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Horace Mann Educators Corporation NYSE:HMN

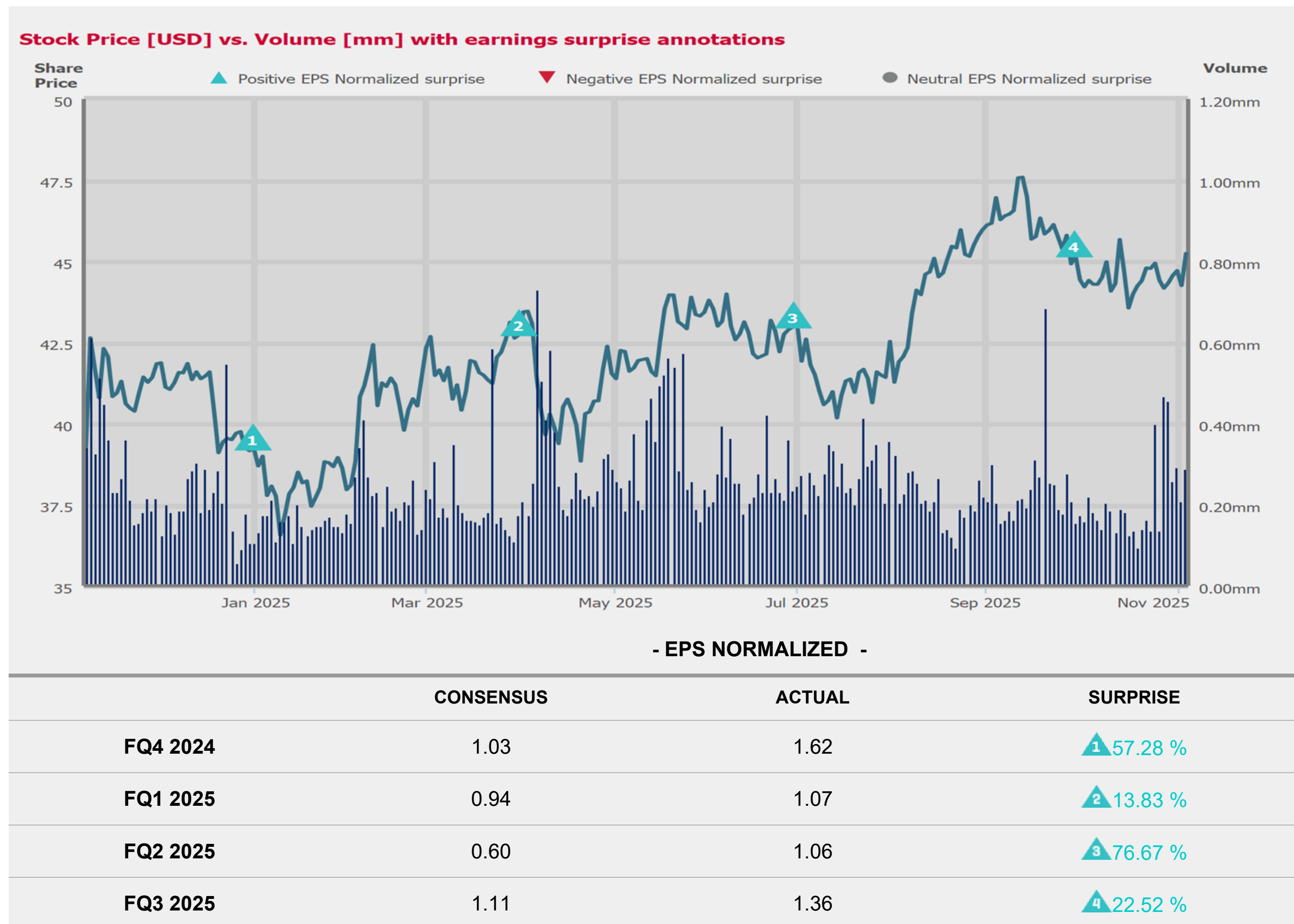
FQ3 2025 Earnings Call Transcripts

Wednesday, November 5, 2025 4:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2025-			-FQ4 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	1.11	1.36	▲22.52	1.22	4.41	NA
Revenue (mm)	430.85	438.50	▲1.78	437.05	1696.00	NA

