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<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

We are getting a signal that we are good to go. So I am going to welcome from Horace Mann, CEO, Marita Zuraitis; CFO, Bret Conklin. Thank you very much for taking the time to join us this morning. We're going to spend some time over the Q&A talking about personal lines, P&C. This is not a surprise, but I wanted to begin the discussion with the other segments of Horace Mann. And I think one of the concerns you have is that you're followed by people like me that look at things through a P&C lens and don't necessarily provide as much insight into what seems like really, really positive operating conditions in Group Benefits and Supplemental and in Life and Retirement. So I think we should start with that, if that's okay.

<<Marita Zuraitis, President and Chief Executive Officer>>

Yes. It's certainly okay and I appreciate you falling on the sword there and mentioning that upfront. I think it's fair with the dynamics that are going on in the personal lines, P&C space to want to dwell there. I mean, they pretty are – they are big trend changes for the industry. But the rest of our business, for Horace Mann, we're made up of – we like to say that we help educators protect what they have today and secure good financial success going forward and it's really one-stop shopping for us. So, certainly, we provide their auto in their home, but we do retirement planning a huge 403(b) portfolio, probably the biggest in the K through 12 public space, a decent sized Life portfolio and now with our recent acquisitions Supplemental and Group Benefits as well. So we have relationships with about a million of the 8 million K through 12 public educators.

So for us, we're excited about the growth that we're seeing outside of the P&C space. We this year have about 3% growth in our Retirement portfolio, and that was 8% in the second quarter. We have 10% growth in our Life portfolio. Our Supplemental and Group Benefits division, the worksite business is growing. It's double what it was for us. And on the employer sponsored side of the Supplemental and Group Benefits space, we're up about 50%. So, all those new relationships are relationships that we eventually will cross-sell. We're good at cross-sell. We've proven that over 80 years of being in this space. So I don't want to say the current P&C environment is just the current environment, but it's just the current environment. Our underlying profitability has been good and is good. Obviously, the whole industry needs rate, and we're getting it. So I don't want to be trite and say this too shall pass, but this too shall passed, and in the meantime we've added a lot of new educators to the Horace Mann family. So we're excited about that.

<<Bret A. Conklin, Executive Vice President and Chief Financial Officer>

Yes. And Meyer, if I could, just add a little color, the Supplemental and Group Benefits space that Marita mentioned is a new segment for Horace Mann, came into existence mid 2019, and

that's 25% of what Horace Mann does today. So it's a significant portion of the total Horace Mann.

<<Marita Zuraitis, President and Chief Executive Officer>>

Yes. And in that regard, a lot of our P&C counterparts will lose money this year. And we will make money. It is a nice earnings diversification to have that stream of business and still keep it in that educator family.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

That's fantastic. I want to follow up on the cross-sell argument from a slightly different perspective, because it's not just that you've got multiple products that can be cross sold. You now have an array of distribution channels and I was hoping you can give us an insight in terms of what you're doing to maximize the productivity of having worksite, of having other distributions besides the legacy Horace Mann sort of retired educator agent.

<<Marita Zuraitis, President and Chief Executive Officer>>

Yes, that was actually my favorite question. When we thought about acquisitions, we never really had an M&A strategy. We had a build educator household strategy, and that strategy was around what we call PDI, building products that are relevant in the educator space, broadening our distribution beyond our traditional EA distribution and improving our infrastructure. And what was interesting about the acquisition of both NTA and Madison National is it hit all three of those strategic boxes. It brought us product that was on our game board. Eight years ago when we build that product game board, we said, what are the products that are relevant to educators when they look to protect what they have today and secure their long time – long-term financial future and supplemental insurance was on that game board. So it certainly checked that box, but probably most importantly it brought us access to distribution beyond just our traditional EA distribution.

And most importantly, it brought us educators in hunks and chunks. So, traditionally, Horace Mann over its history did one educator at a time. When you're in the supplemental space and we're dealing with superintendents and business officials and the head of HR within the school system we are bringing large amounts of educators over the wall in mass with those supplemental benefits programs that we're doing for the school district themselves. And then we've got a lot of data on those individual educators to do the ultimate cross-sell, which we're good at and have proven that we're good at. So the distribution, if you think about these large brokers, these benefits consultants, it's not like Madison National wasn't in that space and didn't build reputation over their 60, 70 year history, they did it and they did it well. Now we can double down on what we can bring that distribution as well as looking at similar distributors in that space.

