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Horace Mann Educators Corp. (HMN)

Q4 2013 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Arnica, and I will be your conference operator today. At this time, I'd like to welcome everyone to the Horace Mann's Fourth Quarter and Full Year 2013 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

Thank you. I'd now like to turn the conference over to Ryan Greenier.

Ryan E. Greenier
Vice President-Investor Relations, Horace Mann Educators Corp.

Thank you, Arnica, and good morning, everyone. Welcome to Horace Mann's discussion of our fourth quarter and full year 2013 results. Yesterday, we issued our earnings release and investor financial supplement. Copies are available on the Investors page of our website.

Our speakers today are Marita Zuraitis, President and Chief Executive Officer and Dwayne Hallman, Executive Vice President and Chief Financial Officer; Steve Cardinal, Executive Vice President of Property and Casualty; and Matt Sharpe, Executive Vice President of Annuity and Life; are also available for the question-and-answer session that follows our prepared comments.

Before turning it over to Marita, I want to note that our presentation today includes forward-looking statements as defined in the Private Securities Legislation Reform Act of 1995. The company cautions investors that any forward-looking statement includes risks and uncertainties and is not a guarantee 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 press release and SEC filings.

In our prepared remarks, we may use some non-GAAP financial measures. Reconciliations of these measures to the most comparable GAAP measures are available in the supplemental sections of our press release.

And now, I'll turn the call over to Marita Zuraitis.

Marita Zuraitis

President, CEO-Elect & Director, Horace Mann Educators Corp.

Thanks, Ryan. Good morning everyone and welcome to our call. After yesterday's market close, Horace Mann reported fourth quarter operating income of $0.79 per share, a strong result that capped an excellent year. The quarter's P&C results reflect continual, favorable year's development, catastrophe losses that were slightly more favorable than expected and most importantly improving profitability with underlying margin expansion in both auto and property.

Annuity earnings were once again better than expectations reflecting strong spread management and continued growth in assets under management. Earnings in our life operations were also better than expected, largely on favorable mortality. We continue to post strong sales consistent with our strategic goal of increasing mortality based earnings over time. Looking at the full year 2013, operating income of $2.32 per share was a record for the company. We outperformed our expectations in each of our three segments. Book value per share excluding net unrealized gains on investments grew by nearly 9%. Back in March, we increased our dividend by over 40%, top line metrics continued to be positive.

Our property and casualty business performed well in 2013. We achieved our rate plan of mid-single digit increases in auto and near double digit increases in property. The combination of these rate actions in both 2013 and 2012 was the key contributor to the 4% increase in net written premiums. Despite these rate actions, retention remained high at 85% in auto and 89% in property, a testament to the royalty of our customer base as well as to the benefits of having high multi-line and cross-line sale percentages. Our full year combined ratio improved two points reflecting underlying margin improvement. We are seeing the benefit of the changes we made over the past year and half in our claims organization. Our loss ratios continue to improve in both auto and property consistent with our expectations. Prior-year reserve developed favorably, which continued to contribute to our sizable fourth quarter earnings. Our current accident year loss tax reflect our conservative nature and we continue to hold reserves at the high-end of the actuarial range.

Our annuity business performed better than we expected. During 2013, assets under management surpassed the $5 billion mark, aided by strong Horace Mann agent sales and a rising equity market. Strong spread management resulted in a year-end, net interest spread of 199 basis points ahead of expectations. Our life business was another bright spot in 2013.

Our re-energized focus on Horace Mann life products resulted in sales that increased over 30% for the year. Although, somewhat below low prior-year, earnings were ahead of our expectations, largely on favorable mortality.

From a distribution perspective, our exclusive agency count continued to grow in 2013. Our agents significantly increased the number of annual policy reviews in 2013 and as expected we are seeing higher policy retention for customers that reviewed and updated their coverage needs.

In 2014, our distribution activities are focused on improving agency productivity. We have initiatives in place to improve agent training and support, which will help cascade the best practices of our top agents across our entire agency force.

Looking at the company as a whole, 2013 results are a clear illustration of the profitability and potential of our business model. We have a very solid foundation as we entered 2014 and we continue to implement our multi-year strategy to profitably grow our business.

Dwayne will take you through the details, but we expect 2014 operating income to be between $2.05 per share and $2.25 per share, a solid increase over this year's normalized earnings. We have a number of initiatives in 2014 that will support our multi-year strategy to accelerate our organic growth and further improve profitability.