Currency: USD
Consensus as of Nov-05-2025 2:50 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2024	1.03	1.62	▲(1) 57.28 %
FQ1 2025	0.94	1.07	▲(2) 13.83 %
FQ2 2025	0.60	1.06	▲(3) 76.67 %
FQ3 2025	1.11	1.36	▲(4) 22.52 %

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Call Participants

EXECUTIVES

Marita Zuraitis
President, CEO & Director

Rachael Luber

Ryan Edward Greenier
Executive VP & CFO

ANALYSTS

John Bakewell Barnidge
Piper Sandler & Co., Research Division

Unknown Analyst

Wilma Carter Jackson Burdis
Raymond James & Associates, Inc., Research Division

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Presentation

Operator

Good morning, and welcome to the Horace Mann Educators Third Quarter 2025 Investor Conference Call. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Rachael Luber, Vice President of Investor Relations. Please go ahead.

Rachael Luber

Thank you. Welcome to Horace Mann's discussion of our third quarter 2025 results. Yesterday, we issued our earnings release, investor supplement and investor presentation. Copies are available on the Investors page of our website. Our speakers today are Marita Zuraitis, President and Chief Executive Officer; and Ryan Greenier, Executive Vice President and Chief Financial Officer.

Before turning it over to Marita, I want to note that our presentation today includes forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. The company cautions investors that any forward-looking statements include risks and uncertainties and are not guarantees of future performance. These forward-looking statements are based on management's current expectations, and we assume no obligation to update them. Actual results may differ materially due to a variety of factors, which are described in our news release and SEC filings.

In our prepared remarks, we use some non-GAAP measures. Reconciliations of these measures to the most comparable GAAP measures are available in our investor supplement.

I'll now turn the call over to Marita.

Marita Zuraitis
President, CEO & Director

Thanks, Rachael, and good morning, everyone. Yesterday, Horace Mann reported record third quarter core EPS of $1.36, a 64% increase over the prior year. Trailing 12-month core return on equity has increased to 13.8%. These results clearly demonstrate the earnings power of our diversified business. On a year-to-date basis, we are now well ahead of our 2025 financial goals and on track for record core earnings, which generates strong shareholder return.

Both top and bottom line results were strong. Total revenues for the quarter were up 6% over prior year with net premiums and contract charges earned up over 7%. We delivered oversized growth in the Supplemental and Group Benefits segment with individual supplemental sales up 40% and record sales in Group Benefits. In fact, sales are outpacing the prior year across all business lines.

Given strong year-to-date outperformance, reflecting both underlying business performance, as well as continued lower catastrophe losses, we are raising our full year core EPS guidance to a range of $4.50 to $4.70. Ryan will provide more details on the full assumptions later in the call.

Today, I want to focus on the significant progress we are making towards our enterprise strategic priorities that position Horace Mann for sustained profitable growth over the long term. Most importantly, business profitability across all segments is in line with or above target levels, giving us the opportunity to accelerate investments in future growth.

In Property and Casualty, the total combined ratio year-to-date is 91.4%, with an auto combined ratio of 96.4%, in line with our mid-90s target. And in Property, we continue to deliver exceptional results with a combined ratio of 83.1%, well below our target of 90% or below. Property profitability is strong, reflecting both rate and non-rate actions we've taken to reduce earnings volatility, and to a larger degree, much lighter severe weather activity this year. For comparison, pretax catastrophe losses year-to-date are $56 million. Last year at this point, pretax catastrophe losses were $91 million.

In the Life and Retirement segment, we continue to see steady earnings growth, driven by strong net investment income and effective spread management. Our core fixed income portfolio continues to benefit from strong new money yields. Year-to-date, the core new money yield is exceeding book yield by more than 100 basis points.

In Supplemental and Group Benefits, policyholder utilization continues to trend below historic levels. Our long-term target for this business is a 39% blended benefits ratio. Year-to-date, we are running around 37%, a strong position that enables us to invest

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confidently for growth. With each business segment performing in line with or above target, we're investing strategically to increase our share of the education market and drive future growth.

Lead generation continues to scale rapidly with website visits up 120% year-over-year and online originated quotes nearly doubling. Our back-to-school celebration engaged tens of thousands of educators with more than half of those participants new to Horace Mann, an encouraging demonstration of increasing brand awareness. We're seeing record recruiting success as we continue to grow points of distribution, adding exclusive agents, licensed producers and benefit specialists as we expand local coverage and educator engagement.

