Transcripts | **Financial**

Assurant, Inc. (AIZ) CEO Alan Colberg on Q3 2019 Results - Earnings Call Transcript

Nov. 6, 2019 12:45 PM ET
by: SA Transcripts

Q3: 11-05-19 Earnings Summary

Press Release SEC *10-Q*

EPS of $1.69 beats by $0.03 | Revenue of $2.5B (10.09% Y/Y) misses by $-57.88M

Earning Call Audio

Subscribers Only

00:00 -45:33

Assurant, Inc. (NYSE:AIZ) Q3 2019 Earnings Conference Call November 6, 2019 8:00 AM ET

Company Participants

Suzanne Shepherd - Senior Vice President, Investor Relations

Alan Colberg - President & Chief Executive Officer

Richard Dziadzio - Chief Financial Officer

Conference Call Participants

Mark Hughes - SunTrust Robinson Humphrey, Inc.

John Nadel - UBS

Michael Phillips - Morgan Stanley

Christopher Campbell - Keeefe, Bruyettte & Woods

Gary Ransom - Dowling & Partners

Operator

Welcome to Assurant's Third Quarter 2019 Earnings Conference Call and Webcast. At this time, all participants have been placed in a listen-only mode and the floor will be open for your questions following management's prepared remarks. [Operator Instructions]

It is now my pleasure to turn the floor over to Suzanne Shepherd, Senior Vice President of Investor Relations. You may begin.

Suzanne Shepherd

Thank you, Jack, and good morning, everyone. We look forward to discussing our third quarter 2019 results with you today. Joining me for Assurant's conference call are Alan Colberg, 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 2019. The release and corresponding financial supplement are available on assurant.com. We'll start today's call with brief remarks from Alan and Richard before moving into a Q&A session.

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

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

I will now turn the call over to Alan.

Alan Colberg

Thanks, Suzanne. Good morning, everyone. Our third quarter results were strong, driven by continued momentum in our Global Lifestyle business, where earnings increased 35% year-over-year. Growth was mainly driven by mobile, which benefited from new and existing clients. We now support 52 million mobile subscribers, an increase of 18% year-over-year.

At the same time, we invested in our business to support the launch of new offerings and client programs, while expanding our infrastructure to support future growth. These investments which will continue into the fourth quarter will help sustain double-digit earnings expansion and strong cash flows long-term.

In the third quarter within Global Lifestyle, we launched a new partnership in Japan with Rakuten, a large e-commerce retailer. We're now providing mobile device protection for their existing and expanding mobile networks. Given our shared commitment to provide a superior customer experience, our offering also includes a fully digital claims experience and a rapid four hour mobile delivery service.

In the U.S., we renewed our 13-year partnership with DISH Network to continue to provide extended service contract protection for satellite receivers and set-top boxes. These partnerships are a testament to our differentiated capabilities since we made to strive more value to our partners and better experiences for their customers.

Our market success with new and long-term clients positions us well to play a key role in the connected living ecosystem, supporting mobile carriers, OEMs and cable and satellite operators. As we look to further enhance the customer experience, last week we announced our acquisition of CPR, a leading provider of local device repair services. With more than 700 franchise stores globally, this investment broadens our fulfillment options, providing customers increased choice through same-day repair options. Longer-term, we believe we can drive incremental revenue growth and operational efficiencies as we cross-sell protection programs and other services.

In global automotive, we remain focused on identifying opportunities to leverage our leadership position to scale in key global markets. In China, we recently refocused our operations to capitalize on the sizable auto opportunity, including the growing electric vehicle market. This includes a new partnership with the leading Chinese OEM focused solely on electric vehicles. This supports the expansion of our auto business globally, while also gaining further insights into the evolving electric vehicle market.

Overall, our offerings and new partnership support our Investor Day objectives for Global Lifestyle. We believe that we can grow net operating income in the segment by at least 10% on average from 2019 to 2021, and continue to produce strong cash flows.

Moving to Global Housing, I would like to start by thanking all of our employees who supported our policyholders during hurricane Dorian and tropical storm Imelda. As we preannounced, we incurred $36 million of after-tax losses mainly related to those events. Our relentless focus on customer service remains a competitive differentiator.

