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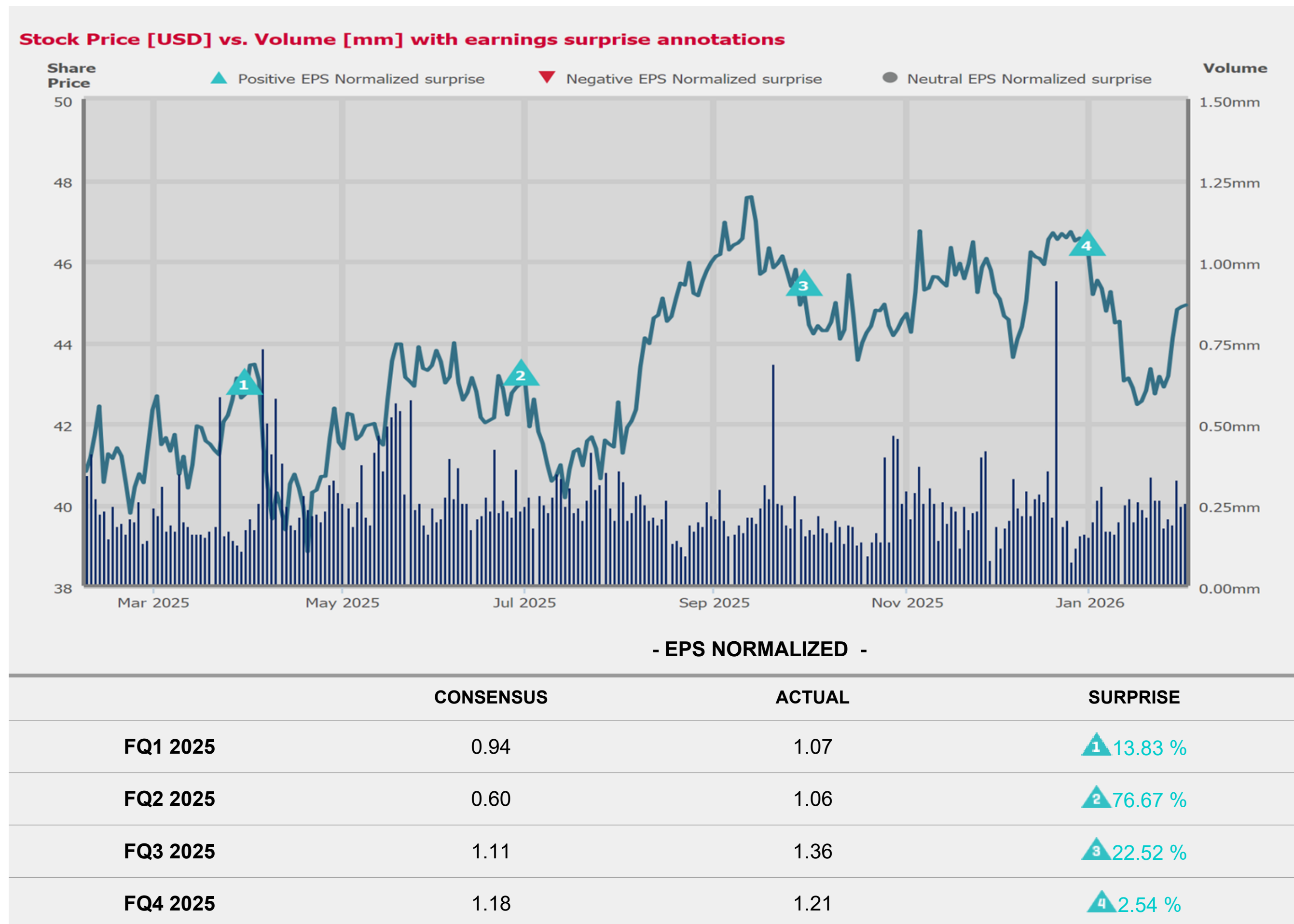
Horace Mann Educators Corporation NYSE:HMN
FQ4 2025 Earnings Call Transcripts

Wednesday, February 4, 2026 5:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2025-			-FQ1 2026-	-FY 2025-			-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	1.18	1.21	▲2.54	1.31	4.67	4.71	▲0.86	4.64
Revenue (mm)	447.00	434.80	▼(2.73 %)	448.00	1710.30	1701.40	▼(0.52 %)	1801.00