Through strategic partnerships, we are furthering our ability to reach more educators. A couple of examples. New partnerships with Teach for America and Grand Canyon University will provide us access to hundreds of thousands of educators to provide tailored solutions, including financial education resources and personalized support, teaching scholarships, student loan awareness programs and community outreach. For example, with Teach for America, we recently launched educator financial wellness sessions as part of their Career Acceleration Series. We're excited to see the impact of these partnerships, along with our upcoming sponsorship of Crayola Creativity Week in January as we continue expanding our engagement with educators nationwide.

We continue to build on our integrated omnichannel approach to customer acquisition and service, allowing educators to engage with us when, where and how they choose. These efforts are driving tangible results. Life and Retirement sales were exceptionally strong in the third quarter, fueled by the success of our back-to-school campaign. Life sales increased 16% and Retirement deposits grew 9%, both impressive results in what is already a seasonally high quarter, highlighting the impact of our growth investments and brand momentum.

In addition, we are accelerating growth in our Supplemental and Group Benefits segment, a high-margin, capital-efficient business that diversifies our earnings and reduces volatility. Individual supplemental sales rose 40% for the quarter and 47% year-to-date, reflecting expanded distribution and deeper customer engagement, driven by product enhancements that resonate with our core educator market. Over the past year, we have grown our network of benefit specialists, who help educators understand and optimize their workplace benefits by nearly 30%. And we introduced our newest generation of cancer coverage, including new and enhanced benefits that best protect customers from the unexpected costs of cancer treatment. Group Benefits sales nearly doubled in the quarter and are up close to 20% year-to-date, reflecting encouraging growth in our network of like-minded broker partners.

As we invest in growth, we remain disciplined in optimizing enterprise spend. Our approach emphasizes efficiency, innovation, modernization and continuous improvement across the organization. As part of these efforts, we're leveraging GenAI to identify and test multiple use cases that enhance productivity and effectiveness. For example, in partnership with our customer care team, we identified call summary notes as a low value-add task where GenAI could enhance efficiency without sacrificing quality. By automating the process, which consumes 20% to 30% of a representative's day, we will be able to significantly reduce administrative burden. In our test, AI-generated call notes matched the accuracy and quality of human authored notes, quantifying clear time savings and productivity gains. As customer care historically has higher turnover than other departments, we expect to be able to realize expense savings organically through employee attrition. We continue to expand our framework for identifying, piloting and deploying GenAI projects across the company to create further expense synergies and savings.

We're striking a balance between investing for future growth and maintaining expense discipline. We expect expense levels to be elevated in the near term as we build scale and execute on key initiatives that position us for long-term efficiency and sustained profitable growth.

Before I turn the call over to Ryan, I want to highlight how our strong results are driving shareholder value creation. Over the past 15 years, our Board of Directors has authorized $200 million in share repurchases, including a $50 million share repurchase authorization in May. Through October, we have returned $20 million of capital to shareholders through share repurchases and $43 million through dividends. These actions reflect our disciplined capital management approach that balances profitable reinvestment in our business with consistent shareholder returns. This framework positions us to continue to maximize total shareholder return, while maintaining flexibility to fund strategic growth, the most accretive use of capital over the long term.

To close, third quarter results were incredibly strong. All segments are operating in line with or above target profitability, and our multiline business model continues to deliver consistent high-quality earnings. On a year-to-date basis, we are clearly exceeding our 2025 objectives, and we are confident in our ability to achieve our long-term financial targets, a 10% average compound annual growth rate in core EPS, and a sustained 12% to 13% core return on equity by 2028.

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Horace Mann is operating from a position of strength, and our competitive advantages position us exceptionally well for sustained success. We are confident that we will continue to meet and exceed our strategic objectives, deliver sustained market-leading growth and accelerate shareholder value creation.

Thank you. And now, I'll turn the call over to Ryan.

Ryan Edward Greenier
Executive VP & CFO

Thanks, Marita. Our record third quarter results reflect continued lower catastrophe costs, strong underlying performance and encouraging growth momentum across the business. Given our strong year-to-date performance, we are accelerating strategic investments to build on this momentum and position Horace Mann for sustained profitable growth. We are increasing our full year 2025 core earnings per share guidance to a range of $4.50 to $4.70, which includes the following assumptions: roughly $65 million catastrophe losses assumed for the full year and total net investment income in the range of $473 million to $477 million, with managed portfolio income of $373 million to $377 million.