This quarter, within our lender placed business, we renewed another three client partnerships accounting for 3 million tracked loans. Looking at the past year, we’ve now renewed client relationships representing more than half of our tracked loans, further solidifying the strength of our franchise. Overall for the segment, we're focused on continuing to deliver strong cash flows and better than market return on equity targeting between 17% to 20% return on equity with an average cat load. This will be supported by the expansion of our specially property offerings, including multifamily housing.

Turning to Global Preneed, we produced strong earnings excluding a one-time adjustment, which Richard will detail later. Preneed assets were up 4% year-over-year, reflecting growth in face sales. Additionally, we've seen [technical difficulty] just to a multi payer mix of business, which will further strengthen our ability to sustain solid returns and cash flows. We remain confident that we can deliver above market operating return equity of 13% long-term.

Looking at our key financial metrics in the first nine months of 2019, net operating income excluding catastrophes was up 17% to $435 million, mainly from TWG contributions, including realized synergies as well as significant organic growth. We also reported net operating earnings per share excluding catastrophes of $6.96, an increase of 9% year-over-year. This was driven by strong earnings growth, partially offset by the impact of shares issued last year for the TWG acquisition.

At the end of September, holding company liquidity totaled $385 million after returning $103 million to shareholders in the quarter. Through the end of the third quarter, we’ve returned a total of $279 million to shareholders. Year-to-date, we're pleased with our progress against our 2019 commitments.

For the full-year, we still expect earnings-per-share growth between 6% to 10% compared to 2018. We remain confident in our ability to deliver on our Investor Day objectives to expand earnings by double digits, drive strong cash flow and return $1.35 billion to shareholders through 2021.

The best is for that we deliver on these commitments, we're focused on a few critical multiyear priorities, our people, customer experience and innovation. Our people are and always will be central to our success. We will stay focused on finding ways to attract, retain and further develop our top talent and strengthen our culture around the world.

Customer experience remains a key competitive differentiator for our organization. Our focus will be on finding new ways whether through technology, new offerings or other means to raise the bar on the experience we create and deliver to end consumers. Doing so, will also result in deeper relationships with our key clients, particularly in global mobile, auto and multifamily housing. And lastly, innovation. We will put even greater emphasis on driving how we will innovate across our business to support the ever-connected lifestyle of consumers globally.

I will now turn the call over to Richard to review segment results and our 2019 outlook in greater detail. Richard?

A - Richard Dziadzio

Thank you, Alan, and good morning, everyone. Let's begin with Global Lifestyle. Segment reported earnings of $102 million for the third quarter, up $26 million year-over-year. As Alan noted, performance was driven by strong results in mobile, which reflected continued subscriber growth from carriers in Asia/Pacific and North America, including the launch of Metro by T-Mobile in July. U.S., trade-in volumes also increased year-over-year and Europe benefited from better operating performance.

Global automotive, earnings were up $4 million, reflecting organic growth particularly in the U.S. Total revenue for the segment was up $208 million or 13%. The increase was driven by connected living growth, primarily in mobile expansion across our suite of offerings for carriers, OEMs and cable operators. To a lesser extent, we also saw growth through extended service contracts.

Auto revenue [technical difficulty] 4% relative to a strong quarter last year, both reflected prior period sales, international dealer and PPA channels. As we've previously highlighted, we expect to accelerate investments to support growth, particularly in mobile in the fourth quarter, mainly reflecting initial program start up expenses for new clients and our strong pipeline. This should result in modestly lower earnings for lifestyle in the second half of 2019 compared to the first half, but in line with our original expectations.

Looking ahead to 2020, earnings expansion will moderate as we will grow up a much higher base in 2019, which benefited from a full-year TWG contributions. While growth may not be linear, we still expect earnings to increase at an average annual growth rate of 10% over the period '19 to 2021.

Moving to Global Housing. Net operating income for the quarter totaled $42 million compared to $19 million in the third quarter of 2018. The increase was primarily due to $31 million of lower reportable catastrophes. Excluding reportable cats, earnings declined $9 million. This reflected lower income for lender placed, driven by year-over-year decline in placement rates and policies in force as well as a less favorable non-cat loss ratio.

Losses from our small commercial products improved from the first half of this year. In the quarter, we strengthened our reserves to account for recent loss trends and we will continue to monitor claims experience closely.

Turning to revenue, Global Housing net earned premiums and fees declined, reflecting the sale of mortgage solutions in August 2018. Excluding mortgage solutions, revenue grew modestly driven by our multifamily housing and specialty property businesses, partially offset by declines in lender-placed.