And for Matt Sharpe and I, who spend the majority of our career in the independent agent space dealing with these large brokers, we have relationships. We have credibility with this section of the market. And to be able to sit down with a broker and say, how would you like the educator

company helping your school districts, we're very pleased in the reception that we're getting with that side of the market. And the beauty of the acquisitions is there was no competition. Our individual agents do what our individual agents do, and the brokers do something completely different in the benefits space. So there was no cannibalization. And I've done a fair amount of mergers and acquisitions in my career, and there's always that tension, that channel conflict and we didn't have any channel conflict. The brokers do the Supplemental and Group Benefits and our EAs very historically work with the individual educators. So it's worked out really well for us.

<<Bret A. Conklin, Executive Vice President and Chief Financial Officer>>

Yes. Meyer, I would add to one of the things we're very encouraged by and I think we mentioned this on the second quarter call, but back to your cross-sell question, comment, 20% of our new Life sales this year are coming from the worksite direct channel. So that's very encouraging. Obviously, at the time we acquired NTA, the worksite company, the worksite was shutdown basically with the pandemic.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

Right.

<<Bret A. Conklin, Executive Vice President and Chief Financial Officer>>

So we're starting to see some of the early indicators that the cross-sell is working.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

Right. And just to follow up on that, I assume that the channels are now open, everyone – everywhere is back-to-school in-person. I know there was some talk about masking in Maryland, but everyone is going to school.

<<Marita Zuraitis, President and Chief Executive Officer>>

Yes, I mean, I would say that the interesting thing for us is what our agents learned during the pandemic, taking advantage of electronic means that we had built for them, but muscle memory kept them doing it the way they always did it. It was the great forcing mechanism. So using things like Zoom, using electronic means to work with their customers, they're doing that now. But this is the first real back-to-school we've had in a long time. I was in South Dakota at a convention center, the Mount Rushmore Convention Center with about 1,800 educators in the audience, and I was the keynote speaker. And it was great to see that whole audience in Horace Mann T-shirts and being able to flash funds donors, choose projects and a lot of activity around what we do historically in this back-to-school season. So it doesn't only feel like a good back-to-school season, we're seeing a nice uptick in activity, a lot more quoting, a lot more consulting engagements with our clients and it feels good. The momentum is real.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

Excellent. I don't have a Horace Mann T-shirt yet.

<<Marita Zuraitis, President and Chief Executive Officer>>

I can get to you. If you promise to wear it, especially in these occasions, you'll have a Horace Mann T-shirt.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

Right. I'm not sure I have the authority to promise that. On the P&C side, you're not going into public company D&O.

<<Marita Zuraitis, President and Chief Executive Officer>>

No.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

But there would seem to be the opportunity to generate new products in Group Benefits, maybe in Supplemental. Can you talk about the process for that?

<<Marita Zuraitis, President and Chief Executive Officer>>

Yes, I mean, we had made it very clear that upon the acquisition of Madison National, we had already integrated NTA. The interesting thing is if we had bought National Teachers Associates and Madison National on the same day, we probably would have put the structure that we now have in place, in place.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

Right.

<<Marita Zuraitis, President and Chief Executive Officer>>

It's right bringing the individual supplemental together with the group supplemental business. And that worksite approach has worked extremely, extremely well for us. But in doing that, coming out with a set – one set of products was the right thing for us to do. We use external actuarial firm, Milliman, to be specific, to have that external validation to bring it all together to do the math makes sense for us to do that. But we have filed our long-term new set of products complete at this point filing state by state with that set of products, and we have what we need.

When we built that product game board, we used your typical green, yellow, red approach. And we said these are the products that we can understand. We know how to underwrite them, we can get to scale, it makes sense for Horace Mann to manufacture this set of products to meet that value proposition I was talking about. And then we had read things on the map, like health

insurance. It doesn't make any sense for us to go into the health insurance space. Our educators wouldn't expect us to be there.