Reflecting our ongoing commitment to educators, we expect to make a significant donation in the range of $3 million to $7 million to the Horace Mann Educators Foundation in the fourth quarter. Thanks to our strong year-to-date business outperformance and by thoughtfully leveraging tax provisions under the Big Bill legislation, we're able to amplify our impact, aligning our financial strength with our mission to support educators and their students.

Turning to the results. Core earnings of $57 million or $1.36 per share increased 64% over the prior year. Trailing 12-month core return on equity was 13.8% and tangible book value per share increased more than 9%, reflecting continued strong underlying profitability across the business.

Total net premiums and contract charges earned were up 7% with total revenues up 6%. In the Property Casualty segment, core earnings were $32 million, tripling year-over-year. Net written premiums of $232 million increased 9% over the prior year, primarily reflecting higher average earned premium. The P&C reported combined ratio of 87.8% improved 10.1 points over prior year, reflecting much lower catastrophe costs, continued strong underlying results and favorable prior year development. The $3 million in prior year development was primarily driven by favorable property severity.

Pretax catastrophe losses of $10 million were 71% below the prior year due to lower claim frequency and severity, as well as lack of hurricane activity. In auto, net written premiums of $132 million increased slightly over the prior year. The underlying combined ratio of 94.9% improved 3 points, primarily due to higher average premiums. Household retention decreased from the prior period to 84%, but remained largely stable quarter-over-quarter. Retention remains in line with expectations, given the current rate environment, and continues to be in the top quartile relative to industry benchmarks. Before I turn to Property, I want to remind you that fourth quarter auto results historically have had higher frequency due to weather.

In Property, net written premiums of $99 million increased 20% over the prior year, reflecting the continued benefit of rate actions on average written premium and solid growth momentum with sales up more than 8%. The combined ratio of 75.3% significantly improved over the prior year, primarily reflecting much lower catastrophe costs. Policyholder retention remained strong at nearly 89%.

In Life and Retirement, core earnings were $15 million, in line with the prior year, and net written premiums and contract deposits rose to $170 million. As a reminder, our non-P&C annual actuarial assumption reviews were moved to the third quarter this year, in line with industry practice. Annual reviews reflected favorable mortality, which resulted in a $3.5 million decrease in reserves for Life and a $5.4 million increase for Retirement pretax. These actuarial assumption review impacts are GAAP only and noncash, and as a result, have no impact on free cash flow.

In the Life business, mortality was favorable for the quarter. And on a year-to-date basis, mortality costs continue to remain within our expected actuarial range. Life persistency remained strong, near 96%. In the Retirement business, net annuity contract deposits increased by 9% and persistency rose to 92%.

Moving to Supplemental and Group Benefits. The segment contributed $18 million to core earnings, in line with the prior year, and net written premiums rose to $66 million. Annual actuarial assumption reviews resulted in a $2.4 million decrease in reserves for individual supplemental pretax, reflecting favorable morbidity. In individual supplemental, net written premiums of $31 million increased 3% over the prior year. The benefits ratio of 25.4% decreased 2.4 points over the prior year, reflecting the impact of the actuarial assumption review, in addition to favorable policyholder utilization trends. Policyholder persistency remained steady near

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90%. In Group Benefits, net written premiums of $35 million increased 8% over the prior year. The benefits ratio of 35.7% was below prior year, primarily due to favorable policyholder utilization and disability products.

Turning to investments. Total net investment income on the managed portfolio increased nearly 11% over the prior year. We continue to see very strong results from our core fixed income portfolio, reflecting the benefit of higher average yields. This is the 15th consecutive quarter that new money yields in the core portfolio have exceeded book yield. Limited partnership returns outpaced the prior year, driven primarily by equity-related funds. And we continue to see stable returns from commercial mortgage loan funds. As I mentioned earlier, with each business segment performing in line with or above profitability targets, we are investing strategically to position Horace Mann for sustained profitable growth.

Sales are outpacing the prior year across all business lines, and we delivered outsized growth in the Supplemental and Group Benefits segment. Third quarter individual supplemental sales were $6 million, a 40% increase over prior year. And Group Benefits delivered record sales of $6 million, nearly double the prior year result. As we've mentioned before, the Group business is still relatively small, so results will fluctuate from quarter-to-quarter. We're encouraged by the growth momentum as we continue to scale this segment.

As Marita mentioned, as we invest in growth, we remain diligent about optimizing enterprise spend. In addition to our ongoing enterprise focus on leveraging GenAI, we've made the business decision to terminate our legacy dormant pension plan. We expect to finalize the transaction in the fourth quarter. This will be a noncore charge and will result in ongoing run rate savings of over $1 million annually pretax.