Looking at lender-placed in greater detail, the placement rate declined 6 basis points year-over-year and remained unchanged sequentially, consistent with the anticipated portfolio changes. Looking ahead, due to the insolvency, one of our clients we expect our tracked loan account to decline by approximately $600,000 over the next few quarters. This block of business represents approximately $70 million of annualized revenue and is expected to transition starting in the fourth quarter.

For Global Housing overall, we continue to expect net operating income for 2019 to be down modestly, excluding cat losses due to the elevated small commercial losses incurred this year. Lender-placed earnings excluding the higher cat reinsurance cost will likely be down slightly compared to 2018 rather than flat, once we take into account higher non-cat losses and the reduction in loans referenced earlier. We expect sustained growth in multifamily housing and expense management to partially mitigate the declines.

Now let's move to Global Preneed. The segment reported $7 million in net operating income, a $9 million year-over-year decrease. The decrease was driven by an error in the calculation of our deferred acquisition costs over a 10-year period. The chart was immaterial to any period, but aggregated to $10 million in the third quarter. Excluding the charge, earnings were up -- earnings were $17 million, up modestly from the prior period, driven by both higher income from real estate joint venture partnerships and increased assets.

Revenue in Preneed was up 6%, driven by continued growth in the U.S including strong sales of our Final Need product. We now expect Global Preneed's earnings to decline due to the one-time accounting adjustment. Excluding the adjustment, results would have trended in line with our original expectations for the year.

At corporate, the net operating loss was $21 million, up $2 million compared to the prior year period. This was a result of lower tax rate due to the net loss in the quarter. The net loss was primarily driven by investment in Iké Asistencia. For the full year 2019, we still expect to approximate 2018 levels or roughly $85 million.

As we announced in May, we began a process to explore strategic options for Iké. In the quarter, we recorded a $125 million charge to net income, reflecting our intent to sell the asset. The charges based on the current estimated value of our 40% ownership interest, the value of our put call option and the cumulative foreign-currency losses. However, as the process is ongoing, there can be no guarantees that we will ultimately conclude a sale.

Turning to the holding company liquidity, we ended September with $385 million or about $160 million above our current minimum target level of $225 million. Dividends in the quarter from our operating segments totaled $217 million. In addition to our quarterly corporate and interest expenses, the outflows included $65 million in share repurchases, $42 million in common and preferred dividends and $28 million mainly related to a contingent payment for a block of flood policies acquired in 2016.

In the quarter, we also had cash outflows of $39 million related to expenses from refinancing debt at a lower interest rate. We are pleased, we were able to secure new 10-year senior notes and attractive coupon, lowering our overall interest costs to approximately $80 million after tax on an annualized basis, while lengthening the maturity of our borrowings.

For the full-year 2019, we expect dividends from our operating segments to approximate segment operating earnings. We brought up nearly 90% of segment net operating earnings as dividends to the holding company through the first nine months of the year. Overall, these dividend should provide flexibility to invest in our businesses and return capital to shareholders -- market conditions.

In summary, we've demonstrated strong performance in the quarter. We remain focused on delivering profitable growth and meeting our financial commitments for 2019 to service a stronger foundation for 2020 and beyond.

And with that, operator, please open the call for questions.

Question-and-Answer Session

Operator

[Operator Instructions] Thank you. Our first question comes from the line of Mark Hughes with SunTrust. Your line is open.

Alan Colberg

Hey. Good morning, Mark.

Mark Hughes

Good morning, Alan. Good morning, Richard. Richard, you would talk about the guidance. Both of you did the 10% annual growth between 2019 and 2021. Could you make a commentary about 2020 in the course of that?

Richard Dziadzio

Yes, Mark. So as we will always do and have done in our fourth quarter earnings call in February, we will provide a lot more granularity on how we think about 2020. But we're still very confident in the view that we provided back at Investor Day of on average annual growth of 10% plus for lifestyle, 12% plus for EPS. The challenge in 2020 for lifestyle is we've had such a strong growth in 2019 that we have a much higher base and we had a full-year of the TWG synergies, that's going to make it just harder to sustain that level of growth in 2020. But the business is well positioned and we feel our franchises are strong.

Mark Hughes

Your point is that it will be hard to sustain this level of growth, but you still feel confidence in the guidance that you provided? Is that fair?

Richard Dziadzio

Yes. Yes, Mark, that's correct.

