S&P Global
Market Intelligence

Horace Mann Educators Corporation NYSE:HMN

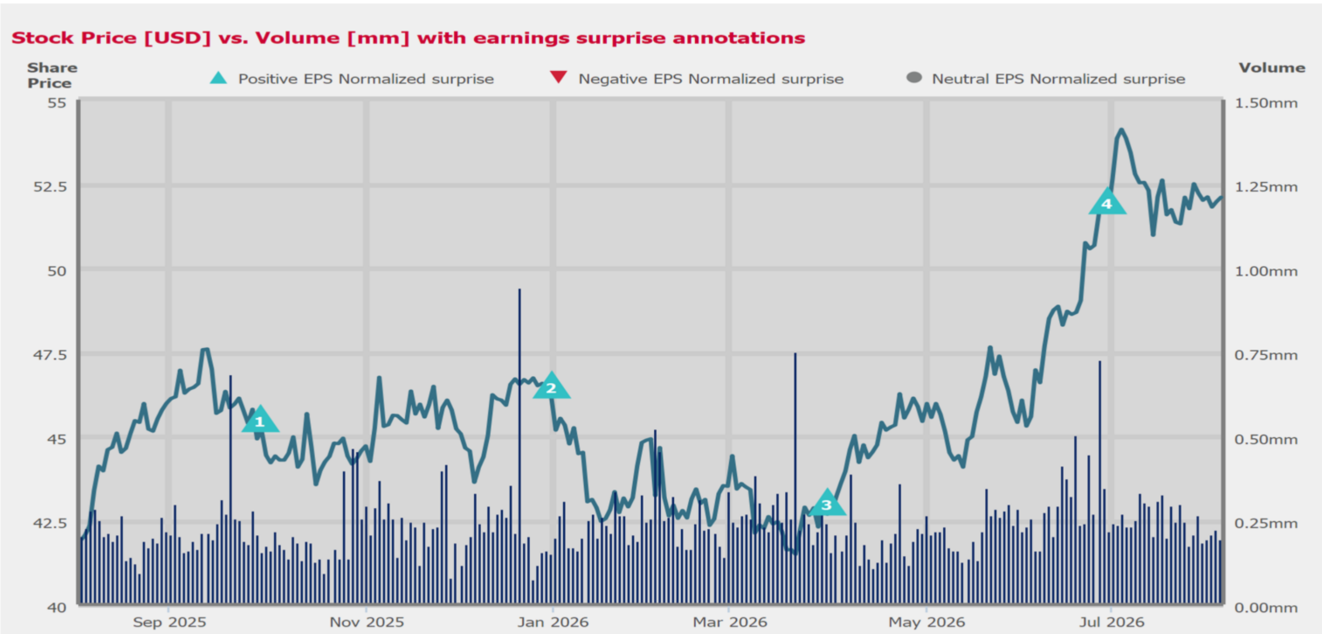
FQ2 2026 Earnings Call Transcripts

Thursday, August 6, 2026 3:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2026-			-FQ3 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.73	1.17	▲60.27	1.12	4.57	NA
Revenue (mm)	443.90	443.50	▼(0.09 %)	446.30	1769.00	NA

Currency: USD
Consensus as of Aug-06-2026 1:02 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2025	1.11	1.36	▲1 22.52 %
FQ4 2025	1.18	1.21	▲2 2.54 %
FQ1 2026	1.10	1.28	▲3 16.36 %
FQ2 2026	0.73	1.17	▲4 60.27 %

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Call Participants

EXECUTIVES

Marita Zuraitis
President, CEO & Director

Rachael Luber
Vice President of Investor Relations

Ryan Edward Greenier
Executive VP & CFO

ANALYSTS

Michael David Zaremski
BMO Capital Markets Equity Research

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

Presentation

Operator

Good day and welcome to the Horace Mann Educators Second Quarter 2026 Investor Call. [Operator Instructions] Please note that 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
Vice President of Investor Relations

Thank you. Welcome to Horace Mann's discussion of our second quarter 2026 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. Reconciliation 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 another strong quarter with record second quarter core earnings of $1.17 per share, an increase of more than 10% over prior year. Core shareholder return on equity for the trailing 12 months was 12.8%. These results reflect continued strong operating performance across our diversified business and demonstrates the progress we're making against the long-term strategy we outlined at Investor Day.