We are clearly on the right track in P&C. Profitability continues to improve, new business is up year-over-year, and retention is holding despite some sizeable rate increases. Our 2014 rate plan of mid-single digits in auto and property, is expected to drive further margin expansion. In addition, we are improving our pricing segmentation. This initiative focuses our efforts on ensuring we have the appropriate rate for each cohort of business across the 46 states where we write P&C products. We are doing this as we speak at a very granular level, territory by territory. While it's early, our analysis shows we have a sizeable number of territories and customer segments that we are at or above rate adequacy. We will emphasize our marketing efforts in these areas in 2014. For the remaining areas, we plan to take more rates, improve segmentation and implement additional underwriting actions. We're confident that these actions will drive P&C growth and margin improvement in the coming years.

We made good progress on improving our P&C claims experience and efficiency during 2013. We improved our salvage and subrogation processes and continue to add preferred auto body shops and contractor programs. In the fourth quarter, we added a new glass replacement vendor. All these activities allow us to leverage the best practices and cost savings of larger carriers. We're encouraged by the early success in the claims organization and we expect it to be a contributor to margin improvement in 2014 and beyond.

In annuity and life, we have an exciting 2014 in front of us. We introduced a new fixed indexed annuity product on February 1, which is our first Horace Mann manufactured product in this space. Some of our agents are already familiar with fixed indexed annuity products as we have offered third-party FIAs through our agencies for several years. Our new product solution effectively replaces the third-party products and offers a less complicated conservative retirement savings solution with a compelling opportunity for higher crediting rate than a transitional fixed annuity.

The new fixed annuity product has a simple design with no guaranteed withdrawal benefits and will be included in our 403(b) product offering. From a distribution perspective, we are increasing our financial services training and support to our agents. Part of this effort will be focused on our new fixed annuity product, but we also expect to improve agency productivity across all of our financial services offerings.

I've mentioned our goal to increase penetration in larger school districts. While we continue to build our institutional sales team, we are clearly moving in the right direction. Over the last few months, we participated in a number of RFPs in larger school districts and we're successful, winning and retaining payroll slots over larger competitors. In each case, our proposal included our Retirement Protector 403(b) product offering, which is designed to compare favorably against larger competitors on cost, but still provide a personalized agent experience to the educator. These are important early wins for us, and illustrate our ability to compete and win in larger districts. We will continue to look for additional opportunities, both in new and existing territories, as we are confident we have the right annuity product to succeed.

In addition, we are moving forward with a new policy administration system in our annuity and life operations. This new platform is an outsourced solution, and is used by larger players in the annuity and life space. It provides significant flexibility with product design and reduces processing and cycle times. It will allow us to develop more proprietary products, operate more efficiently and improve the customer experience. Importantly, this new solution is easily scalable and supports our growth objectives in annuity and life.

It was an extremely good 2013 for Horace Mann, each of our three segments outperformed our expectations. Top line sales results from our agency force improved, and we continue to make steady progress improving P&C profitability. The foundation is solidly in place, we entered 2014 in a strong position to continue implementing our multi-year strategy to profitably grow our business.

I'm confident we are on the right track to achieve our goal of being a larger, more dominant player in the educator space.

And with that, I'll turn the call over to Dwayne.

Dwayne D. Hallman

Chief Financial Officer & Executive Vice President, Horace Mann Educators Corp.

Thanks, Marita, and good morning, everyone. Fourth quarter operating income of $0.79 per diluted share was a very strong result, largely due to favorable results in our property and casualty segment. In P&C, we benefited from prior-year's reserve development and catastrophe losses that were more favorable than expected. Annuity results included $0.03 of favorable DAC unlocking. Adjusting for these items, fourth quarter earnings were between $0.60 per share and $0.65 per share; clearly, above our expected guidance range.

P&C after-tax income of $19 million was $4.5 million higher than the prior-year quarter. On a reported basis, the combined ratio of 87.4% improved 5 points. The majority of this change was related to improvements in our current accident year loss ratio as evidenced by the 3.5 improvements in our underlying combined ratio, which was 91%. Our P&C results in the fourth quarter did benefit from some favorable non-CAT weather, which isn't unusual, we're seeing margin expansion for both auto and property, as the earned rate increases continue to exceed loss costs. Our current accident year developed more favorably than we expected earlier in the year.