Mark Hughes

Okay. And then the -- from a TWG perspective, I think your outlook for costs you said that the cost efficiencies you set at the higher end of the range [technical difficulty], anything more -- any other opportunities you see on a go forward basis either from a [technical difficulty] cost efficiencies, the efficiency of your repair network that we might anticipate?

Richard Dziadzio

Yes, I think if we step back, we feel very good about the TWG acquisition and the integration. As we said earlier this year, we've achieved our synergy commitment publicly ahead of plan. With that said, we continue to look for growth opportunities. I think I mentioned on the call about our new partnership in China this quarter on electric vehicles. We would never have achieved that without the warranty group. And so over time, we are going to look for other opportunities like that that will enable us to grow revenue not just improve their profitability. So I think we are well positioned and at this point we’re a global market leader in auto and we are trying to leverage that scale everywhere we can.

Mark Hughes

And then, last question on the lender-placed business. You held steady in terms of placement rate. The placement rates in the last couple of quarters I think there has been some mix that’s influenced that. Can you talk about on an underlying basis, it seems like some of the data at least on early delinquencies is suggesting an uptick. And I wonder whether you are seeing any impact of that or what’s the normal timing where you would see an impact on your [technical difficulty] rates, if early stage delinquencies are starting to move up?

Alan Colberg

Yes, I think it's fair to say we are not really seeing anything in our business at the moment. The reality is in that business, it is a big countercyclical hedge. We don't tend to place until it's later in the cycle. The loan has moved into serious delinquency foreclosure. So if there is any slowdown starting to happen, that will benefit us later.

Mark Hughes

Thank you.

Alan Colberg

Thanks, Mark.

Operator

John Nadel with UBS. Your line is open.

Alan Colberg

Hey, good morning, John.

Richard Dziadzio

Good morning, John.

John Nadel

Thanks. Good morning, Alan. Good morning, Richard. So I think this is the first quarter that the year-over-year comparison within lifestyle is fully inclusive in both periods of the warranty group, correct? So the revenue growth, I think ex-currency the 14%, 14.5% year-over-year. Is that Alan, is you think about 2020? Is that the piece of the growth rate where you say, probably a little bit more challenging to sustain that on a year-over-year basis, and therefore that growth rate maybe slows down and that's the reason why earnings growth slows down, or is it really just the fact that you've got such a faster pace of earnings growth in 2019 owing to things that you mentioned like the expense synergies?

Alan Colberg

Yes. John, I appreciate the question. So the challenge with revenue as we've talked about in prior quarters, if we change the contract structure which happens often with our clients, our revenue could go down, or go up, but it's -- has really no effect on our earnings. So we tend to focus much more on the NOI in that business. And the …

John Nadel

Got you.

Alan Colberg

… as I mentioned, we've had such strong growth this year, we've a full-year of the warrant group synergies. It's hard to build off of that at the same level that we've grown in 2019. We also -- we mentioned several new clients on this call. We've others, we didn't mention on the call, we're continuing to invest and our pipeline remains very robust for global lifestyle overall.

John Nadel

Okay. That's helpful. And then, I just want to think in terms of order of magnitude, last quarter you guys appropriately sort of gave us some help unexpecting that Lifestyle earnings in the back half of '19 would be down modestly from the front half of '19. As we look -- as you look at the third quarter [technical difficulty] of lifestyle, is that -- was there anything that was sort of [technical difficulty] with your expectation there? Was that in line, because that means that's a pretty modest, I mean that is definitely a modest year-over-year decline. Should you -- I guess, I know you don't want to give guidance for any single quarter, but is that the kind of pace of decline that's -- that we should expect and as we look forward to the fourth quarter?

Richard Dziadzio

Yes, I will take that. Hey, John. I think as we looked at it, we came into the first half of the year, we basically are looking at half years together. So we're looking first half, second half and signal that we thought the second half would be lower than the first half. I think as we sit here at the end of the third quarter and looking at the second half, it really is coming in line with our expectations. I think we've seen some, the trade-ins, some of the trade-in volumes go down as we had anticipated given the strong first half of the year we had. At the same time, we've seen strong growth in Asia/Pacific, the U.S., improved profitability in Europe, which we had been planning on to. So, overall, we are in line with our expectations as Alan said in his opening statements.

John Nadel

Okay. And then I just had one more, and it just escape me so I will re-queue.

Alan Colberg

All right. Thanks, John.