Our diversified business model continues to prove its value across a variety of economic and industry conditions. The investments we've made to strengthen our portfolio, improve execution and expand our distribution capabilities are translating into consistent operating performance and keep us on track to deliver our 3-year financial objectives. As a result of our strong first half operating performance and our confidence in the outlook for the remainder of the year, we are increasing our full year 2026 core earnings guidance to a range of $4.60 to $4.90 per share.

This morning, I'll discuss the operating momentum we're seeing across the business; the progress we're making to strengthen relationships with educators, school districts and other employers; and why we remain confident in our long-term strategy to continue delivering sustainable, profitable growth and long-term shareholder value.

Turning to operating performance. The strength of our second quarter results reflects disciplined execution across the business. Property & Casualty continued to perform well during the quarter. The Property & Casualty combined ratio improved 7 points from the prior year period reflecting the rate and non-rate actions we've taken over the past several years together with generally favorable weather conditions and lower catastrophe losses. At the same time, Life & Retirement and Individual Supplemental & Group Benefits continued to generate attractive returns and further diversify our earnings profile.

Those results are supported by continued growth across the enterprise reflecting the investments we've made to strengthen both our product offerings and our distribution capabilities. Total revenues increased 8% over the prior year quarter. Sales were particularly strong in Individual Supplemental & Group Benefits up 44% and in Life up 20%. The momentum we're seeing reflects the deliberate investments we've made in 2 areas. First, we continue to enhance our portfolio with products and solutions that address evolving customer and employer needs. And second, we're making it easier for customers to access those solutions by investing in our distribution capabilities, technology and agent development.

In Individual Supplemental, our newest generation of cancer coverage continues to generate strong sales as it addresses the evolving protection needs of our customers. In Group Benefits, the paid family and medical leave enhancement we introduced alongside our short-term disability offering earlier this year continues to support strong employer demand and continues to be an important driver of new business. We're also seeing the benefits of our investments in distribution. Through continued investments in recruiting, training and coaching; we've strengthened our agency force and are helping new agents become successful more quickly.

Those investments are expanding our distribution capacity, supporting profitable growth and contributing to the continued momentum we're seeing in Life sales. The benefits of these investments extend across our business. In Property & Casualty, we continue to pursue profitable growth by focusing on markets and customer segments where we believe we can earn attractive long-term returns. We're encouraged by the momentum we're seeing as we continue to grow customer relationships while maintaining the disciplined approach that supports our long-term strategy.

Our approach to the auto market reflects the broader philosophy that extends across Horace Mann. We measure success by the strength and longevity of our customer relationships not simply by quarterly sales or individual policy growth. Our relationships continue to be one of our greatest competitive advantages. Auto household retention remained steady near 84% during the quarter while customer retention across our other businesses remains near or above 90%. Those results reflect the trust our customers place in Horace Mann and value they see in the solutions we provide.

Our relationships are built on a deep understanding of the educator community and a commitment to helping educators succeed both in and outside of the classroom. We continue to invest in resources and solutions that strengthen our connections with educators while creating long-term value for our shareholders. We're continuing to expand how we connect with educators. Online quoting activity increased nearly 10% over prior year and we continue to grow our points of distribution, creating more opportunities to introduce educators to Horace Mann and the solutions we provide throughout their careers.

We're also expanding our reach through partnerships that allow us to meet educators where they are. Through our partnership with Crayola and the Disney Institute, thousands of educators have now completed professional development programs sponsored by Horace Mann. More recently, we announced a new relationship with the Women's Professional Baseball League to create unique experiences for educators, support women's sports and celebrate the league's inaugural season. We're also proud to have established the first Horace Mann Educator Excellence Award endowment in partnership with the Smithsonian Institution.

This permanent endowment recognize and celebrates outstanding educators while reinforcing Horace Mann's long-standing commitment to the profession we have served for more than 80 years. Our support of educators extends well beyond insurance products. During Teacher Appreciation Month in May, we celebrated educators nationwide through a variety of recognition and community initiatives. As students return to the classroom this fall, our annual back-to-school campaign will once again provide educators with resources, classroom support and opportunities to engage with Horace Mann both locally through our agents and nationally through our partnerships and digital channels.

The result is a business model built on trusted solutions rather than transactions. Today, more than 1/3 of educators nationwide recognize the Horace Mann brand. That growing awareness strengthens customer acquisition, reinforces long-term relationships and positions us to continue serving more customers with more solutions over time.