So, we stuck with a set of products that are relevant that they would expect us to complete that total value proposition, but staying away from the things that don't make sense for Horace Mann to manufacture. So I would say we have the complete set of products that are in the process of being filed state by state. We feel good about – good about where we are.

We are a conservative company that sticks to its knitting and you are not going to see us get into things that we don't understand. And in the case of NTA and Madison National, these are companies that have been doing this for multiple decades. We have 80 years of history in the space, Madison National had 50-ish years, NTA had 60-ish years only doing 80% of what these companies, including ours had done was educators. And in the case of NTA, the 20% that wasn't educators were firefighters. A similar community-based need if you will.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

You are right it's sort of a very defined target group.

<<Bret A. Conklin, Executive Vice President and Chief Financial Officer>

Yes.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

Madison National was recently upgraded. From your perspective, how does that make things different?

<<Bret A. Conklin, Executive Vice President and Chief Financial Officer>

Yes, I don't think it's a huge difference for us because we expected it, right? Just like NTA, we really expected that the rating agencies would bring Madison National up to our overall corporate ratings and they did. You could argue that in an RFP situation in a school district that one-notch rating would matter. But when you are dealing with not the biggest school districts, I don't think it has a significant difference other than the reputational tick of Horace Mann's ratings. And it was appropriate for the rating agency that seems to do what they do.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

Okay, fantastic. I am going to be shifting to the P&C side for a little bit, but I want to make sure if there are any questions…

<<Marita Zuraitis, President and Chief Executive Officer>>

Do we have to?

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

We do now.

<<Marita Zuraitis, President and Chief Executive Officer>>

Okay.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

I was just really looking for a broad update on a couple of levels. One, pricing plans, and then receptivity to that on the part of the regulators and then if there is anything of interest on the loss trend side that you are seeing.

<<Marita Zuraitis, President and Chief Executive Officer>>

Yes, I mean, in auto it's rate, rate and more rate, and I am not newsflash, I am sure you've heard that several times over the past couple of days. We have filed 25 points of rates 20 in California recently. And it really is about getting the rate that covers the severity trend. Traditionally, rate filings have probably followed the frequency curves in personal auto and severity tends to be more predictable and have a more predictable pattern. Some of it could be the two or so year pause and then everything coming back at once. Maybe companies could have been a little bit better at predicting that.

But when it came back, it also came back in a different environment, whether it's lawyers back to work, whether it's supply chain issues, whether it's the cost of a bumper, and the cameras and electronics that are in a bumper, all of the above. We have the benefit of, for all intents and purposes not being in Florida. So we don't have to deal with the flurry of lawsuits when somebody tries to change probably appropriately the rules in that state.

So for me, we have a very profitable book of auto business. So, we ensure a very predictable, homogeneous slice of the population. Teachers are responsible they tend not to teach kids about drinking and driving, and then turn around and drink and drive. We say insulated but not immune. They are on the same highways, with the same people, with more crowded roads, with people, learning how to drive bizarrely during the pandemic and then continuing that activity. So, for me, in auto, it is about rate. And with the amount of rate that we have in the pipeline, we see our way clear to get back to our targeted combined ratios.

On the property side, I think, it's a little bit more than just rate. I think the catastrophic weather and the kitty cats, even the non-cat weather is certainly elevated and it's a little bit different. I think the industry has very good models for hurricane, for earthquake, for wildfire and our models, maybe as an industry, haven't quite kept up on convective storm activity, hail, wind, water where there isn't supposed to be water, no water where you want water. And it's certain that at least the recent weather pattern is not the same that it has been.

So rate is certainly a part of that equation. I think coverage terms and coverages have to be a part of the equation. The way the industry looks at roofs has to change. Schedules, depreciation schedules, I think, are important. The days of replacement – replacing a 25, 30-year-old roof on a $700 homeowner's policy probably doesn't make a lot of sense for the industry. And the industry certainly is learning that, we have done the same. We have a schedule on our property policies in the process of filing terms and conditions that are more appropriate from a roof perspective.

We also have a fair amount of weight going through the system. We filed probably about 20 points of rate when you add the rate with inflation guard across the board and 25% in California. That filing is obviously pending.