Richard Dziadzio

Thanks, John.

John Nadel

Thanks.

Operator

Michael Phillips with Morgan Stanley. Your line is open.

Alan Colberg

Hey, good morning.

Michael Phillips

Thanks. Good morning, everybody. Good morning. I guess another crack at that, the prior question with 4Q. If we look at your guidance for this year, you are kind of a little bit above the midpoint right now. And I guess if we couple that with your -- the last comment two half being a little bit less than one half. Is -- and you don't give, I guess I don't see the extra incremental expenses that you're putting into mobile on a quarterly basis on what you did this quarter. But should we expect the amount of investment expense in the fourth quarter to be accelerated from third quarter? Now from what you did or headline to third quarter? And I ask that to think about kind of how we're -- how we're thinking about that range of 6% to 10%, given where you already are today and what the expense might be in the fourth quarter?

Alan Colberg

I think it's fair to say in the fourth quarter we are going to have accelerated investment. We are very encouraged by the new clients that we're ramping in the pipeline and we're investing to deliver future growth and profitability. So, yes.

Michael Phillips

Just to clarify, when you say accelerated, you mean on top of not just first half, but in top of third quarter as well, correct?

Alan Colberg

Yes. And …

Michael Phillips

Okay.

Richard Dziadzio

… in addition to that, when you say the 6%to 10%, you're really talking about Assurant overall EPS.

Michael Phillips

I am. That's correct. Yes.

Richard Dziadzio

Yes, and we've talked about small commercial been out there, some continued declines in financial services. So there are a couple of headwinds that we are taking into account when we're given that range to you.

Michael Phillips

Okay. Okay. Thank you. I guess just two kind of smaller ones, real quickly. You've mentioned growth -- the mobile growth, specifically in Europe, was strong. And can you talk about maybe what's kind of driving that?

Alan Colberg

Yes. So, mobile growth has been strong in all regions in Asia/Pacific, especially Japan, it's really new clients and new programs. In Europe, it's really been a couple of things. We've leveraged our global supply chain capability out of the U.S to really strengthen our supply chain in Europe, and that's been a big driver. We've also been very disappointed with expenses, which has helped NOI growth. But we're encouraged, we're seeing strong growth and in fact with all regions of the world in mobile.

Michael Phillips

Okay. And then just lastly, this one doesn’t get a lot of attention, but in lifestyle the Global Financial products, I mean decline there was kind of more than expected at least from -- expected for me. Any numbers in the quarter there and then kind of the margins continue to slip a little bit there. So any kind of color on that segment?

Alan Colberg

I think what we’ve said before, Mike is that the segment that line of business is in runoff domestically. There's probably a little bit [indiscernible] going on in there as well. So, yes, it was down in the quarter. You’re right.

Michael Phillips

Okay. We’ve kind of -- yes, sure. All right. Thank you.

Alan Colberg

All right. Thanks.

Operator

Christopher Campbell with KBW. Your line is open.

Alan Colberg

Hey. Good morning, Chris.

Christopher Campbell

Hi. Good morning.

Richard Dziadzio

Good morning.

Christopher Campbell

I guess the first question on the Global Housing. The guidance declined there. I think last quarter you guys have said that it was -- you thought like the loans tracked would be like, I guess, relatively like [technical difficulty]. I guess kind of what changed the guidance this time?

Alan Colberg

Yes. Well -- Yes. Thanks, Chris. I guess, one of the things that we pointed out in the opening remarks I think is part of the need for the change, which is the insolvency of one of our clients and we see those loans transitioning away in the fourth quarter, that will have an impact on us. And we've also seen year-over-year, a small increase, but an increase in the non-cat loss ratio. So we're taking those two factors into account, the kind of change in the outlook and say before we had said that it would be flat, now we're saying it will be down a bit.

Christopher Campbell

Okay, got it. So it's -- okay, so what we're seeing this quarter is not related to the loans that the competitor picked up, but these are like additional loans that were a client in solvency. Is that the way to think of it?

Alan Colberg

Yes, that's right. That's right, Chris.

Christopher Campbell

Okay. Okay, great. And then CPR, I mean, it sounds like it's small. Is there going to be any revenue or EBITDA impact from that, that we should be modeling in?