Currency: USD
Consensus as of Feb-04-2026 1:15 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2025	0.94	1.07	▲1 13.83 %
FQ2 2025	0.60	1.06	▲2 76.67 %
FQ3 2025	1.11	1.36	▲3 22.52 %
FQ4 2025	1.18	1.21	▲4 2.54 %

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Call Participants

EXECUTIVES

Marita Zuraitis
President, CEO & Director

Rachael Luber

Ryan Edward Greenier
Executive VP & CFO

ANALYSTS

Jack Matten
BMO Capital Markets Equity Research

John Bakewell Barnidge
Piper Sandler & Co., Research Division

Matthew John Carletti
Citizens JMP Securities, LLC, Research Division

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

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Presentation

Operator

Good day, and welcome to the Horace Mann Educators Fourth Quarter and Full Year 2025 Investors 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, Investor Relations. Please go ahead.

Rachael Luber

Thank you. Welcome to Horace Mann's discussion of our fourth quarter and full year 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 hello, everyone. Yesterday, Horace Mann reported record 2025 full year core earnings per share of $4.71 and shareholder return on equity of 12.4%. These are the highest earnings. Horace Mann has ever reported and a powerful confirmation of the strength of our business strategy and execution. All segments are in line with or exceeding our profitability targets and top line momentum continues across the board. Total revenues were up 7% over prior year with net premiums and contract deposits earned up more than 7%.

Individual supplemental sales increased nearly 40% over prior year, while Group Benefits recorded a 33% increase. I'm proud of all of our Horace Mann's team members for their contributions in exceeding our 2025 goals. We delivered record core earnings while providing our deserving educator customers with distinctive service. Today, I want to review the highlights of our 2025 performance as well as add some detail to our financial targets for the next 3 years. We delivered record earnings in 2025 on the strength of solid underlying business performance and continued growth momentum. Results also reflected unusually light severe weather activity with pretax catastrophe losses of $62 million, contributing approximately $28 million or about $0.55 per share to core earnings relative to our original assumptions.

Let me walk through performance by segment. In Property and Casualty, the underlying combined ratio was 84.3%, a 5-point improvement year-over-year reflecting rate and non-rate actions we've taken to reduce segment earnings volatility. P&C sales increased 6% year-over-year policyholder retention in both auto and property remains stable and continues to compare favorably with industry peers. In auto, the reported combined ratio of 96.5% and improved nearly 2 points over prior year. Given we are in line with our mid-90s profitability target with solid retention, we are well positioned to navigate a competitive auto environment in 2026.

In Life and Retirement, top line momentum continued with record life sales in the fourth quarter, up 21% over prior year. These results build on the success we saw last quarter and reflect the continued improvement in our marketing campaigns, growing brand awareness, higher agent productivity and stronger engagement with educators. Retirement deposits increased 4% in the quarter and for the full year, net written premiums and contract deposits for the segment rose 7%. Supplemental and Group Benefits delivered record sales results in 2025, this high-margin, capital-efficient business generated 25% of core earnings, playing an important role in diversifying our earnings and reducing volatility.

Overall, this segment's benefit ratio of 37% continues to move toward our long-term expectation. Individual supplemental delivered record results with sales up nearly 40% year-over-year, reflecting strong demand, improved distribution reach and deeper customer engagement. Group Benefits also posted record sales up 33% over the prior year, supported by expanding distribution. Over the past year, we have meaningfully expanded our distribution organization and strengthen our marketing capabilities to support sustained profitable growth.

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A few highlights. Through disciplined increases in marketing investment, and thoughtful execution of strategic partnerships, we have significantly strengthened Horace Mann's brand awareness in our target market. Unaided brand awareness reached 35% in 2025, up from less than 10% a year ago. We are increasing recognition within the educator market through partnerships with trusted brands like Crayola. Recently, we partnered with Get Your Teach On, an organization that provides top professional development for teachers and school leaders. Through this partnership, we will reach a highly engaged audience of more than 800,000 educators through e-mail, social, live events and other channels.

We continue to optimize our marketing programs to be more efficient and effective. New business customer interactions are up 37% in the fourth quarter, and we are realizing productivity gains from our spend. We continue to enhance our distribution channels to ensure educators can research, shop and purchase with us when, where and how they choose. We increased points of distribution by 15% across all channels. Upgrades to our website and an improved digital customer experience led to website traffic and online originated quotes more than doubling over the course of the year. We have also expanded our commitment to supporting the educational community.

This week, we introduced the Horace Mann Club, a new platform that lets educators access financial wellness tools, classroom resources and educator-specific perks in 1 place. The club creates a strong foundation for delivering resources, services and programs that reward, celebrate and give back to educators.