Before I turn the call over to Ryan, I want to briefly reiterate one point. Today's guidance increase is entirely the result of the strong operating performance and disciplined execution we've discussed this morning. The progress we've discussed today reinforces our confidence in the strategy we outlined at our Investor Day. We remain focused on delivering our long-term financial objectives of a 10% compound annual growth rate in core earnings per share and a sustainable shareholder return on equity of 12% to 13%.

Our recently announced acquisitions further strengthen that strategy, expanding our ability to serve more customers and reinforcing our confidence in achieving those long-term financial objectives. Our strategy is delivering results today while positioning Horace Mann for continued success tomorrow. We're serving more educators and employers, solving more customer needs over time and building stronger long-lasting customer relationships. Together, those advantages position us to continue delivering sustained profitable growth and long-term value to our shareholders.

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

Ryan Edward Greenier
Executive VP & CFO

Thanks, Marita. We've had a strong first half of 2026. The results we delivered along with our outlook for the remainder of the year support increasing our full year earnings guidance to a range of $4.60 to $4.90 per share. In updating our outlook for the balance of the year, we've also revised several key assumptions that underpin our guidance. Compared to our prior outlook; we've reduced our full year catastrophe loss assumption, lowered our net investment income expectations and increased our Individual Supplemental & Group Benefits blended benefit ratio assumption to reflect the continued strong growth momentum we're seeing across that segment.

Our updated guidance assumes approximately $75 million of catastrophe losses for the full year, total net investment income in the range of $465 million to $475 million with managed portfolio income of $365 million to $375 million; an Individual Supplemental & Group Benefits blended benefit ratio of approximately 42%; an interest expense and other corporate items of $35 million to $40 million. As always, our guidance reflects what we believe is a balanced view of the trends that we are seeing across the business and our expectations for the remainder of the year. I'll provide additional context across each of those assumptions as I discuss our segment results.

Before turning to the quarterly results, I'd like to briefly address the acquisitions we announced in July. The transactions are progressing as planned, our expectations remain unchanged and we have no additional updates to share at this time. The transactions are not reflected in our updated 2026 guidance as we do not expect a meaningful impact to earnings this year given our expectations for closing dates. During our announcement call, we referenced a 6- to 7-year tangible book value payback period. That metric reflects the stand-alone economics of the acquired businesses under the standard tangible book value dilution methodology.

Importantly, the ongoing earnings generation of the combined company is expected to replenish the reduction in book value associated with the transactions within approximately 1 year following closing. This clarification does not change the economics of the transaction. Beginning in 2027, we continue to expect the transactions to be immediately accretive to earnings per share and contribute approximately 100 basis points of return on equity accretion. Now let me turn to the quarterly results and the key drivers of our performance.

In Property & Casualty, core earnings increased 56% year-over-year to $26 million. The reported combined ratio improved 7 points to 89.6% reflecting favorable weather, lower catastrophe losses, favorable prior year reserve development and the continued benefits of disciplined underwriting actions. Favorable prior year reserve development totaled $7 million, including $5 million in property and $2 million in auto, primarily reflecting lower-than-expected claim severity. Underlying loss trends were generally favorable during the quarter.

In auto, frequency trends were favorable reflecting both the rate and non-rate actions we've taken over the past several years as well as broader trends affecting the personal auto industry. We continue to closely monitor the underlying drivers of those trends, including business mix, geographic exposure, weather patterns and driving behavior. And our outlook for the remainder of the year reflects what we believe is a balanced view of those underlying trends. As we've discussed in our updated guidance assumptions, we've reduced our full year catastrophe loss expectation from approximately $90 million to $75 million based on our first half experience.

At the same time, our outlook for P&C for the remainder of the year continues to reflect a balanced view of underlying loss trends and the normal variability, including seasonality, that we expect over the course of the year. From a premium standpoint, net written premiums were essentially flat at $212 million. Property premiums increased 6% reflecting higher average premiums with continued positive sales trends. In auto, our approach to growth remains disciplined.

We continue to prioritize profitable growth over volume focusing on markets where we see attractive long-term opportunities while maintaining our underwriting standards. Overall, the quarter reflects the continued progress we've made in strengthening the profitability and quality of our P&C portfolio. Those improvements are the result of actions we've taken over the past several years and continue to support our confidence in the long-term earnings potential of the business.

