geographies where we feel like we're really well positioned from a access to talent, from a logistics, access to clients, et cetera. So it's really more about the strategic decision here than it is purely on a cost basis. And it's trying to have scaled facilities that we can make proper investments in and then obviously get access to the talent. So that's what's driving that change. And we will be actually scaling our facility in Nashville. We're in the process of doing that work now. So we'll be building a newer, more modern and significantly larger facility to support the long-term growth of that business.

Richard Steven Dziadzio
Executive VP & CFO

I'd also just -- that's exactly right. Now I'd just add to that, too, is one of the other areas we've been getting some real estate efficiency, if I can put it that way, is on our corporate real estate.

We have been either downsizing some of our offices or eliminating some of the offices. And that helps us from an expense base to that overall corporate expense that we have. So that's another area that we've gotten some pretty good efficiency in, John.

John Bakewell Barnidge
Piper Sandler & Co., Research Division

That's very helpful. I appreciate that. Earnings growth has been very strong. And my follow-up question, I'm not trying to get ahead of formal guidance coming in February, and I appreciate what you've offered today. But how do we think of reinsurance savings next year emerging on the book that's being run off within Global Housing, juxtaposed against what's fortunately, knock on wood, but somewhat favorable of a cat environment for you this year?

Keith Warner Demmings
President, CEO & Director

Yes. So maybe I'll just offer one thought and then Richard can speak to the process. But to your point, we've obviously had a favorable cat year to this point, significantly below last year, and we talked about a target cat load of $140 million. We're sitting at $89 million year-to-date. So obviously, that's fortunate from that perspective and we'll certainly look to those statistics as we talk to our partners heading into the renewal cycle and hopefully a little bit of a different environment than we were in last year. But Richard, maybe talk a little bit about how we're thinking about reinsurance.

Richard Steven Dziadzio
Executive VP & CFO

Yes. Thanks, Keith. Yes, in terms of the reinsurance, it's a little bit early days to talk to specifically about it, but I think you hit it on the head in the question. The market has stabilized in terms of processing pricing, it has stabilized versus what it was in the last couple of years, so we're going into better market conditions.

I would say we'll have a consistent approach that we've had in the last couple of years when we go into the market. And as Keith said, we're entering the market, I would say, as one of the good guys in terms of we have not gone up into our past our retention levels to the reinsurers this year for the cat reinsurance. So we walk into the meetings, we'll be there in presenting a very favorable position relative to the reinsurers, where they ended up in 2023.

Operator

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

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

I think you said, Keith said and this [indiscernible] for 2024 that you're expecting more modest growth in housing in 2024. Just want to clarify that, that is still expecting growth? And then is that in reference or I guess some terminology excluding catastrophes or including catastrophes?

Keith Warner Demmings
President, CEO & Director

Yes, great question. So we're looking at ex cat, first of all, obviously, hard to predict what cats are going to look like. But as I think about Housing in '24, I think when we suggest modest growth, there's a couple of things to remember. First of all, a phenomenal 2023. I mean this is a pretty significant recovery year, obviously, a little bit more challenged in '22, but roaring back in 2023.

So we're extremely pleased about that. And of course, that trend line can't continue because it's been such a turnaround. But what I would say is we've also seen about $40 million of prior year development benefiting the P&L in 2023. But we still think we'll grow housing even though we've got to grow through that $40 million of PYD before we generate $1 of growth, we still think we'll grow Housing because of the momentum that we see and all the great work done by the team.

So that's what we're trying to signal. Obviously, we'll get into the detailed forecast as we come back in February, but we do feel good about how we're positioned, right? Housing obviously is going to moderate, but we've got great trend lines sitting behind us and great momentum. And then as we saw in Lifestyle in the third quarter, although we've got challenges we're working through on the auto side, overall, we're exactly where we thought we would be. We're still signaling down modestly for the year. We are signaling growth in 2024 for Lifestyle, and we'll come back with more details, but certainly driven by the strength of the U.S. Connected Living business, which has been growing nicely for 7 or 8 years.

Richard Steven Dziadzio
Executive VP & CFO

And just another addition on Housing. We will have something like $40 million of PYD going into next year. So obviously, can't count on that in the future years. So that's something we're going to need to overcome. And as Keith said, it's just a fantastic year we're having in Housing. And kind of the way I look at it, an we look at it inside is we look at it a multiyear journey.

So really looking at -- last year was a bit of a tougher year. We turned the corner really quickly in terms of the uniqueness of our business, and we've talked about the inflation guard and the rates and the expense leverage that we're getting. So we are expecting it to be continued rate but at a slower pace. But again, it can -- it's not going to be like this year, it's going to be slower given all the elements that Keith and I have mentioned.

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

Makes sense. And then, Richard, can you talk a little bit about the new money yields that you guys are getting, the duration of your investment portfolio and just how much of the tailwinds of sort of reinvesting over time could be? And then also how that allocates between potential upside for Connected Living versus Auto versus Housing, just kind of how that investment income fits within each of those?