We will continue to expand the club over time, ensuring it meets the changing needs of educators and provides unique benefits to support them in and out of the classroom. In the fourth quarter, we donated $5 million to the Horace Mann Educators Foundation. Created in 2020, this charitable organization provides funding to support students and educators success. This includes grants to fund food and security programs, essential classroom supplies and educator professional development.

Looking ahead to provide a clearer baseline to evaluate Horace Mann's strategic progress, we have included a normalized 2025 core earnings per share exhibit in our investor presentation. This excludes the earnings benefit from catastrophe losses that came in below our original guidance assumptions as well as other items not included in management guidance. This normalized view aligns with how management internally evaluates performance and represents the appropriate baseline to compare our 2026 guidance. While 2025 catastrophe losses were unusually favorable, driven by fewer catastrophe events and lower overall activity, we do not expect a similarly low level in 2026 or subsequent years. Against that normalized 2025 baseline, our 2026 core earnings per share guidance range of $4.20 to $4.50 represents progress consistent with the financial goals outlined at Investor Day.

As a reminder, those goals include delivering a 10% average compound annual growth rate in core EPS and a sustainable 12% to 13% shareholder return on equity. To achieve these goals, we will continuously evaluate and balance growth initiatives and expense optimization. In times of outperformance, such as the record year we had in 2025, we may choose to accelerate investments in growth initiatives. Last year, we accelerated investments in marketing, infrastructure improvements for distribution force and product and distribution expansion in supplemental and Group Benefits. We will continue to thoughtfully invest in initiatives that expand our capabilities and support long-term growth.

And we are confident that these actions, combined with ongoing operational efficiencies position us to achieve our targeted 100 to 150 basis point reduction in the expense ratio. While more of that improvement is expected to be realized towards the back half of our 3-year plan, we have a clear line of sight to the actions and execution required to deliver on that goal. Our balance sheet remains strong and well positioned to support strategic growth and shareholder returns. We continue to take a disciplined approach to capital allocation, balancing reinvestment in the business with returning capital to shareholders. In 2025, we deployed $21 million of capital to share repurchases, the highest annual level since 2022, and the Board's additional $50 million authorization in May underscores our commitment to using share repurchases as a meaningful lever for shareholder value creation.

In closing, 2025 was a record year that underscores the strength of Horace Mann's value proposition for the educator market. By maintaining business profitability, delivering sustained profitable growth optimizing our enterprise spend and strategically investing in growth enablers, we will achieve our 3-year goals. We are operating from a position of strength. We have a strong competitive advantage and we have the confidence that we will 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. I'll walk through how we think about normalized 2025 earnings, outline our 2026 outlook in key assumptions and then review full year 2025 performance by segment. 2025 was a record year for Horace Mann with core earnings of $196 million

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or $4.71 per share, an increase of 39% over the prior year. Trailing 12-month core return on equity increased to 12.4%, reflecting continued strong underlying profitability across the business. Total net premiums and contract charges earned increased 7% and with total revenues also up 7% year-over-year.

As Marita discussed, 2025 benefited from a few favorable items that are not assumed in our planning framework, when we normalize for catastrophe losses that were more than one standard deviation below historic averages in 2025 as well as favorable prior year reserve development, opportunistic share repurchases and incremental strategic spend. normalized core earnings per share were approximately $3.95. This is in line with our original 2025 guidance range of $3.85 to $4.15 and represents the appropriate baseline to compare 2026. Importantly, even on a normalized basis, our businesses delivered strong underlying profitability with all segments in line or exceeding profitability targets and top line momentum continued across the board.

Against that normalized baseline, we expect 2026 core earnings per share to be in the range of $4.20 to $4.50 and a nearly 10% increase consistent with the 3-year financial goals we outlined at Investor Day. Guidance includes total net investment income in the range of $485 million to $495 million. In our managed portfolio, we expect net investment income between $385 million to $395 million, which reflects the continued benefit of higher new money yields in our core fixed income portfolio. Commercial mortgage loan fund returns of 6.5% and limited partnership returns of 8%.

Looking specifically at commercial mortgage loan funds, one fund, Sound Mark Partners is in runoff. And as I've mentioned before, we expect continued underperformance from this one fund, which will modestly pressure reported commercial mortgage loan fund yields. This impact is idiosyncratic, well understood and already reflected in our planning assumptions.