While our expense ratio remains competitive with peers, we do expect expense levels to be elevated in the near term as we build scale and execute on our longer-term financial goals. We will use periods of business outperformance to reinvest some of that success into initiatives that will drive future growth. Building scale is a key component of our plan to reduce the expense ratio by about 1.5 points over the next 3 years, and these investments are essential to achieving that goal.

Before I close, I'd also like to touch on the prudent capital management actions we took this quarter. In September, we issued $300 million of senior notes due in 2030 at a 4.7% coupon. Proceeds were used to refinance near-term maturities with the balance allocated for general corporate purposes. The transaction had very strong investor demand and was more than 5x oversubscribed. As a result, we achieved a record tight spread for Horace Mann.

We remain focused on driving shareholder value creation. Our dividend yield is strong. And we continue to opportunistically execute on our share buyback program. October year-to-date, we've repurchased 470,000 shares at a total cost of about $20 million at an average price of $41.70. We have around $57 million remaining on our current share repurchase authorization.

In conclusion, third quarter results reflect the strength and stability of our diversified business. On a year-to-date basis, we are clearly exceeding our 2025 objectives. And we are confident in our ability to achieve our long-term financial targets: a 10% average compound annual growth rate in core earnings per share and a sustainable 12% to 13% core return on equity by 2028. We are confident that we will continue to meet and exceed our strategic objectives, deliver sustained market-leading growth and accelerate shareholder value creation.
Thank you. Operator, we're ready for questions.

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Question and Answer

Operator

[Operator Instructions] The first question comes from Michael Zaremski with BMO Capital Markets.

Unknown Analyst

It's Jack on for Mike. The first question just on your organic policy count growth trajectory, especially in the P&C operations. It's good to see retention stabilizing in auto and margins are at healthy levels, which I imagine implies less of a need to increase rates. So just, I guess, in light of that, wondering how you view the growth outlook on a policy count basis over the coming quarters in both auto and home.

Marita Zuraitis
President, CEO & Director

Yes, it's a great question, but I think I might expand it a little bit. And when we think about growth, we don't really think about it as an on and off switch. We are always focused on educator household increase and that goal of sustained profitable growth. When we look at this quarter, I mean, I think it's a clear reflection that we have sales momentum across every business. I mean, new business for us is up across all our business and retention has been steady. If you look at individual supplemental up 41%; Group up 91%; Life is up 16%; Retirement is up 9%; Property is up 8%; auto is hanging in there, up 4%. And then, you look at the retention side of the equation, where Property is nearly 90% Life, Retirement, Supplemental in the mid-to-high 90s persistency. Auto is strong at 84%. Obviously, you see the effects of the increased competition across the industry there. But we are very well positioned for that sustained household growth that we're focused on and feel good that we're clearly going in the right direction when you see these kind of results across all the businesses.

Unknown Analyst

Great. And then, just a follow-up on -- maybe a 2-parter, but just a follow-up on the EPS guidance. It implies, I think, sort of in the low-$1 range in the fourth quarter, a little bit of $1.36 this quarter. I guess just maybe if you could help us walk through the moving pieces. I guess, there's the kind of net assumption review this quarter. I think you called out auto margin seasonality being less favorable in the fourth quarter and then also accelerating some strategic investments. And on that last front, can you -- are you able to quantify or elaborate more on some of those investments that you're planning to accelerate over the coming quarters?

Ryan Edward Greenier
Executive VP & CFO

Sure. This is Ryan. I appreciate the question this morning. When I think about the updated guidance range that we gave you, the $4.50 to $4.70 on a full year basis, it implies $1 to $1.20 for the fourth quarter. We updated our cat assumption to reflect year-to-date outperformance. We narrowed the net investment income to the midpoint of the original range. And we did increase the corporate and other expenses by $5 million. That reflects known spend. We talked about the Foundation donation that we're excited to fund in the fourth quarter. In addition to that, when we think about guidance, we are reflecting our intent to continue to invest in growing our business.