Richard Steven Dziadzio

Executive VP & CFO

Yes. Thanks, Tommy. And in fact, yields and interest rates have been a nice tailwind for us. It's helping us offset some of the inflationary issues that we've talked about, particularly in Auto, for example. So if you look at year-to-year, our investment income is up about 50% or $40 million.

So a really nice number coming through. I would say, in answer to your question, that's probably think about it being maybe 1/3 Housing, 2/3 Lifestyle and in Lifestyle, the bigger component of it is in Auto. What you're seeing in this quarter is really the result of 2 things, and I've talked about it in past earnings calls, it's really -- it's coming from fixed income and fixed income yields.

Our assets are up a little bit, but yields are up as that -- as those fixed income maturities roll over and we get more investment income on those, but also cash yields are really high, as you know. Who knows what's going to -- what the Fed is going to do next year. But for the moment, we're getting nice -- real high returns off the cash that we're holding. So nice sort of tailwinds to us, and that should continue as long as rates and so forth hold up. But if rates start coming down, I would say inflation is probably coming down. So we'll get some offset there, hopefully, as well.

Operator

[Operator Instructions] Our last question comes from the line of Grace Carter of Bank of America.

Grace Helen Carter
BofA Securities, Research Division

I guess back to the expectations for housing next year. I was wondering if we could maybe talk a little bit about the components of the growth that's expected? I mean even excluding the reserve development this quarter, the underlying loss ratio looks pretty good. And just the extent to which maybe the improvement in the loss ratio and the expense ratio [indiscernible] is sustainable or the extent to which maybe they could improve even further just as the recent pricing actions continue to earn through the book. And I guess, just kind of the expectations for the top line, given that presumably maybe some of the benefits from the inflation adjustment and things like that start to decelerate a bit next year?

Keith Warner Demmings
President, CEO & Director

Yes. No, it's a great question. And certainly, Richard can add in. But when I think about that business, and we've talked about over the long term an expected combined ratio range of 86% to 91%. If we look at where we sit on a reported basis this year looks a little bit lower, but adjusting for the prior year development, it's about 85% year-to-date with a relatively light cat year so far in terms of the P&L. So we're relatively close to that range today, which is good.

Obviously, we think that's an appropriate long-term range for the business. We do think rate will continue to come through. But as we've said, at a more moderated pace as we have less of that double-digit AIV earning through and then it obviously comes through at just over 3% going forward, let's call it a more normalized level.

I think policy count is relatively stable. But we do think we're well positioned. If you think about industry consolidation and think about the clients that we operate with, we partner with a lot of major players in the space. And hopefully, as the market dynamics move around, there could be some opportunity for us to continue to grow policies over time.

So I do think it will be just a moderated trend line from what we saw this year, but certainly still expect strong results in Housing and hence, overcoming the $40 million of prior year development. But Richard, what else might you add?

Richard Steven Dziadzio
Executive VP & CFO

Yes. I think that, I guess, I would also say that, Grace, when we look at the combined operating ratio, something we keep our eye on. So really a combination of everything we're getting. We've talked about the top line growth, and that would be tapering the expense ratio, we're in a good place with that.

I think that could continue, maybe not as low as it is now because we'll always have -- maybe some -- have some investments and so forth. But we're in a good place there. The loss ratio think about 40%, 42% maybe full year, that kind of thing. But even then, it's going to depend on what weather we're going to get. What's the severity, what's the frequency, what are the storms, the convective storms that we had in the spring time.

So obviously, that's something that's hard to call. But if we talk about the combined ratio at 86% to 91% with cat, that's probably something that we look to and say, on a normal cat year, we'd probably be in and around that range, if that's helpful.

Grace Helen Carter
BofA Securities, Research Division

Yes, that's helpful. And I guess on the Renters book. We've heard some personal auto players this quarter say that they're starting to see severity trends maybe flatten out a bit. And I was just curious on the affinity partners aspect of that business, if you all are seeing any green shoots there or when that might inflect back to strong growth.

Keith Warner Demmings
President, CEO & Director

Yes. I think we're seeing maybe early signs of modest improvement there. I'd say it's probably too early to call it, Grace. But definitely, when we look at Renters, really strong performance, and we've signaled this over the last few years in the property management channel.

So certainly diversifying our portfolio between affinity and property management, and we actually grew our PMC in the third quarter this year more than we grew it all of 2022. So the team has done an incredible job adding clients, driving attach and leveraging our Cover360 platform.

And then to your point, should we start to see an acceleration in marketing relative to auto insurers, then that could certainly provide upside opportunity over time? I'd say it's too early to suggest that we're seeing firm trends, but definitely feel like there's opportunity there as we look forward and certainly in '24.

Okay. I think that was the last question. So thank you, everybody, for joining the call. We'll certainly look forward to reconnecting in February. And as always, if you have questions, please reach out to Suzanne or Sean, and we'll get back in touch. Thanks so much.

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