Turning to catastrophe losses. Our full year assumption of approximately $90 million reflects our established planning framework which uses a blend of industry standard catastrophe model losses and our own historic experience. Our approach to setting guidance has not changed and continues to provide a consistent basis for managing variability across cycles.

Now I'll turn to full year 2025 results by segment. In Property and Casualty, core earnings were $112 million, more than double the prior year. Net written premiums increased 7% to $830 million, driven by higher average premium. The reported combined ratio of 89.7% improved more than 8 points year-over-year, reflecting strong underlying results, lower catastrophe losses and favorable prior year development. The $19 million in favorable prior year development was driven primarily by lower-than-expected claim severity and continued improvements in claims handling across shorter tail property and auto coverages.

As we've stated, prior year reserve development is not assumed in our guidance, and we continue to approach reserving with a prudent long-term view. Auto net written premiums increased to $502 million, the combined ratio improved nearly 2 points to 96.5% in line with our mid-90s profitability target. Household retention remains near 84% and continues to rank in the top quartile relative to industry benchmarks. Property net written premiums increased 14% to $328 million, reflecting rate actions and solid sales momentum. The combined ratio of 78.3% improved significantly primarily due to lower catastrophe losses, while retention remained strong, above 88%. We completed our 2026 reinsurance renewal in January with very favorable results, including a nearly 15% reduction in rate online, we use that improvement to increase the size of our property catastrophe tower. Purchasing $240 million of coverage while maintaining a $35 million attachment point consistent with the prior year.

We purchased additional coverage to maintain our disciplined approach to risk and capital management which includes the recent update to air catastrophe models. Coverage at the top of the tower was attractively priced, and it was a prudent risk management decision. Importantly, even including the additional coverage, our total annual reinsurance spend remains flat year-over-year. In Life and Retirement, core earnings increased 13% to $61 million and net premiums written and contract deposits grew to $612 million, up 7% year-over-year. In the Life business, mortality experience for the year was modestly favorable relative to expectations. Life persistency remained strong, near 96%. In the retirement business, net annuity contract deposits increased by nearly 7% and persistency rose to 92%.

Moving to supplemental Group Benefits. The segment contributed $59 million of core earnings and net written premiums rose to $267 million. Individual supplemental net written premiums increased 4% to $126 million. The benefit ratio of 26.8% reflects favorable policyholder utilization trends. Persistency remained steady over 89%. Group Benefits net written premiums increased 6% to $142 million. The benefits ratio of 45.8% moved closer to our longer-term expectations. Total net investment income on the managed portfolio increased more than 6% year-over-year, primarily driven by strong limited partnership returns and improved commercial mortgage loan fund results. Core fixed income performance remained strong with a full year new money yields of 5.51%.

Sales performance was strong across the business with record results in both individual supplemental and group benefits. Individual supplemental sales increased 39% to $24 million and Group Benefits delivered record sales of more than $12 million, up 33% year-over-year. As Marita mentioned, 2025 was a year in which we deliberately reinvested to position Horace Mann for sustained

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profitable growth. At the same time, we took several targeted actions to optimize our cost structure and improve long-term efficiency. These included the termination of a legacy pension plan, the continued rollout of straight-through processing and automation initiatives and early productivity gains from technology investments. While some of these actions resulted in onetime costs in 2025, they are expected to generate meaningful ongoing run rate savings as we move forward.

In addition, late in 2025, we introduced an early retirement offering as part of a broader proactive workforce planning effort. As we continue to invest in new technologies, automation and advanced capabilities, this program allows us to thoughtfully align our workforce with the skills and roles needed to support our long-term business strategy. The early retirement offering provides flexibility for eligible employees who may already be considering retirement or another life transition while allowing the company to manage workforce planning in a proactive and respectful way. Expenses associated with the early retirement offering will be treated as noncore and excluded from core earnings. This program is expected to generate run rate expense savings that will more meaningfully impact 2027.

Stepping back, the combination of all of these expense optimization initiatives have resulted in more than $10 million of annualized savings, which we can both reinvest in the business and use to improve our expense ratio over time. Consistent with our Investor Day commentary, we expect the majority of our targeted 100 to 150 basis point expense ratio improvement to be realized in the later years of our 3-year plan as scale builds and these actions fully earn in. Roughly, that means a 25 basis point improvement in 2026. An additional 25 to 50 basis point improvement in 2027 and another 50 to 75 basis point improvement in 2028.