So, when I think about property, I think, it's rate; I think, it's better modeling, more sophisticated modeling; and I think it changes in coverage terms and conditions. There are some interesting new models out there for aggregation, dynamic portfolio optimization tools and ways in which you can model convective storm activity maybe a little bit better than the industry has modeled it. We're using those as well. But make no mistake, this weather pattern is different.

So companies use five-year averages, ten-year averages, they use the models. And if I could predict what weather was going to be and build it into my pricing models, I wouldn't be sitting right here, I would be advising the industry and probably making a lot more money. But you do the best you can and you build in what you know, and those five-year averages certainly have changed. So we have increased the cat load in our plans, we're increasing it again. We also increased what we expect for the second half based on what we saw in the first half of the year. And the only thing I know is I am going to be wrong, but I would rather plan for a higher number and be wrong on the low side.

<<Bret A. Conklin, Executive Vice President and Chief Financial Officer>>

Yes, Meyer, I think, we shared in the – with the second quarter earnings release Marita mentioned it briefly in her remarks, but we do anticipate in 2024 of generating an underwriting gain in both auto and property. And then in sometime in 2025, returning back to our long-term underwriting profitability, which would be high 90s in auto and low 90s in property.

<<Marita Zuraitis, President and Chief Executive Officer>>

And have a track record of doing that. Nobody likes to do [indiscernible] (0:18:26) accounting. But this is different. We're getting the rate we need to get back to that track, and that gets me to the underlying profitability and earnings potential of our overall business. When you look at what our Supplemental & Group Benefits business is producing now and has historically produced, when you look at the ballast of the 403(b) space and our retirement book and what we see in the life space, and then combine that with a P&C business operating at target, which it typically does for us with the cross-sell potential we have as well, the earnings power of this business is clear. And we feel getting back to those targets is within reach. And when it does, you can see the underlying power – earnings power of this business.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

Okay, fantastic. A follow-up question and I think this has – this would apply to both the regulators and your actual customers. When you are changing the terms and conditions in a homeowner's policy what sort of friction are you seeing there if any?

<<Marita Zuraitis, President and Chief Executive Officer>>

Yes, I mean, I don't think you see friction when everybody is doing it and everybody is doing it at the same time. I think you see friction when you are different than the industry trends. And although we may have been slightly slower to make that push on a homeowner's policy, probably because of the – homogeneous niche that we have, the industry is there. Industry standard, if not a schedule is more ACV than replacement cost for obvious reasons. There is just not enough money on a homeowner's policy to replace a 25-year-old roof. So I don't – we have not seen the friction.

When you think about our retention, in auto, our retention went up about three points last year and this year it's consistent. It's not supposed to work that way when you're pushing this much rate. If I were an actuary sitting here talking about elasticity curves, I would tell you that it should have gone the other way. But with everybody pushing rate at the same time, that's what we saw on the auto line. In the homeowners line, it was relatively flat yet last year from a retention standpoint. And this year went up a couple of points. So we're actually seeing the retentive value of who we are as a company in keeping our educator clients even through this much rate that we're pushing. So we're not seeing any slippage in retention in property because of tighter terms.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

Okay. I think we'd have to look at elasticity on a relative basis.

<<Marita Zuraitis, President and Chief Executive Officer>>

Right.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

And if this is an industrywide problem, it's not like Horace Mann did something wrong.

<<Bret A. Conklin, Executive Vice President and Chief Financial Officer>>

Right. And I would also add traditionally, our niche market is a very sticky, loyal customer base as well.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

Right.

<<Bret A. Conklin, Executive Vice President and Chief Financial Officer>>

So in good times and bad, they are loyal to us and we tend not to see some of the fluctuations that other companies do in those times.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

Okay. That's very helpful. And again, if there are questions, please don't hesitate to raise your hands. Horace Mann is not a non-standard auto underwriter, right? Those risks are passed along to carrier affiliations.

<<Marita Zuraitis, President and Chief Executive Officer>>

Right.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

In that context, what are the other opportunities for distributing rather than manufacturing some of the products that you sell?

<<Marita Zuraitis, President and Chief Executive Officer>>

Yes, it is – it's a great question because it's a lever that we have that many of our counterparts don't have. And it may be a little bit difficult to understand how we think about it, but we're an educator company. We're not a P&C company. We think about USAA is probably a good example. I shouldn't give them a plug, but the USAA, the educator space if you will, USAA would say they would like to be the military equivalent of Horace Mann, I think. But for us when we think about this question, we really, we think about Horace Mann first.