Turning to Life & Retirement. Core earnings were $17 million. Life sales increased 20% over the prior year quarter reflecting the continued success of the investments we've made in agent recruiting and productivity. Persistency remained strong at approximately 96%. In Retirement, contract deposits were modestly lower year-over-year primarily reflecting product mix and market conditions while fee income and strong persistency continued to support stable earnings. We continue to view the underlying fundamentals of the Life & Retirement business as strong and the segment remains well positioned to support our long-term growth objectives.

Turning to Individual Supplemental & Group Benefits. The momentum we've seen over the past several quarters continued. This segment generated another excellent quarter with continued demand across both Individual Supplemental and Group Benefits while continuing to produce consistently strong returns. Individual Supplemental continued to perform well during the quarter. Sales increased 5% reflecting continued demand for our enhanced cancer product while persistency remained strong at approximately 89%.

Group Benefits also delivered another strong sales quarter driven by continued employer demand for our paid family and medical leave enhancement introduced earlier this year. As I mentioned earlier, we've increased our full year blended benefit ratio expectation to approximately 42%. That change reflects the continued strong growth of the segment and the increasing contribution of paid family and medical leave to our overall business mix. As with many newer insurance products, we expect a period of elevated utilization as newly covered employees begin accessing benefits available to them.

That first year experience has been contemplated in our pricing and long-term return expectations from the outset. We also expect seasonality to become more pronounced as paid family and medical leave becomes a larger portion of the group business. Because a significant portion of our covered population consists of educators, utilization is naturally lower during the summer months when many educators are not actively working.

Consistent with that expectation, claims activity in July has tracked in line with what we anticipated and supports our confidence in the updated full year benefit ratio assumption. Importantly, nothing we've seen changes our expectations for the long-term profitability of the segment. A blended benefit ratio around 42% remains a very attractive level of profitability for this business. As the business continues to grow, including the addition of the group business we announced in July, we expect business mix to continue to evolve while maintaining attractive long-term returns.

Turning to investments. Total net investment income increased modestly over the prior year quarter. Within our managed portfolio, higher core fixed income and limited partnership income more than offset lower income from our commercial mortgage loan portfolio. As we discussed in our updated guidance assumptions, we've lowered our full year net investment income outlook to reflect the mixed impact of today's market environment across our investment portfolio.

While elevated interest rates continue to benefit reinvestment yields in our core fixed income portfolio, they also continue to pressure earnings from certain investment strategies. Our updated outlook reflects those conditions for the remainder of the year. Nothing has changed about our disciplined investment philosophy or the overall quality of the portfolio. We continue to maintain a high quality, well-diversified portfolio that is positioned to support stable earnings and attractive long-term returns.

Turning to capital. Our approach remains disciplined and unchanged. We continue to maintain a strong balance sheet, return excess capital to shareholders and invest in opportunities that support long-term profitable growth. During the quarter, we returned $15 million to shareholders through our dividend and we continue to have approximately $37 million available under our current share repurchase authorization. We will continue to opportunistically buy back shares when market conditions are compelling. That disciplined approach continues to create value for shareholders.

Tangible book value per share increased 10% year-over-year reflecting continued earnings generation and prudent capital management. Stepping back, today's updated guidance reflects the first half experience we've discussed across each of our businesses while maintaining what we believe is a balanced view of the assumptions underlying the remainder of the year. That updated outlook keeps us on track to achieve the long-term financial objectives we established at Investor Day, a 10% compound annual growth rate in core earnings per share and a sustainable 12% to 13% shareholder return on equity.
Thank you. Operator, we are ready for questions.

Question and Answer

Operator

[Operator Instructions] Our first question today will come from Wilma Burdis with Raymond James.

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

Can you talk about the pricing structure of Horace Mann's paid family medical leave business and how often there are opportunities to reprice?

Ryan Edward Greenier
Executive VP & CFO

Wilma, this is Ryan. The paid family medical leave business, when I think about the economic profile of that compared to the rest of our group offerings, the benefit ratio is higher, but that's offset by a meaningfully lower expense ratio. So net-net, the geography, if you will, of the profitability by line is a little bit different than the short-term, long-term disability in term life offerings. We do have an opportunity to reprice that annually. And I will say that the heavier utilization in the first half of the year was in line with our expectations and pricing assumptions.

Marita Zuraitis
President, CEO & Director

Yes. And I think it's also important to point out, as Ryan said in his scripted remarks, that July coming in a little bit lower certainly is also in line with our expectations. So this is performing the way we had expected it to perform and in line with how we built our pricing and underwriting assumptions. I think it's also important to point out that this is not a stand-alone coverage. It's sold as part of our short-term disability product and that's an important thing to point out where you're combining the economics of those pieces.