Our balance sheet remains strong. and capital generation continues to support both strategic growth initiatives and consistent shareholder returns. In 2025, we repurchased nearly 0.5 million shares at a total cost of $21 million at an average price of $41.83. In 2026, we continue to buy back shares. And through January 30, we have repurchased approximately 140,000 shares at a total cost of $6 million at an average price of $43.36. We have about $49 million remaining on our current share repurchase authorization. Tangible book value per share increased more than 9% year-over-year, reflecting strong underlying earnings, disciplined capital management and the value of our diversified business model.

In closing, our record 2025 results reflect the strength and stability of Horace Mann's earnings profile. We are entering 2026 from a position of strength with a clear growth strategy and strong momentum. 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 all while delivering sustained market-leading growth and accelerating shareholder value creation. Thank you.
Operator, we are ready for questions.

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Question and Answer

Operator

[Operator Instructions] First question comes from Jack Matten with BMO Capital Markets.

Jack Matten
BMO Capital Markets Equity Research

Question just on the distribution initiatives and the shift to more of a specialist model that you discussed in detail in the Investor Day last year. Just any perspective that you can share on how those initiatives are going so far, including the implementation? And then regarding the outlook for policy count growth, especially in the P&C business. I'm wondering if you think that trend line will start to improve more meaningfully as we head into 2026.

Marita Zuraitis
President, CEO & Director

Yes. Thanks for the question. From a distribution perspective, I think 2025 will probably go down as our strongest year. We have strong sales momentum across all the businesses, and that is really coming from the distribution efforts that I think we laid out pretty clearly at Investor Day. From a distribution perspective, our brand awareness up over 35%. Our website traffic up significantly with the increase in digital experience that we provided to our customers. Our quoting from that website traffic is more than double what it was last year. Significant partnership with companies like Crayola and other similar-minded companies in the educator space.

Just a real concentrated effort, we are at record numbers in our agency force, up over 15% where we were last year across the board. Our traditional EAs selling our traditional products and then benefit specialists in the supplemental and group benefits space up record numbers as well. So more people selling the product, better support from a marketing and distribution perspective. And on all 3 of those growth levers that we outlined at Investor Day, we are really, I'd say, probably ahead of where we expected to be at this point, and you're seeing it come through in strong production momentum that we have across the board.

Jack Matten
BMO Capital Markets Equity Research

That's helpful. And maybe one just on the moving pieces regarding the EPS outlook for '26, which I know it implies double-digit growth on a normalized basis. And it sounds like you might expect that to then maybe accelerate into 2027 and beyond if you see CML returns closer to your long-term trend. And then you also mentioned some of the expense actions that you're taking to have more of an impact on 2027. I guess given those is it fair to expect kind of an accelerating growth trend over time, or are there other offsets that we should be thinking about? .

Ryan Edward Greenier
Executive VP & CFO

Jack, this is Ryan. Thank you for the question. Directionally, you're thinking about it the right way. When we laid out our financial targets at Investor Day, we said we would achieve a 10% annual earnings per share growth rate. And on a normalized basis, we're on track to do that this year. With that, we also said that we would expect accelerating top line growth as the investments we're making to generate increased sales and revenue growth come to fruition. And that revenue growth, we would expect to pick up over that 3-year period. And finally, we were -- I was pretty specific because we get a fair amount of questions around the timing of the expense initiatives earning in. And right now, we are using a lot of that savings to invest back in the business. We were very intentional about accelerating certain initiatives in 2025 to drive growth in all of our channels, and you're seeing signs of success there. And those savings I outlined for you kind of how to think about that in '27.

Jack Matten
BMO Capital Markets Equity Research

Great. If I could squeeze one more in, just on the catastrophe loss assumption in your guide, I think it implies to get a lower ratio as a percent of premiums than your prior expectation. Is that mostly reflecting the improvements to the reinsurance program that you've talked about? Or is there a meaningful kind of benefit from the kind of the terms and conditions changes that you've implemented in the property business as well? .

Marita Zuraitis

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President, CEO & Director

Yes. I think it's before I turn it over to Ryan for a little more of the detailed color there. I think it's important for us to just reflect a little bit on the 2026 guidance that I think we were pretty clear in our scripted comments, but it was very important for us to normalize 2025 earnings, especially as you pointed out, the unusual level of low cap as well as prior year development, which management does not include in its guidance and why we wanted to add a new exhibit to our investor presentation to make that very clear. And on a normalized basis, it is a 10% increase over a pretty strong number that we had even last year. So I'll turn it over to Ryan to see if there's anything more specific to your question .