So we have a large book of business with Progressive. They are a great partner of ours. We are a large agent for Progressive. If I have an easiest example would be if I have a household that has a 17 year old with two speeding tickets, which believe it or not, that happens often, we can place that risk with Progressive and they're good with that. They're very certain about their pricing. They have the law of large numbers. They've got a good price point where that works for them. It's a risk I choose not to take. I place it with Progressive and then three or four years later, juniors out of the household, it looks like a preferred risk again.

And something that Horace Mann makes sense to put on our paper. We move it from Progressive back to Horace Mann and they're fine with that. And we've had that kind of longstanding relationship with Progressive. But through the Horace Mann general agency, I don't want to make my exclusive agents, independent agents. We want to be able to do that in an algorithm where we stack our partners. And if Horace Mann doesn't make sense, the agent sees that one price, that one quote, where we will place that with one of our partner carriers.

A great example would be the State of Rhode Island. When you think about auto insurance for educators, predominantly K through 12 public educators in a state as small as Rhode Island, does

it make sense for me to manufacture auto? Am I going to have the credibility to be able to price that right and hold that on my balance sheet? So in Rhode Island, we use a partner carrier for auto, we don't try to do that ourselves.

So from a property standpoint, as you put some of these models in place, if you feel like you would have a geographic concentration or you feel like this is a place exposed to hail and you don't want to go any higher in your portfolio than what you have, we can use another carrier to place that. It's a little bit harder in this type of market as you can imagine. There's not a lot of carriers interested in loading up on California right now, right. So it's not something that you see a lot of uptick with in some of these places. But over the long haul, it is a really good strategy for us to have availability of other markets, probably predominantly in P&C because of our size.

<<Bret A. Conklin, Executive Vice President and Chief Financial Officer>>

Yeah. And you don't have to say no to that customer.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

Right.

<<Bret A. Conklin, Executive Vice President and Chief Financial Officer>>

We still have the household, as Marita said, we have a lot of products to fill out their educator needs. But we're still retaining the household in that situation.

<<Marita Zuraitis, President and Chief Executive Officer>>

Yeah. And on the life side, when we built our product game board, indexed universal life and IUL product was on our game board. But rather than manufacturing that ourselves right out of the chute, we used a third-party life care, somebody really good in the space to do that. And then as we learned and as we gathered data and it made sense for us to understand the attributes of risk and price it appropriately, we brought it on to Horace Mann paper and built our own IUL product.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

Yeah.

<<Marita Zuraitis, President and Chief Executive Officer>>

Probably similar if you think about the supplemental space, we could have done the same thing with a third party, but in that case, buying that made more sense. It was immediately accretive to our balance sheet. And we're seeing the diversification benefit of doing that way. So the thought was whether you buy it, you build it or you rent it, we should be able to be that face for the educator. It makes no sense for me to send that educator to an independent agent because the agent is going to, if it's an auto question, they're going to say, can I look at your life insurance?

Can I help you with your retirement needs? So it made sense to keep them if you will in the family.

One of the things we noticed early on in this work that a lot of our educators had antique cars. Well, why would I try to figure out how to do antique cars when there are markets, maybe one of them is even here that does that really well. So we place that antique car with a good market so that we don't have to figure out how to do it better than they do it, higher valued homes. If the educator happens to be married to a CEO of a company and they're living in a high valued home, we place it with Chubb. We don't try to do that ourselves. It's just not who we are.

<<Bret A. Conklin, Executive Vice President and Chief Financial Officer>>

Yeah. There's other examples. It's very common for educators in the summertime they might have a catering business or a lawn mowing business. So we offer BOP policies. It's not uncommon for educators to have a motorcycle or both. So we have a general agency where we're able to here again, fulfill those policy needs just not on Horace Mann's paper.

<<Marita Zuraitis, President and Chief Executive Officer>>

Yes.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

That's helpful. And we've got a question, Steven, we're just going to bring you the microphone.

Q&A

<Q>: Hi. Hi. Have you given consideration to being out of the manufacturing business for all of auto and home and going that route, given how successful you've been with the examples you've shared in the niches that you don't want to currently underwrite?