Richard Dziadzio

The way to think about CPR is we're in the business of delivering superior customer experiences and the way its evolving is our traditional people model, the big facilities works really well for buyback and trade-in and that's going to continue to be a very important driver. But increasingly consumers are asking for same day same-store type repair. CPR gives us that capability. So over time, it'll be potentially significant growth repair. CPR gives us that capability. So over time, it'll be potentially significant growth driver for us, but it's going to take us time to integrate it, building into our offerings, get our clients to offer it. We're excited. It gives us the capability to deliver yet another really superior customer experience.

Christopher Campbell

Got it. And should we be thinking about incremental investment costs as you try to kind of unlock the synergies for that, that are -- that could impact Lifestyle segment?

Alan Colberg

Nothing more than we've already talked about. We expect to accelerate investments in Q4, but that alone is not going to be a big driver of it.

Christopher Campbell

Okay. Great. And then you reviewed the Ike stake this time and took the charge. I mean, are there any other underperforming areas that you're kind of looking at across the portfolio of products that you're looking to prune to improve results?

Alan Colberg

So, we go through a regular process with our Board, looking at everything we are doing and discussing whether we feel like it's still strategic or not. Ike, interesting company when we made that investment six years ago, now it was really about growing to scale in Latin America with additional fee-based offerings. Over the last six years, our strong growth in LACTAM and then the warranty group acquisition, we now have a much stronger franchise in Latin America, which is what led us to take the opportunity to reevaluate, it doesn't fit as well as it did six years ago. So we will continue to look for things. I think we feel very good about our portfolio at this point. You've also seen us be over the years very disciplined stewards of the capital of our shareholders and we will continue that as we go forward.

Christopher Campbell

Got it. And then just kind of unpacking the charge [technical difficulty] bunch of it was FX and part of it was derivatives. So I guess, was there like an underlying -- I mean, was the marks like all attributable to that, or has the value of the Ike franchise been materially impaired over the last few years?

Alan Colberg

I think that we can break the charge down into a couple of things, total charge being a $125 million. The first thing is as you pointed out, Chris, was $41 million is really related to the cumulative change in FX or the FX loss, I would say, the weakening of the peso since our acquisition some five years ago, that's $41 million. The other $84 million, four of it was a deferred tax asset that we took down. And then the other $80 million is really the difference between what we have up on our books for our 40% interest and that the 60% interest obligation we have to buy the rest the 60% and the market value, should we sell the company? And again, as I said in my opening comments, we are in the process, we had advanced in the process, but we can't say today that we will conclude the process. So, still always to go there and we will keep everyone up to date as we always do.

Christopher Campbell

Okay. Wonderful. Thanks for all the answers. Best of luck in the fourth quarter.

Richard Dziadzio

Okay.

Alan Colberg

All right. Thanks, Chris.

Operator

Gary Ransom with Dowling & Partners. Your line is open.

Alan Colberg

Hey. Good morning, Gary.

Richard Dziadzio

Good morning, Gary.

Gary Ransom

Hi. Good morning. I wanted to follow-up on the Ike charge too. Just when I look back at 5-years ago, you put in $110 million and probably a lot of things happened in between and now there's a $125 charge. I assume there was some marking up along the way and I just wondered if you could help me rationalize the beginning and end of the two pieces.

Alan Colberg

Sure. Sure. I think, first of all, when just to level set everyone, we talk about a $110 million that was for the 40% interest that we had during the course of the time. We haven't marked up the asset. We've kept it on the books, obviously through time we've gotten an income from the assets. There have been dividends out from the assets. So that changed the book value. And really what we're coming to now is after five years and during that five year period, there actually has been a pretty good weakening of the Mexican peso to the U.S dollar, $40 million, that's a third of the charge. The other two thirds really, one is -- one part is based on the 40 percentages we have and the book value we have today and our expectations of sale price for that. And then the others on the 60%, we actually have a call put that we've talked about in the past and that's had a formula. So we are looking at that the market value that we could have in the sale versus what that formula gives us, and that's the other part of the markdown.

Richard Dziadzio

And Gary, the only thing I would add is when you look at the Ike franchise, it remains strong. And that's why we've had a process ongoing that we'll see where we end up. But it is a good company just for us as we think about where best to deploy our capital. It's not a 100%. Certainly, that's the best thing we should do.

Gary Ransom

Okay. So in other words, part of the charge really relates to the 60% you didn't actually buy yet, that's feeding through this put call option?

Alan Colberg

Yes.

Gary Ransom

Okay.