Ryan Edward Greenier
Executive VP & CFO

Sure. Let me dive into both of those, Jack. On the cat, our approach to setting a cat target, it's kind of like predicting the weather literally. You're probably going to be wrong. But you -- we take a consistent year-over-year approach. We look at industry modeling. We look at our current footprint from a property perspective. We look at our historical loss experience. But we don't assume or under or outperformance based on 1 year's individual results. So said another way, we are expecting kind of a consistent approach with the $90 million of cat guide for next year. .

On prior year development, I just wanted to comment and be crystal clear, we do not include any prior year development favorable or adverse in our planning assumptions. We have a prudent quarterly approach. We call it like we see it. And while we understand that from a reserve perspective, the industry and us coming out of COVID had very unusual loss patterns to react to. And you saw the industry as a whole, increased reserves and over the last couple of years, you've seen us and the broader industry release. These large swings in reserves will normalize as we go back to a more normal loss trend, which is what we're seeing, we're confident that the reserve this outsized prior year reserve releases will begin to temper. I will say, when I look at the macro backdrop, there's a fair amount of uncertainty in terms of inflation trends, impact potentially from tariff and like other auto insurers, we do see the impact of social inflation in our numbers.

We're insulated but not immune. Think about our policyholders, not super high limits compared to commercial auto or high net worth type of books. But we do see that impact. So we're being very prudent, particularly on the liability coverages. And I'll highlight that the majority of our release in '25 was related to shorter tail or physical damage type of coverages. So I hope that helps. The last thing I would say is if you look at where the Street is sitting from a consensus estimate for prior year development, if you back that out, you are right within the midpoint of our guidance range for this year.

Operator

The next question comes from Matt Carletti with Citizens.

Matthew John Carletti
Citizens JMP Securities, LLC, Research Division

Marita, a question for you. I'm looking at your slides, Slide 13. It's where you kind of dice up the 8 million or so K-12 households into kind of where you are today, those you can currently access for those who don't have access to. And if I'm looking at kind of last quarter, right, there was a pretty big shift, almost 1 million households that kind of went from, you don't access to you currently access, kind of change that bucket. Can you talk a little bit about kind of what drove that? .

Marita Zuraitis
President, CEO & Director

Yes. Thanks for the question, Matt. It's really been multidimensional and across the board. We started last year, as you pointed out and the slide pointed out at about 1 million or so predominantly educator households and ended the year close to 1.1 million households. That's 100,000 household increase, if you will. And that's kind of how we think of the world. We're not a monoline auto provider. We're a niche marketer to a homogeneous set of customers. We understand the market dynamics of the auto line, and we posted our best P&C combined ratio at a very long time.

For us, a lot of folks ask the auto-specific question. We do expect our risks in force to turn positive in the second half of this year. A little bit longer due to the competitive dynamics. Many of those auto customers we keep, we just placed them through the Horace Mann General Agency if we're not willing to go to the auto price that may be another competitor would set. So in 2025, we had strong sales momentum across the board in all businesses. We increased individual supplemental by 40%, Group by 33%. Life was, what, 8% and 21% in the fourth quarter. P&C was up 6% with auto being 5.5% of that. And that auto growth didn't come from customers

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where we reduced the auto rate to buy the business, if you will. Retirement deposits were up 7%. These are all new customers that have at least one product with Horace Mann that we can eventually cross-sell.

So for us, it's really about the investments that we're making in marketing and distribution, which I've already talked about that have driven some of the numbers that I just answered and are included in the script. So we feel really, really good about the momentum. The strategic partnerships that we're pushing, the amount of brand awareness that we've gotten by joining forces with companies like Crayola. The foundation donation that we've put out there to help with professional development for educators, classroom supplies and other things have really helped that reputational brand awareness and the fact that 1 in 3 educators on an unaided basis know who we are and are beginning to engage with us is pretty powerful.

The 3 levers that we outlined at Investor Day that are on that slide are the levers that our strategic priorities and the initiatives that support them are aligned to. We're getting better in the game that we're playing today, and you see that in the amount of agents that we have selling the product, the productivity of those agents, how quickly they get up to speed in that first layer in that second layer, entering new school districts where we've never been before by warming up that territory and using the things I talked about, so that when we put an agent in place, they know who Horace Mann is as opposed to that agent spending the first year building that brand awareness independently. It's really quite powerful. There may be sets of educators that are already engaging with Horace Mann electronically that now that agent can begin to wrap their coverages and build that relationship with Horace Mann around.