Fourth quarter annuity income, excluding DAC unlocking, was $11.6 million, $2.1 million higher than the prior-year quarter, mainly on the favorable net interest margin. Life operating income, excluding DAC unlocking was $4.7 million, was $1.3 million lower than the prior-year quarter on mortality levels that were more in line with our expectations.

On a full year basis, operating income was $2.32 per share, reflecting results that exceeded our expectations in all three of our business lines. P&C results included a similar level of favorable prior-year results development compared to last year. Like last year, that's exceeded our original assumptions. In addition, strong equity markets resulted in $0.06 of favorable DAC unlocking, comparable to 2012, but better than our expectations, and life mortality contributed an additional $0.07.

Adjusted for these items, full year operating margins were at the high end of our revised guidance range of $1.95 per share to $2.05 per share. Compared to the prior-year, earnings on the same basis grew by almost 10%, a solid result that illustrates the improving possibility of our P&C segment and strong spread management and annuity. While we continue to take crediting rate actions, the larger contributors are – is our success in putting assets towards at better rates than originally expected. Our full year P&C operating income was $44.4 million, a 20% improvement over the prior-year. On an underlying basis, the combined ratio improvement was 1.1 points to

92.4%. While our full year expense ratio increased 0.7 points to 27.7%, the increase was within our expectations and importantly, the 1.8 point improvement in our underlying loss ratio more than offset the modest increase in the expense ratio. In total, the combined ratio improved 2 points to 96.3%.

Margin expansion was favorable in both auto and property. The full year auto loss ratio improved almost 2 points to 70.5%. In property, the improvement was over 4 points to 64.3%. These results reflect the solid efforts of our entire organization. In addition, we're seeing positive trends across the P&C book. We've reduced the concentration in a number of high risk property exposures. The share preferred educator business as a percentage of our book continues to grow and more and more educators are electing EFT and payroll deduct. We are clearly seeing the impact of these initiatives in our results and operating metrics. We're pleased with this progress and expect the positive trends to continue in 2014.

The combination of rate increases in 2012 as well as the 2013 actions helped to drive written premiums of 4% to $570.4 million. Retention were made in line with the prior-year at 85% in auto and 89% in property. New P&C sales were over $90 million, a 5% increase over the prior-year.

Full year annuity operating income excluding DAC unlocking, was $42.3 million, an 11% increase over the previous year. Assets under management grew by nearly 13% in 2013. This increase was driven by $280 million of annuity sales, a level similar to the prior-year as well as strong equity market returns in our variable annuity and strong deposit retention levels.

While the net interest spread declined to a 199 basis points, that level was better than our expectation. We continue to find opportunities to put money to work at attractive risk-adjusted yields and our new money rate in the fourth quarter was about 4.75%.

In the life segment, full year operating earnings excluding DAC unlocking declined 8.5% to $20.5 million. We experienced very favorable mortality this past year, notably better than our actuarial projections. Life sales continue to be strong with a 33% increase over the prior-year. Our solid 2013 results generated an 8.7% increase in book value per share excluding [ph] then (0:16:58) unrealized gains on investments, which ended the year at $23.83. On a reported basis, book value declined to $27.14 as the rise in interest rates over the course of the year reduced our net unrealized gain position, which was $233 million at the end of the year.

We continue to grow book value excluding net unrealized gains on investments at a favorable rate. Our cumulative annual growth rate has been over 9% for the past five years. In addition, this top quartile book value growth, we believe paying a compelling dividend is an attractive differentiator to our investors. As you may recall, we've raised our dividend by over 40% on our March 2013 Board Meeting to $0.78 per share, which was our fifth consecutive increase. We generated about $85 million of statutory operating income in 2013. While our RBC ratios aren't final, P&C is around 550% and a premium to surplus ratio of 1.35 and 480% of the life company. As a result we have a healthy cushion of excess capital which will fund organic growth, particularly in the Life Company.

Moving onto 2014, we expect full year operating income to be between $2.05 per share and $2.25 per share, which reflects solid improvement over 2013 earnings after adjusting for DAC unlocking, favorable prior-year development and favorable mortality. Our estimate reflects continued margin expansion in P&C, spread pressure in annuity, but mitigated by continued asset growth and a return to more normalized life mortality.

Turning first to property and casualty, we expect written premium to grow between 3% and 4%, which reflects the recent rate activity. Our 2014 plan indicates mid-single digit rate increases in auto and property. We have some pockets of business that have double digit [ph] rate needs (0:18:54) and in other areas where we have rate adequacy, our actions will be more muted, keeping pace with loss costs. We expect our recent plan rate actions as well as continued underwriting discipline and additional contributions from the claims initiatives Marita mentioned to result in a one to two point improvement in our underlying loss ratio. On top of this we're assuming a 7 point catastrophe load for 2014.