I'll flag for you that fourth quarter last year was an unusually strong quarter. It was $1.68, and it had a number of onetime items that we don't expect to repeat. So last year, fourth quarter, we had favorable Property prior year development, which was worth about a quarter. In our non-P&C operations, we did our annual reserve assumption review, and we had some prior year favorable development in Group, and that was worth over $0.30. And we had very favorable weather. Both cat and non-cat was quite favorable. So, on a normalized basis, I think about fourth quarter last year as being about $1. And if you think about the midpoint of our guide, that's a 10% earnings growth rate, which is what we talked about achieving at Investor Day.

Marita Zuraitis
President, CEO & Director

Yes. And Ryan touched on expenses a little bit, but if I could expand on that. I mean, we're clearly striking a balance here between investing for the future, while also maintaining expense discipline. And we think about it as both sides of the equation, both the numerator as well as the denominator; the numerator, obviously, through efficiency and the denominator by investing in growth to build scale because both are clearly important. I don't think any company can shrink their way to greatness, right? So both of those sides of that equation matter.

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On the expense discipline side, our leadership realignment, efficiency in high turnover areas that result in headcount reductions over time. Ryan mentioned in the script, the legacy pension termination, our review of vendor spend, process improvements like straight-through processing. We're really focused on driving that efficiency. But at the same time, I think it's also important for us to invest in growth to drive scale, especially in times of outperformance like this. And at Investor Day, we talked about our goal to reduce the expense ratio by 1.5 points. But again, that's over the next 3 years, and we're confident that we can do that. And I think if you look at our track record over the last several years, as we've invested in the PDI, the products that are relevant in our educator space, expanding our distribution, which we're obviously doing, and modernizing our infrastructure, we have done that and continue to do that, while we maintain expense discipline. So I think it positions us very well for sustained profitable growth. And I think our track record speaks for itself.

Operator

The next question comes from John Barnidge with Piper Sandler.

John Bakewell Barnidge
Piper Sandler & Co., Research Division

My question is on Supplemental and Group Benefits. Lead management systems are increasingly required to get on the platform, and we're seeing a lot of investment over group benefit providers in the market. Can you talk about your capabilities, whether you're building your own lead management system or getting something out of the box? And really how important that is to winning business in Supplemental and Group Benefits for a core educator marketplace?

Marita Zuraitis
President, CEO & Director

John, great question, and it's a little bit of both. I want you to think about our individual supplemental and Group Benefits -- Supplemental and Group Benefits business a little bit differently. Obviously, we have a head start in individual supplemental, and you're seeing those very strong sustained numbers come through on the individual supplemental side. In the group supplemental side, it's new for us. It's relatively small for us. We feel really good about the progress we're making, and you saw that in this quarter as well. That can be a little more lumpy for us because it is small, but we look at that year-to-date number and that track record of that sustained growth in that area. And we are making investments not only in lead generation, but in expanding our distribution and building the product necessary for that space, as well as modernizing the infrastructure to do that and do it well. And I feel really good about our progress there. But we're in this for the long haul, and that will take us longer to build all those pieces. But we're really happy with our start here. We're focusing on where we're good in our educator segment, and I think we're doing it really well with some really strong partners.

Ryan Edward Greenier
Executive VP & CFO

The thing I will add, John, we do have a lead management partner in place. So to answer your question directly, we do have the capabilities with an experienced partner.

John Bakewell Barnidge
Piper Sandler & Co., Research Division

And then, my other question, more and more insurers have launched partnerships with alternative asset managers, not just to monetize their distribution, but to better position spread-related products and enhance net investment income. I know you do externalize some asset management functions. But is there an opportunity for a larger partnership here with a dedicated alternative asset manager?

Ryan Edward Greenier
Executive VP & CFO

John, I appreciate your question. When I think about what we've built from an investment management capability over the past 5 years, we talked about over that period, improving net investment income by over 30%. We mentioned that at Investor Day. And yes, rates were -- created an opportunity over that time period, but we were very thoughtful about the third-party partners that we work with on an ongoing basis. We've made some changes to those partners recently. And we believe in that sort of best-of-breed model and finding core portfolio managers that do the bulk, if you will, of our liability-driven investment strategy, but at the same time, supplementing them with specialized managers in certain verticals. So while I understand the nature of your question, I like our approach of going out and getting best-in-breed and allowing us to really diversify our asset management partnership. So hopefully, that answers your question.

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John Bakewell Barnidge
Piper Sandler & Co., Research Division

Yes. I was also talking about maybe product creation. There's some regulatory reform in retirement accounts. Interval funds or evergreen funds have increasingly become more in demand and valued by distribution. So do you have those capabilities? Are you looking to build those capabilities?