And there's nothing dissimilar here than what you're hearing from others in this business as we all respond to the mandatory PFML offerings of states like Minnesota and others to come. So I think we've done a really good job thinking about this, combining it with a very solid profitable long-term approach here of a high-margin business and we feel good about where we are with this portion of that short-term disability offering.

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

Okay. And then can you talk about what increased the fixed annuity spread in the quarter? How the outlook is shaping up there? And then I guess on the other side of this question, what drove the factors of the decrease in the NII guidance? Is there any specific asset classes that you can give us a little bit more color on there?

Ryan Edward Greenier
Executive VP & CFO

Sure. Wilma, I'll start and Marita can add any additional color. The biggest driver of variability in the fixed annuity spread number is limited partnership earnings as well as commercial mortgage loan earnings. And the rebound this quarter, we had a particularly strong limited partnership quarter in our Life & Retirement segment. We had a number of venture capital investments that had very strong returns and we saw that come through. So the variability, if you will, in the fixed annuity, the improvement, a large portion of it was related to limited partnerships.

But stepping back and thinking about net investment income in the portfolio more broadly. The change to guidance was primarily due to expectations for certain alternative strategies that are more sensitive to a higher for longer interest rate environment. You've heard from other life carriers, we're seeing lower but positive returns on some strategies for us; private equity, infrastructure debt, real estate-related strategies; and for those we've incorporated lower, but positive anticipated returns for the remainder of the year.

But if you look at the portfolio in total, the interest rate environment that we're in today is quite constructive. Our new money yields for the core fixed income portfolio were 5.85% for the quarter. That's more than 100 basis points above the portfolio yield for that slice of our total portfolio and that's the workhorse. That's the bulk of our assets. This is the 18th quarter in a row where we've seen new money yields exceeding what's in the portfolio. So I'm optimistic for continued growth in net investment income as I look forward. But we wanted to calibrate our expectations within the guidance assumptions a little more closely for you.

Marita Zuraitis
President, CEO & Director

Yes, I think you said that well. I don't have much to add other than the fact that it's a good NII story and this is the way the math works out for the remainder of the year. So as we looked at our guidance in total, we wanted to factor those thoughts into that.

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

And if I can squeeze one more in. Congrats on the deal with Medical Mutual of Ohio. Just to kind of I guess take it to a higher level, we calculated I think something along the lines of high single-digit EPS accretion there. Does that seem like it's in the ballpark? Is there anything we're missing plus or minuses? And maybe just kind of talk about how you see that playing out with EPS over the coming quarters?

Ryan Edward Greenier
Executive VP & CFO

Sure, Wilma. When I think about what that transaction does for us on an annual run rate basis, I think something in the neighborhood of $0.40 to $0.50 overall and that's really 2027 go forward. The timing of the closes of the transactions. The first one, the employer services business, that's with the EAP business. It's a recurring fee type business, quite attractive from an ROE and earnings perspective. But that closes in the fourth quarter. So we'll pick up 1 quarter of earnings, but we need to pay for the full amount of the transaction, that's $115 million at close. So the foregone investment income, interest expense; that offsets the earnings for that one quarter in 2026. So I think you're thinking about it in the right way and I hope that more granular specific guidance gives you a sense of how we've modeled it.

Marita Zuraitis
President, CEO & Director

Yes. And although you asked about the math, I'd be remiss not to again reiterate the fact that this broadens our solutions platform especially when we think about that EAP business. When we survey educators, we learn that their #1 concern both for the individual educator as well as the school districts that employ them, that mental health and the stress created by the world around us is their #1 concern and this helps us bring that solution to school districts and the individual educators we serve as well as the broader employer population. It scales our distribution and brings us more points of distribution outlets and it expands our customer reach and brings us customers that aren't yet Horace Mann customers. So first and foremost, we're excited about the strategic lift. But as Ryan says, I think the economics speak for themselves.

Operator

[Operator Instructions] Our next question will come from Mike Zaremski with BMO.

Michael David Zaremski
BMO Capital Markets Equity Research

Nice quarter. On just capital, should we be just turning off the buybacks in the meantime? I'm assuming there was a period you couldn't buy back with the M&A taking place this past quarter. But should we be turning that off in order to kind of pro forma provide leverage cushion for when you do spend money or is there any just kind of more direct guidance you want to give on that?