And then that third lever, we haven't really talked a lot about but the work that we're doing with homeschoolers and seeing home school employees, not big numbers yet, but really like the early signs there. The work that we're doing with alumni and these are universities that are spitting out educators and have large colleges of education. Those numbers, they're not in the tens of thousands yet. But they're in the thousands and really good start of momentum in that area. All that is driving that increase in educator household count that's driving this kind of momentum across the board. And I appreciate the question because I think that's what it's all about. And I feel really good about the strong momentum that we're seeing.

Matthew John Carletti
Citizens JMP Securities, LLC, Research Division

Maybe a question for Ryan just a numbers question. I could be wrong here, but I kind of recall when thinking about retirement, kind of a long-term target of like net interest spread of kind of 220 to 230 basis points. Is that still the case? Or I guess, said another way, what is the long-term target for kind of net interest spread in retirement? .

Ryan Edward Greenier
Executive VP & CFO

Matt, yes, that's a good question. The target you're referring to is one that we've historically put out there, and it's for our fixed annuity block. So the fixed annuity block is the preponderance of our retirement assets. And we do target a 200 basis point spread on that block. What I will say is we are -- we were running behind that in 2025. A lot of that was driven by the commercial mortgage loan underperformance. The majority of our commercial mortgage loan investments are in the retirement block.

In addition to that, when I think about limited partnerships, we had a very strong year, we had over 9% return on our LP strategies. The strategies that outperformed were private equity, in particular, and that is skewed more towards the P&C business. So P&C benefited from a very strong LP type of return. Longer term, we continue to target that 200 basis point for fixed. The overall profitability of the retirement business, we do have variable annuity as well as some fee-based retirement advantage products as well. And so those -- when I look totality of the product mix, we're comfortable in our at target profitability overall for that mix of business. And when I say target profitability, that's implying that we have returns in line or above our ROE targets.

Operator

The next question comes from John Barnidge with Piper Sandler.

John Bakewell Barnidge
Piper Sandler & Co., Research Division

My question is focused on the first one on the early retirement offering to align the workforce how many -- as a percent of the employee base, how many employees took that opportunity.

Marita Zuraitis
President, CEO & Director

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Yes. John, I think it's important first to mention the fact that it was only about 8% of our employees that would have been eligible for early retirement in the first place. We used a combination of tenure and age. So these were employees that would have naturally been considering retirement in the foreseeable future. So I think it's important to start with the purpose. The purpose of this was really to allow us to accelerate some workforce planning.

As you know, when you think about the future, where we're going, what we've built. I think what we've laid out very strategically as far as our potential and you're seeing that in the momentum, the skills required the future ability of the place is going to require us to hire some of those more future skills, if you will, as we look forward. And this offering allowed us to accelerate some of the retirement plans of our more tenured individuals. We got a pretty nice participation rate. We're very pleased with the numbers that we're seeing from this, and we feel like the right people chose to opt in to that ERO program. I don't know if you have anything to add to that, Ryan.

Ryan Edward Greenier
Executive VP & CFO

No, I think Marita summed it up well, John. And as a reminder, any costs associated with it because it was onetime nonrecurring will be in non-core so below the line.

Marita Zuraitis
President, CEO & Director

And we're also excited by the fact that when we look at this, the result was twofold. We will be able to reinvest some of that spend in skills necessary for the next leg of the journey, if you will, but we'll also be able to use some of the savings to drop to the bottom line. We made a very clear commitment to improve that expense ratio. I think Ryan laid it out very specifically and clearly in the script and this, along with other, I think, very thoughtful strategic plans like the retirement of our legacy pension program and other larger things that we have underway help us meet the commitment that we laid out at Investor Day. And obviously, we knew about these plans when we laid that out, and some of the savings will drop right to the bottom line.

John Bakewell Barnidge
Piper Sandler & Co., Research Division

My second question seems like share repurchase, is there another lever to be opportunistic, not embedded in guidance. How should we be thinking about a run rate level of free cash flow conversion of operating earnings targeted in your Investor Day goals .

Ryan Edward Greenier
Executive VP & CFO

John, that's a great question. Thank you for that. For 2025, we achieved -- we exceeded our free cash flow targets. We came in about 80% on a free cash flow conversion perspective for 2025, we're targeting north of 75% for that. And if you think about the mix of businesses that we have and with the acceleration in sales for our more capital-efficient businesses, individual supplemental and group. That bodes very well for continued strong free cash flow conversion. And then if I sit back and think about uses of capital, you saw we've been quite active in the share buyback front. We've put $6 million of work in the month of January alone. And we do believe that is an attractive lever for us to continue to pull as we move through 2026, especially at current multiples given our confidence in our growth outlook. .