Ryan Edward Greenier
Executive VP & CFO

So when I think about tailoring product, John, to our customer set, the educator marketplace is a relatively conservative investor. They prefer fixed and fixed index products. Even within our variable annuity sleeve, there's a fair amount of fixed account selection. We also distribute through captive distribution. And so, when I think about marrying the product design to the distribution to the end customer, a lot of those more exotic, if you will, or newer product entrants aren't really what our customer base is asking for at this point in time. And you can see, our Retirement sales were up 9% in the third quarter. So we're seeing strong customer reception to the product set that we have.

Marita Zuraitis
President, CEO & Director

Yes, Ryan is right. We're really not hearing from our registered reps out there working with our customers or even from the educators themselves that our affinity niche is looking for that, but yet we see what's going on with RILA products and other things in the industry. And if we felt there was a need, we could leverage a really good third party to offer that or we could build it ourselves, but there's no demand for that in our market segment right now.

Operator

The next question comes from Wilma Burdis with Raymond James.

Wilma Carter Jackson Burdis
Raymond James & Associates, Inc., Research Division

Cat losses this year were $65 million versus, I think, you guys expected $90 million kind of coming into the year. And we also realize that 2 things have happened. It's been a low activity year, but also you have a lot of catastrophe mitigation efforts that you've been rolling out. So could you just help us think through that? How effective has the program been? And what are you just thinking into '26? I know you may not be able to give an exact answer.

Ryan Edward Greenier
Executive VP & CFO

Wilma, this is Ryan. Thank you for the question. As a reminder, our original guide in 2025 was about $90 million of catastrophe losses. And you're right, we and the industry have experienced a good catastrophe weather year. From a cat perspective, this year was more than one standard deviation below our historic averages. But when I think about cat losses and I think about the book, every year, you grow your total insured value. So, as we continue to grow the property book, the value that is exposed and that we get premium off of continues to grow. So you'd expect an increase in average modeled losses as a result of that. Candidly, offsetting this, though, is the non-rate actions that we took like the deductibles and roof schedule changes. We believe they are working as designed, and we're seeing the benefits. But in a light cat year, it's kind of hard to prove out the full magnitude of what you would expect. But we're seeing encouraging signs. When I look ahead to 2026, while we don't have official guidance out, I would not expect a significant decline in actual total cat dollar losses in 2026.

Wilma Carter Jackson Burdis
Raymond James & Associates, Inc., Research Division

Understood. And I guess, this kind of ties into my first question, but could you talk a little bit more about normalized P&C earnings into '26 between that and -- between the cat loss mitigation efforts and the effects of rate increases that you're taking and seeing right now?

Ryan Edward Greenier
Executive VP & CFO

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Sure, Wilma. We talk about our long-term targets and what we're striving to maintain in our P&C business, and we give you 2 targets. We talk about a mid-90s combined for auto, and we talk about wanting to run Property at or below 90% to account for the increased volatility just inherent in the Property business. We are at target profitability and better than that in Property. And when I think about the loss trends going forward in the rate plan, we are targeting a mid-single-digit rate plan in auto for next year. That's in line with loss trend expectations and a high-single-digit rate increases. So think about that as rate and inflation guard, so the increase in insured value, and that's for Property. And that's a little bit ahead of our loss trends. But that should keep us on track to maintain those profitability targets within P&C.

Marita Zuraitis
President, CEO & Director

Yes. But I also think it's important, and I want to magnify what Ryan said about cats, it wouldn't be prudent for any of us to assume that this year will repeat. The only way you can do this right is to rely on the math, looking at 5 and 10-year averages, looking at probabilistic and deterministic models, all blended to give you a cat estimate in any given time frame and year. Obviously, the recency of this year is great for the industry and good for us, but it wouldn't make sense for us to assume that a year like this is going to repeat. It will obviously be factored into all the numbers. But I think the only thing anybody knows about cats is you're going to be wrong with your estimates. So you really have to rely on your math to determine that number. And obviously, building values are up. Insured values are up. We're larger as an organization. So I wouldn't expect that our forecasted cats would be going down next year, as Ryan clearly said.

And obviously, we'll discuss this with our guidance as we normally would in our normal course when we have our next call.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Rachael Luber for any closing remarks.

Rachael Luber

Thank you for joining us today. If you have any additional questions or would like to schedule a meeting, please reach out to the Investor Relations team. Have a great day.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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