Lower reinsurance costs will also be a contributor to an improved combined ratio. We experienced over 20% reduction on our cost as well as more favorable terms and conditions. Given the significant post exposure reductions we've taken over the past few years, our 2014 catastrophe reinsurance program provides protection of slightly higher than the one-in-300-year level. From an expense perspective, infrastructure and technology initiatives will continue. And as a result, we expect the expense ratio to be in line with 2013.

In total, we expect our reported combined ratio to be in the mid-90s, similar to 2013 with improvement and the underlying loss ratio offset by modest assumptions for favorable prior-year development.

In our annuity segment, we expect ex-DAC operating earnings to be modestly lower than full-year 2013. Our reinvestment rate assumption of 4.25% is still lower than our overall portfolio yield and as a result we expect it to continue to see net interest spread compression. We anticipate spreads will [ph] break down to the mid 1.80%s (0:20:29) through 2014. Offsetting this spread compression, is our expectation of another year of solid sales and deposits, similar to 2013.

Our life earning assumptions included return to modern mortality along with some modest net investment income pressure as a result of our reinvestment rate assumptions. As a result, we expect earnings to be in the range of $17 million to $19 million. Overall, the 2014 operating income guidance of $2.05 per share to $2.25 per share reflects solid improvement over adjusted 2013 earnings.

We look forward to sharing our successes during 2014 and are confident that the investments we're making in our businesses will produce solid results and enhance customer experience in a more efficient way of doing business. We are in a very strong position and we continue to implement our multi-year strategy to profitably grow our business.

Thanks, and I'll now turn it over to Ryan to start the Q&A.

Ryan E. Greenier

Vice President-Investor Relations, Horace Mann Educators Corp.

Thanks, Dwayne. Arnica, please open up the line to begin the Q&A portion of the call.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from Bob Glasspiegel with Janney Montgomery.

Bob R. Glasspiegel
Analyst, Janney Montgomery Scott LLC
Q

All right. Good morning, Horace Mann. I was going to say...

Marita Zuraitis
President, CEO-Elect & Director, Horace Mann Educators Corp.
A

Good morning, Bob.

Bob R. Glasspiegel
Analyst, Janney Montgomery Scott LLC
Q

...congratulations on the quarter, but what have you done for me lately. I'm going to focus on first quarter, instead of the terrific fourth quarter. Your guidance incorporates the sort of crappy January, as far as, weather, stock market, interest rates. How much mark-to-market and mark-to-weather usually go in this?

Dwayne D. Hallman
Chief Financial Officer & Executive Vice President, Horace Mann Educators Corp.
A

Hi, Bob. This is Dwayne. So far in regards to the weather in the first quarter, we are not seeing thing that at this stage that we adjusted our entire year CAT load of roughly 7 points. That doesn't mean that throughout the year, we don't have some variability [ph] in the coming (0:22:46) quarters, and is it possible that first quarter, might be a little higher than recent averages? It's possible, but as we look at the whole year, we didn't – at this point feel like it was enough to warrant a change in our total year CAT load.

Bob R. Glasspiegel
Analyst, Janney Montgomery Scott LLC
Q

And...

Dwayne D. Hallman
Chief Financial Officer & Executive Vice President, Horace Mann Educators Corp.
A

As far as the market is -

Bob R. Glasspiegel
Analyst, Janney Montgomery Scott LLC
Q

Go ahead.

Dwayne D. Hallman
Chief Financial Officer & Executive Vice President, Horace Mann Educators Corp.
A

As far as the market is concerned, in the month of January, once again we look at our full year assumption of our returns. We're not jumping to any conclusions just based on the first 30 days. But I think you're familiar with the number, that we've talked about in the past for roughly every one point of our assumed rate, as far as S&P performance, it's worth about $200,000 to $300,000 of DAC unlocking.

Bob R. Glasspiegel
Analyst, Janney Montgomery Scott LLC
Q

Okay.

Marita Zuraitis
President, CEO-Elect & Director, Horace Mann Educators Corp.
A

And back to the weather, Bob, just speaking for a minute to non-CAT weather based on how early we all had to get up this morning to make it to this call, I can tell you the weather on a non-CAT basis has just not softened.