Operator

Our next question comes from Wilma Burdis with Raymond James.

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

Could you talk about the investment in sub and Group segment and how Horace Mann see sales and margins playing out, especially after the favorable benefits year with respect to the 39% blended benefit ratio guidance. Does the benefit ratio continue to rise -- sorry, after a favorable year. I was asking if the benefit ratio has continued to rise. Yes, you got it.

Marita Zuraitis
President, CEO & Director

Thanks for that. I can start on the investment and growth side, and then I'll turn it over to Ryan to talk about the benefit ratio. I mean I got to tell you, we are very pleased with the progress that we're making in both individual supplemental and group benefits and the

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momentum is excellent. It is a smaller business for us, as you know. But excellent earnings diversification just as we had planned and a really good source of new educator households for eventual cross-sell like I said when I was addressing Matt's question. With individual supplemental sales up 40%, a record number of agents selling group momentum up 33%. On the group side, it is smaller for us. It is newer. It is lumpy. That's the nature of the longer sales cycle. And it is an even smaller business than the individual supplemental side for us, but it's building.

And I think that the way to think about it is the way we thought about Horace Mann all along, go back to that PDI strategy. It's about building the product, making sure the products are relevant, including what we've done by adding the paid family medical leave portion to the product in states like Minnesota, it's -- we have all the products we need, both on the individual side and the group side and we evolve those products to make sure it's relevant to our market niche. And I feel good about the product development work we did and the fact that we built products that fit our niche, which are part of the -- why we feel strongly about these segments.

From a distribution side, the amount of benefit specialists that are facing off with these products in the schools, the amount of districts that we're touching, those numbers are all going in the right direction, and we feel really good about our distribution efforts. I'd also say that the corporate branding, marketing, distribution work that we're doing also benefits this space as well. educators know who we are when we enter these schools, and that's very helpful in this space as well.

And then lastly, on the infrastructure side, we are modernizing this space and improving the infrastructure and how we face off with these schools. Very early thought. We have now the ability to do straight-through processing on individual supplemental. We haven't done a lot yet. It's, like I said, in very small numbers. but we are starting to significantly modernize this space as well. So I think we took a very strategic approach to building the products that are relevant in our space, improving and expanding our distribution and improving our infrastructure. And I think that's why you see the early signs of success in this business. And as I said, the earnings diversification that we planned with these acquisitions. I don't know if you want to add anything to the benefits ratio .

Ryan Edward Greenier
Executive VP & CFO

Sure. I'll take the nuts and bolts, the numbers, Wilma. So on a blended basis, we target a benefit ratio for both businesses at about 39%. And individual supplemental runs lower than that and group runs higher than that. Both segments, if you look at the full year benefit ratio for 2025, the benefit ratio on the individual supplemental was in the high 20s. That's better than what we would expect on a long-term average that reflected favorable morbidity experience throughout the year. On the group side, we were in the mid-40s. Again, a little bit of favorability, but closer to what we would expect there.

One thing I will comment on as I think about the longer-term target, on the individual supplemental product, in particular, utilization in early policy years typically is higher. And so if you think about that, during a period of high sales, which we're clearly seeing, you're going to see a little bit of an uptick, and we've factored that into the pullback towards the historic experience. We did see a decline in utilization post COVID that is beginning to normalize. So that kind of combo of more typical utilization combined with a return or an acceleration, I should say, of sales is going to move the individual supplemental product closer to those longer-term averages? I hope that's helpful.

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

That was very helpful. Second question, does softening of reinsurance pricing factor into the '26 margin outlook? And if so, give us some color there.

Ryan Edward Greenier
Executive VP & CFO

Sure. So Wilma, this is Ryan again. So in my script, I talked about some of the decisions that we made from a risk management perspective around the reinsurance tower. We did use the favorable reinsurance rate environment to add additional coverage at the top of our tower. There were some modeling updates from one of the P&C model tools. And as a result of that, we looked at that. We looked at the mix of all tools and decided it was prudent to increase the top of the tower. So our total spend was flat. So from a guidance perspective, we're spending dollar for dollar the same amount as last year. So it's incorporated, obviously, in our outlook. But we used some of that savings to buy a fair amount of cover at the top end. .

Operator

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

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Rachael Luber

Thanks for joining us on the call today. If you have any follow-up questions or would like to schedule a meeting, please reach out. We will be at AIFA in March, and we'll be happy to look at schedules to find time. So thanks again. 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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