<A – Marita Zuraitis>: I would say if it wasn't historically such a profitable part of who we are, and I would tell you three years from now, you would be asking, why aren't you back in? If this wasn't about an industry phenomena where everyone needs rate. I'm sure you have not heard a personal lines carrier declare victory. I think one tried and then had to dial it back by saying maybe we were a little too early, not mentioning that carrier. I'll leave that alone. So for us, it is a big part of who we are. We felt like diversification was the best bet for us, building supplemental and group benefits, building on our longstanding retirement and life portfolio. And that diversification has worked extremely well for us. But make no mistake, there are slices of our P&C business where distribution makes more sense for us, and we will continue to go down that road that we've built.

So, for example, if we couldn't get the rate we needed, we felt we needed to be successful in a particular geography and someone else felt they could, we could flip that switch very easily and very quickly because of the relationships that we've built. I mean, other carriers understand how profitable the educator is as a segment of the population. And they don't say no to us. I mean, we

have very good relationships with these carriers. They want a piece of what we do, and if we needed that lever, we could pull it, but we're getting the rate we need. California might be the only slow exception, but that also seems to be going well. We got our 6.9, we immediately filed for our full rate indications. Our discussions have been positive and proactive. So we're feeling good about that as well. But if we can't get to that targeted combined in an appropriate timeframe, we have that lever and have absolutely no hesitation to pull it.

And property would be the one place, auto short tail line, rate will solve this issue. We have good claim practices, we use good AI in claims. I feel really good about our ability in the claims area to get our hands around this. It is about rate in homeowners. Does affordability become availability in some of these places? How do you think about property for a company our size? So we constantly think about what should we do? How much should we do? How do we think about these geographies? We got much smaller in California when we could a while back. I don't think it makes sense for us to have large wildfire exposure for who we are as a company. So we dialed that back pretty significantly when we had the opportunity to do that. So you will see us make those right calls and it's nice to be able to have that lever.

<A – Bret A. Conklin>: Yeah. And I'd echo the, the rate commentary Marita made for us, what 20% rate increase on our P&C books about 120-plus million dollars in back-to-back years of those increases. So we feel that we will get back to our longer term targeted combined ratios sometime in 2025.

<A – Marita Zuraitis>: What's interesting though is not only the third-party relationships that we have and strong in the lever, but our ability to start our relationship with an educator anyway they choose, has really changed over the years. We now can start with an individual supplemental product that we didn't have an opportunity to start with before. We can start with a life product. We can start with 403(b) in retirement. We can simply start with a conversation about their student loans and how we can help educators get access to loan forgiveness that they have always had available to them as civil servants, if you will. So the ability to start with something other than a personal lines product is a real benefit for us. If you're dialing back on that and all you sell is personal lines P&C, you're not growing for a while. We have other places where we can grow and we can start that relationship.

<Q – Meyer Shields>: I want to follow up on a – on a comment that you made, and I have to be very clear. I'm not a political person, and this is not a political question. But there's, I mean, we live in a screechy political environment and teachers are getting some of the brunt of that. And I was wondering how associated trends people entering or leaving the educating profession, how does that impact Horace Mann? How does that impact the ability to recruit agents? How does that impact the ability to retain policies?

<A – Marita Zuraitis>: I think there's two things I think about – when I think about that question. I think it does make our presence more meaningful. We have always tried to stay above the politics. We're not pro-union, we're not anti-union, we're pro-educator and everything we've done has been about solving for that educator. When I think about teacher shortages, when I think about teacher retention and the demographics that we follow, it's sad. Half the schools in America have openings they can't fill. Now for us at Horace Mann, we write the replacements.

Those jobs will be filled, unfortunately, maybe with people not as accredited as they should be and not the quality that maybe they should be, but those jobs will get filled by someone. We don't kick somebody out of the club when they stop being an educator.

We feel that the demographics, the risk attributes are because you chose that profession, because you live in the community and our data backs that up. So we keep the ex-educators and we have the ability to write the new ones. So in an odd way, at least in that initial concentric circle of K through 12 public educators, we write about, have a relationship with about a million of them. And if they turn over at that rate, we have even more of a – of a total addressable market. But it is amazing how much distraction exists in this highly politicized environment for educators. Think about a school board meeting and what those look like. Think about different sides of the political equation and what they're forced with that has nothing to do with the classroom. So we also try to provide them a little bit of a break.