Alan Colberg

That's exactly right. I mean, we obviously we have that -- we call it an option to put call option, right? So, more and more less an obligation to purchase it. So as we've gone on and said, okay, now we're in the sales process, that giving us visibility in terms of potential pricing. So we take into account what that is versus what we would sell it for. Net difference, we've put up in the book, so putting it at our best estimate today.

Gary Ransom

And that's been mark-to-market every year along the way? I mean, maybe not as thoroughly thinking about it and intent to sell, I realize that. Is that a -- that had a value in there, although.

Richard Dziadzio

Yes. Well you just hit the nail on the head, Gary. I mean, really we've been holding it until the third quarter as an operating entity with the operations, since Alan said it's performed fairly well during our period of shift. It's really in this third quarter that we've said we've advanced in a process. Now we have an intent to sell what's the sales price and obviously we're in -- we're talking about in Mexico in today and the environment and climate etcetera. So we take all of that into account in the current estimate.

Gary Ransom

And just one thing to make clear. This has no effect on your buyback and capital return, correct?

Richard Dziadzio

Well, I would say if anything it could potentially be a net positive, because it could give us excess capital if we sell it. Because remember we've taken into account in our Investor Day that we would hold it. So it would give us excess cash and then we'd see what we would do with that excess capital as we go forward, either return or hold it.

Alan Colberg

Yes, Gary, the one thing I would add is, we remain committed to our expectation of returning $1.35 billion to shareholders in 2021. As Richard said, if we do end up ultimately with excess capital, you've seen our track record of returning it. But at this point, it's too early to say anything other than we are still committed to our $1.35 billion through 2021.

Gary Ransom

All right. Thank you. That's very helpful. I think I've got it now. I wanted to go to one other topic on mobile, okay? And just as you talk about, all of the flow of business, it's the pipeline. And I think we all know there's a delay in how you invest and you launch the program and then you still have certain customers starting to pay and it builds up over time. And I've -- I'm just trying to think of the timing, if you have things in the pipeline, if some of this actually going beyond our '19 to '21 window? Are we actually setting up -- I know we keep talking about out through '21. But when I think about the timing, it feels like today's pipeline is actually partly beyond 2021. Is that true? Can you give us a feel of that, the timing of all of those things?

Alan Colberg

Gary, that's absolutely correct when you think about it. So if you think about a new client that we are launching this quarter, we start generally with no customers. We have to invest, integrate into their systems to develop the marketing materials to train people etcetera. And generally within a year or so, we start to turn profitable. It generally takes 3 to 4 years for those programs to kind of reach maturity. So a program we are launching today probably doesn't reach maturity until 2022, 2023. And then the pipeline client, we may close on next year or the year after, but we're making investments to perceive to set that up for the future. CPR is another example of something that will benefit us beyond the '21 period. The last thing I would say is, if you look at the eventual 5G wave that's going to come, we didn't reflect that anywhere in the '20 or '21 outlook because we think it's going to take a little while. But there's a whole wave of 5G activity coming in the out years for mobile.

Gary Ransom

Okay. Well, that's helpful. Thank you very much.

Alan Colberg

Thank you.

Richard Dziadzio

Thanks, Gary.

Operator

[Operator Instructions] John Nadel with UBS. Your line is open.

Richard Dziadzio

Hey, John.

John Nadel

Hey, I think I'm recovering from a senior moment. So kind of along the same lines as Gary's question and I'll be a bit more specific. And I think you already gave a little bit of color, but maybe you can give a little bit more. So if you isolated on a single new client, I guess, particularly with Connected Living. How do we think about the sort of order of magnitude size of the upfront investment spending versus the later in time ramp up in revenue? And then breakeven period versus the sort of achieving targeted margin, if you will. Is there a way to break that down for us and give us a decent sense?

Richard Dziadzio

It's hard to generalize, because as we've talked about in Investor Day and since then our programs could have anywhere between 1 and 7 products in services. And so the amount of investment will vary based on that. But all of those are priced to over a period of time to generate a very attractive IRR for our shareholders. So I think we feel good about these new programs that we're launching and ramping. You can see the benefit and the growth in mobile over time. That's resulted from the prior programs that we've launched.

John Nadel

Yes, no question. And I think you mentioned in response to Gary, you talked about roughly 1-year time frame to the point where you actually start to turn profitable on a new client. Is that about -- is that a reasonable way for us to think about it?