Marita Zuraitis
President, CEO & Director

Yes. Thanks for the question. I'll start and then I can turn it over to Ryan on the specifics of what you're asking. But I think it's important to point out that our first priority remains maintaining a strong balance sheet and financial flexibility. And as we continue to advance our profitable growth strategy, those things are important and I think you saw with the recently announced acquisitions, the ability to do that. So that is our primary objective.

Ryan Edward Greenier
Executive VP & CFO

Yes. And Mike, when I think about buyback, it's a really important lever for us to return capital to shareholders. Our businesses produce, they're quite efficient from a free cash flow perspective and we have a 75% target free cash flow conversion. And the acquisitions we did or will close on as well as the growth in the more capital-efficient businesses like Individual Supplemental & Group, that will meaningfully enhance and grow that free cash flow conversion over time. And so what that does for us is it puts us in a good position, a position where we need to think about ways to return capital to shareholders.

So I wouldn't think of buyback as being an on or off switch. I think of it as being opportunistic. So we'll weigh it against other uses for the capital internally as well as market conditions. So we've got $37 million left on our authorization. You saw us be quite active in the first quarter with buyback. So we'll have to see what the market looks like.

Marita Zuraitis
President, CEO & Director

And with strong performance, obviously increased flexibility for all of the components of our capital management strategy.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. I think even though you're not giving a specific guidance, that's fairly clear. Okay. Maybe switching gears to Property & Casualty. Clearly excellent results continue on a profitability standpoint. I know there's still more work to do on organic policy growth. But I think you called out weather being a benefit. So obviously not going to run rate that. But the core loss ratio and especially PYD continues to be healthy. Any changes in loss trend views on either home auto or both? It seems like for the industry, trend appears to be better than expected. Any color there?

Marita Zuraitis
President, CEO & Director

Yes. Ryan can give you loss trends specifics, but I'm going to sound a little bit like a broken record here. You mentioned organic growth in there. I don't necessarily look at organic growth as soft and more work to be done. I'm going to sound like a broken record, but our strategy is not a monoline auto strategy. When I look at our household growth and our household growth strategy that we laid out in Investor Day, we are growing households. In our script, we talked about a 10% increase in online quoting. We talked about increase in agents and our points of distribution.

And sometimes the new households that we bring in start with auto, but sometimes they start with 403(b) or they start with an individual supplemental policy. But specifically to auto, auto remains a meaningful part of our acquisition strategy. There's no doubt about that. And we are growing new business in targeted places where we can achieve our targeted combined ratio and where we see the ability to do that well. Our ex-California auto continues to grow. Our auto retention efforts are helping us keep existing business in a highly competitive market.

So I feel like our strategy is working and we're seeing solid steady retention across all of our product lines. I think it's important to note that the auto rate of decline continues to improve quarter-over-quarter, but we're not going to chase auto growth and sacrifice our disciplined approach to strong and steady earnings. And I feel like when you see these numbers and you digest these numbers quarter-over-quarter, you're going to understand what we're doing.

And then lastly to that, when you think about HMGA and our Horace Mann General Agency, remember that when we don't feel we can produce that new business auto policy at a long-term profit, we can take a fee and place it with a third-party carrier and not manufacture that auto. But when it makes sense for us to do that, we certainly can put that on our paper. And I think the strategy is working when you see these kinds of results.

Ryan Edward Greenier
Executive VP & CFO

Yes. And I'll take the loss trend component of your question. I mean the first half for auto was particularly favorable. Favorable weather as well as other factors we believe is driving the low single-digit frequency trends that we're seeing. In addition to that, we're seeing favorable severity on physical damage coverages. Our liability loss trend is in the mid-single digit. And so when I put it all together, our rate plan for 2026 of a mid-single-digit rate plan is on track to maintain the profitability on a go-forward basis. It's stable. It's in line with our targets. And when I think about second half of the year, we haven't seen weather so favorable like we did in the first half. So I would expect comp losses to normalize and we wouldn't expect and didn't plan for the favorable weather trend to continue.

Operator

And this will conclude our question-and-answer session. I'd like to turn the conference back over to Rachael Luber for any closing remarks.

Rachael Luber
Vice President of Investor Relations

Thank you for joining us today. We appreciate your continued interest in Horace Mann and look forward to updating you on our progress next quarter. Have a great day.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect your lines at this time.