We bring DonorsChoose projects to the schools where we help them get school supplies through crowdfunding. We help them with their student loans. We have a reason to be there other than just insurance. Our agents do bikes for perfect attendance. We try to be present in a positive way to support the educator and try to avoid the politics. But in many ways, unfortunately we've been the benefit of this because we're that ray of sunshine that is about them and not picking a political side of the – of the equation.

<A – Bret A. Conklin>: Yeah. I'll just add Meyer that Marita talked a little bit about the acquisition of Madison National and certainly that is – those products are distributed through benefit brokers and to the – to the point of attracting and retaining educators. Those products are at the district level, so we feel that that's bringing solutions to the school district by offering those products that probably in the past weren't on the top of the food chain. So we feel that's another solution based approach. And certainly I think Marita mentioned the growth statistics on those books of business, which are certainly outsized for them being recent acquisitions. But I think that pressure to attract and retain teachers is going to be there for a while and we want to be there for them offering those products to, to help them in doing that.

<Q – Meyer Shields>: Okay, fantastic. I want to spend a little bit of time on the investment portfolio if we can. But you've been pretty clear about commercial loans holding up and I was hoping we can get a little bit of insight into maybe real estate exposure...

<A – Bret A. Conklin>: Sure.

<Q – Meyer Shields>: ...and performance?

<A – Bret A. Conklin>: We knew this question was coming. We've been asked a lot about it. I would just say in general terms. I think the quality of our portfolio, this is not a new – a new fact, but that's been in the A-plus range for a long, long time. We pride ourselves on having a conservative portfolio. Obviously the lion's share of our portfolio supports the L&R business. But as it relates to the commercial real estate, there's about $800 million of real estate holdings of which about $650 million are commercial mortgage loans there.

We've in the last, oh, I want to say two years we've included some pretty transparent supplemental schedules in our investor presentation on both CMLs as well as the LP portfolio. But nearly all of those CMLs are senior subordinated multifamily and we've been getting the office question a lot less than 3% of the portfolios in office. So we – we feel very good about the quality Ryan and his team spend a lot of time digging through the details and making sure we know what we have. So we feel very good about our portfolio.

<A – Marita Zuraitis>: Yeah. And being around for 80 years, if you think about how the portfolio held up during the great financial crisis, this is the time when we tend to shine from an investment perspective because of that conservative nature. And maybe it comes from the homogeneous nature of the book that we serve. But I feel good about how we – how we position the portfolio.

<Q – Meyer Shields>: Great. And then we've got time for one last question and I will pose it and that is as we continue, well I gave people a chance.

<A – Marita Zuraitis>: There you go.

<Q – Meyer Shields>: I sort of gave people a chance. As we revert towards 10% ROE, how should we think about capital deployment priorities, whether that's share repurchases, which you've talked about, M&A which you've done and I think successfully so far?

<A – Marita Zuraitis>: Yeah. They don't change. I mean, when I think about the underlying fundamentals of this business, when we're firing on all cylinders and the rate solves the P&C issues that we have been talking about, we generate about $50 million, $55 million of excess capital on an annual basis and that's after a very strong dividend. And that's after covering the pretty strong growth that we have in our plans. So you said it, it is about supporting the growth that we know is there. It's about continuing that increasing dividend that we've had a long track record in doing and it's about appropriate buybacks when that – when that makes sense. So I would say no change at all; stay the course.

<Q – Meyer Shields>: Yeah.

<A – Bret A. Conklin>: And obviously getting the P&C companies healthy will go a long way to getting back to that double-dig ROE in, in generating even more access capital.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

All right. Fantastic.

<<Marita Zuraitis, President and Chief Executive Officer>>

Thank you.

<<Meyer Shields, Analyst, Keefe, Bruyette & Woods>>

And with that please join me in thanking Marita and Bret for a very informative session.

<<Marita Zuraitis, President and Chief Executive Officer>>

Thank you. Thanks everybody.

<<Bret A. Conklin, Executive Vice President and Chief Financial Officer>>

Thank you.