Richard Dziadzio

I think it's fair. I mean, I generalize it with some risk to it because every program is still [indiscernible] is fair that it takes a period of time and where the economics really start to flow through is when you get out into year two and three and the programs begin to get closer to maturity.

John Nadel

Is it a good example of that right now, KDDI?

Richard Dziadzio

Yes. Yes, we launched that originally in late 2017. We are now heading into year three of that program.

John Nadel

All right. Terrific. And then, Richard, just a housekeeping item. On a year-to-date basis through the end of September, what's your after-tax loss from the small commercial business? And also, are you on track to effectively non renew the vast majority of that business by the end of the year? So very little, if any, contribution into 2020?

Richard Dziadzio

Yes, I will start by the second part, the answer is yes. We are -- as we've talked about before, John, we're kind of unwinding unplugging that business. So every quarter now the net earned premium obviously what we've written in the past and what's earning out today is decreasing quite substantially. The first intensive first part of your question that we said in a previous call, first two quarters of the year, we were -- we lost about $6 million each quarter. This quarter, the portfolio performed better, think about a couple of million dollars loss with that in this last quarter and that represents [indiscernible].

John Nadel

And do you think fourth quarter would be -- do you think fourth quarter will be more similar to the first half of the year, or more similar to the third? Any -- or any sense there?

Richard Dziadzio

Well, the business is -- the portfolio was getting smaller, right?

John Nadel

Shrinking?

Richard Dziadzio

So, one would hope that the experience would mimic that. On the other hand, who knows there's some property, some liability, what we could have some higher losses within that. So it will -- to be seen, but we are winding it down and its winding down very quickly.

John Nadel

So probably fair to estimate that for the full-year '19, somewhere between $15 million and $20 million, probably closer to the $15 million ex loss contribution that -- almost all of that or maybe all of that would not recur in 2020?

Alan Colberg

Yes. John what I would say is, we are winding that business down quickly. We are cautiously optimistic that most of the losses are behind us. I wouldn't give a number for the year. But as I look at 2020, we obviously feel good about that that this business will largely be behind us. We will have a benefit in 2020, because its largely behind us. We will have some offset in housing in 2020 from that transition of loans away from the insolvent client. But in terms of the small commercial -- hopefully it's largely behind us at this point.

John Nadel

Yes, understood. Thank you so much.

Richard Dziadzio

Okay. Thanks, John.

Operator

Your last question comes from the line of Mark Hughes with SunTrust. Your line is open.

Alan Colberg

Hey, Mark.

Richard Dziadzio

Hi, Mark.

Mark Hughes

Yes. The taxes in the lifestyle business, if I’m looking at it probably have been bringing about a point per quarter, 24%, 23%, 22% is a good go forward tax rate for the global lifestyle business?

Alan Colberg

It's in that range. I think we’ve said it's around 22% to 24%, overall. And it really is just reflecting the profitability of our business geographically and the tax rates in those various geographies.

Mark Hughes

Okay. And then the placement rate on the 600,000 loans that you're going to be losing from the insolvent client. Did you give some indication of what -- whether those are above average, below average?

Alan Colberg

In terms of the loans, we talked about 600,000 and really revenues pegged a placement rate, but really the revenue is about $70 million in annualized NEP coming out of this [indiscernible].

Mark Hughes

Okay. And then, Alan, you mentioned the 5G wave. And you anticipate that coming in the future could -- just give us as you look at the opportunity for Assurant, how do you kind of frame that up in your mind? And who knows exactly when or the pace of it, but what should it mean for your business?

Alan Colberg

If you think about 5G from a consumer point of view, when it ultimately rolls out, it dramatically improves latency, which creates all sorts of new applications including autonomous vehicles really being driven by that, which is [technical difficulty] since we made the investment in auto. The timing, nobody really knows. But what it will cause is over a period of a couple of years, you will see probably a big spike in handset activity, which would benefit us. So, again, I don't think this is in the 2021 type time frame. But longer term we are trying to set up the business to be well positioned for that wave.

Mark Hughes

Thank you.

Alan Colberg

Right. Thanks. Thanks everyone for participating in today's call. We are pleased with our year-to-date performance and believe we're well positioned to meet our financial objectives for the year. We look forward to updating you on our progress, on our fourth quarter earnings call in February. In the meantime, please reach out to Suzanne Shepherd and Sean Mosher with any follow-up questions. Thank you.

Operator

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