Bob R. Glasspiegel
Analyst, Janney Montgomery Scott LLC
Q

So, we should factor in through the first quarter, non-CAT weather comparisons to be more severe than perhaps the rest of the year?

Marita Zuraitis
President, CEO-Elect & Director, Horace Mann Educators Corp.
A

I don't think we know that yet, but I would tell you just looking out the window and I'm sure you're looking out a similar window where you are, there continues to be a fair amount of weather.

Bob R. Glasspiegel
Analyst, Janney Montgomery Scott LLC
Q

Okay. And Dwayne, you didn't comment on the decline in the interest rates year-to-date?

Dwayne D. Hallman
Chief Financial Officer & Executive Vice President, Horace Mann Educators Corp.
A

Only in that our assumed reinvestment rate for 2014 is 4.25%. And that is down from our 2013 assumptions and down about a 0.5 point from our fourth quarter actual reinvestment rates.

Bob R. Glasspiegel
Analyst, Janney Montgomery Scott LLC
Q

[ph] What you're by (0:24:33) and probably isn't down as much as treasuries, as spreads have widened a little bit, right?

Dwayne D. Hallman
Chief Financial Officer & Executive Vice President, Horace Mann Educators Corp.
A

That'd be correct, Bob.

Bob R. Glasspiegel
Analyst, Janney Montgomery Scott LLC
Q

Okay. Thank you. Again, a good, great quarter.

Dwayne D. Hallman
Chief Financial Officer & Executive Vice President, Horace Mann Educators Corp.
A

Thanks Bob.

Marita Zuraitis
President, CEO-Elect & Director, Horace Mann Educators Corp.

A

Thanks Bob.

Operator: Your next question comes from Vincent DeAugustino with KBW.

Vincent M. DeAugustino
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Hi, and good morning, everyone.

Marita Zuraitis
President, CEO-Elect & Director, Horace Mann Educators Corp.

A

Good morning.

Dwayne D. Hallman
Chief Financial Officer & Executive Vice President, Horace Mann Educators Corp.

A

Good morning.

Vincent M. DeAugustino
Analyst, Keefe, Bruyette & Woods, Inc.

Q

So, I guess, to just start off with, first question being more on the auto side. So, definitely some good year-over-year margin expansion there and even notwithstanding the non-CAT weather comments, I'll expect that to see less of an impact on the auto line. So, I'm just curious if there's been any incremental changes in the auto loss cost trend side of things here, or maybe first half of 2013 versus second half of 2013, just to give us a little bit of insight into maybe what to expect as we head into 2014?

Stephen P. Cardinal
Chief Marketing Officer & Executive Vice President, Horace Mann Educators Corp.

A

Yes. Vincent, this is Steve Cardinal. How are you?

Vincent M. DeAugustino
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Doing well. What's up?

Stephen P. Cardinal
Chief Marketing Officer & Executive Vice President, Horace Mann Educators Corp.

A

Good. Yes, when we look at our auto, we're very pleased with the performance of the underlying trends that we saw in 2013. Based on the rate actions that we took, the underlying loss ratio is coming down, a couple points was a positive issue for us. When we look into 2014, we see our loss cost trends around two points to three points and in our conservative educator niche, we find that that's a good pick for us as we kind of move into this year. Our rate, as Marita and Dwayne mentioned, will be this year mid-single digits. So, that should be above our loss cost trends. So, we see a further improvement in our underlying and some margin expansion moving forward.

Marita Zuraitis
President, CEO-Elect & Director, Horace Mann Educators Corp.

A

Yeah. Thanks, Steve. The only thing I would add to that is looking at the numbers from my perspective and having them be new to me, it's clear that this company recognized an industry trend of increasing severity earlier than I would submit many, and it speaks to the conservative nature of how we run the business and how we make our picks.

Vincent M. DeAugustino
Analyst, Keefe, Bruyette & Woods, Inc.

Q

The color there is really helpful. And one of the things that I noticed was that there was [indiscernible] (0:27:03) share repurchases this quarter and just a modest amount I think in the past quarter. Clearly, [indiscernible] (0:27:12) market financials and particularly P&C companies have been hit. So, I'm just curious that here in 2014 is maybe the appetite has changed overall with the share price coming down or if we should just continue to think about you being opportunistic and balanced in your capital management plan?

Dwayne D. Hallman
Chief Financial Officer & Executive Vice President, Horace Mann Educators Corp.

A

It is Dwayne. I think your latter comment is accurate. It'll be opportunistic [indiscernible] (0:27:47) capital. As we mentioned before, we're holding on to the capital for our growth opportunities in the life business. As you start to grow that will be a, I guess, a major contributor to the use of excess capital. As I mentioned earlier, we have a Board Meeting in March where we review our annual capital management, not that we're not talking about it every quarter, but that is a formal process as we look at the dividend and opportunities. You're absolutely correct as in the fourth quarter very, very strong performance in the market as the market gets beat up a bit. If that continues, it will certainly provide an opportunity for us. But I would assume for your assumptions going forward assume something modest as far as share repurchases.

Vincent M. DeAugustino
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. And then one last one if I may. So, in the investments in the business particularly within P&C, as far as the impact on the expense ratio, I mean I completely view that as an investment in the business with more than offsetting returns as far as loss ratio improvement. But just from a modeling standpoint, I know looking pretty far out to ask about 2015, but would I be too far off pace to expect maybe 2015 expense ratios to be fairly in line, maybe ahead better than 2014, but to seeing more of that accident year loss ratio improvement start to come through.

Marita Zuraitis
President, CEO-Elect & Director, Horace Mann Educators Corp.

A

Yes. I think that's a extremely well stated. Obviously, if we saw an opportunity for an investment, that might change that, but we would be very transparent in advance of that. But I think that's probably a really good way to think about it.

Vincent M. DeAugustino
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. Great. And again, a very nice quarter, and look forward to talking to you guys soon. Thank you.

Dwayne D. Hallman
Chief Financial Officer & Executive Vice President, Horace Mann Educators Corp.

A

Thanks Vince.

Marita Zuraitis
President, CEO-Elect & Director, Horace Mann Educators Corp.
A

Thank you

Operator: [Operator Instructions] Your next question comes from [ph] Paul Sarran with Mesirow Financial (0:29:53).

Q

Hi. Good morning.

Marita Zuraitis
President, CEO-Elect & Director, Horace Mann Educators Corp.
A

Good morning, [ph] Paul (0:30:02).

Q

Thanks for the discussion on the call. Could you expand a bit just on where your [ph] top (0:30:06) priorities lie in terms of the different strategic initiatives you have going on in the different areas of the business? And then, if you could add some sense of how you see it playing out in terms of timeline over the next what's falls in the one-year, two-year, three-year bucket?

Marita Zuraitis
President, CEO-Elect & Director, Horace Mann Educators Corp.
A

Yes, yes.

Q

Yep, go ahead.

Marita Zuraitis
President, CEO-Elect & Director, Horace Mann Educators Corp.
A

Yes. Thanks for the question, Paul. I think we've talked an awful lot about the educator life cycle, and thinking about the needs of an educator from a product standpoint, from a distribution support standpoint and from an infrastructure standpoint, and we have been looking at that educator life cycle. It's obvious to us that a good portion of our customer, a good portion of our assets are sitting in that mid-career educator bucket. And for us, it's really thinking about how we find them a little sooner, how we support new educators with things like financial literacy seminars and product offerings as well as keeping those educators all the way through the lifecycle, and as we talk about a fixed indexed annuity product that used to be a third-party vended product and now bringing it in-house, I think you'll see more and more of that. So whether we look at that lifecycle and we supplement with things that we manufacture or things that we bring to our agents with third-party vendors, it really is all about giving our agents more opportunity to say yes, at the point of sale.

From an overall agency perspective, we have a group of our agents with very high cross-sell percentages, very high multi-line percentages. And taking those really good stats and replicating them throughout the whole agency plan and bringing training and sales support to the remainder of our agents is also another way for us to supplement the new activity we're doing as well.

So, we're actually excited by the headroom that we have and the opportunities that we have across the business and we're also excited by the fact that we're obviously seeing good results in 2013. So it's a great platform, and we're going into 2014 with sales momentum in all three of our businesses.

Q

Okay. Thanks.

Marita Zuraitis
President, CEO-Elect & Director, Horace Mann Educators Corp.

A

Yep.

Operator: At this time, there are no further questions.

Ryan E. Greenier
Vice President-Investor Relations, Horace Mann Educators Corp.

Thank you, Arnica. Thank you everyone for joining us this morning on Horace Mann's fourth quarter earnings call. If anyone has any additional follow ups, don't hesitate to reach out to me. Thanks.

Operator: Ladies and gentlemen, this concludes today's conference call. You may now disconnect.