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Horace Mann Educators Corp. (HMN)

Q2 2018 Earnings Call

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Bret L. Benham
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MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to Horace Mann Second Quarter Earning Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. [Operator Instructions] As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host, Heather Wietzel, Vice President of Investor Relations. Thank you. You may begin.

Heather J. Wietzel
Vice President-Investor Relations, Horace Mann Educators Corp.

Thanks, Sherry, and good morning, everyone. Welcome to Horace Mann's discussion of our second quarter 2018 results. Yesterday we issued our earnings release and investor supplement. Copies are available on the Investors page of our website along with our Investor Presentation, which was posted this morning.

Our speakers today are Marita Zuraitis, President and Chief Executive Officer; and Bret Conklin, Executive Vice President and Chief Financial Officer. Bill Caldwell, Executive Vice President of Property and Casualty; Bret Benham, Executive Vice President, Life and Retirement; and Ryan Greenier, Vice President, Corporate Finance, are also available for the question-and-answer session that follows our prepared comments.

Before turning the call 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 press release and SEC filings. In our prepared remarks, we also use some non-GAAP measures. Reconciliations of these measures to the most comparable GAAP measures are available in the supplemental section of our press release.

I'll now turn the call over to Marita.

Marita Zuraitis

President, Chief Executive Officer & Director, Horace Mann Educators Corp.

Thanks, Heather. Good morning, everyone, and welcome to our call. Yesterday evening, we reported second quarter core earnings per diluted share of $0.13, that's up from $0.02 we reported in the second quarter last year, six months core earnings of $0.64, an increase of more than 60%.

Core earnings increased for two reasons. First, losses from catastrophe weather events were lower than last year's near-record levels. And while the relatively lower weather losses this year contributed to higher first half earnings, they did put some pressure on our full year expectations. We are adjusting our full year outlook accordingly with the 2018 core earnings per share estimate of $1.90 to $2.10. Bret will review our revised guidance in more detail later in the call.

The second and more important contributor to the bottom line improvement is continued progress on our strategic initiatives. This progress underscores our confidence in our ability to achieve our longer-term performance objectives of driving profitable growth and reaching a double-digit ROE. Due to continued success in P&C profitability initiatives and strong Life and Retirement performance, ROE rose again in the quarter. At 7%, it is nearly 1.5 point higher than it was in mid-2017 when we introduced our ROE improvement initiative.

Driving our progress over the first half of 2018 were improvements in the underlying auto loss ratio, growth in Retirement assets under management and another quarter of double-digit sales increases in our Life segment. First, we achieved a 1.1 point improvement in the auto underlying loss ratio. However, much like the broader industry, we are seeing several headwinds that are impacting the pace of progress.

One is the sustained higher level of non-cat weather loss, affecting both auto and property. In addition, we are also seeing a modest uptick in bodily injury severity in the auto line, similar to what other P&C companies have noted. In response to continued weather pressure and higher BI severity trends, we are increasing our 2018 auto rate plan, and will now end the year up about 10 points. Given our historical experience, we do not expect any significant impact on retention.

Another key contributor to our progress is the consistent growth in Retirement assets under management, supported by strong persistency. Although the industry has seen a large amount of disruption over the past year with the regulatory landscape changing yet again this quarter, our sales continue at a very strong pace. We believe this continued momentum is a reflection of our strategy and strong execution in our core segment.

Put simply, our solutions are delivered through a captive distribution force of local agents who have strong relationships in the school districts they serve, our robust set of products are aligned with the needs of this homogeneous set of customers who are facing uncertainty around retirement saving options, and these will continue to be our strategic strengths even as further regulatory proposals emerge.

Finally, we continue to make great strides on our Life business with second quarter sales growing almost 50% over the prior year. Four of the highest months of Life sales volume over the past 15 years have occurred in 2018. We are clearly seeing strong momentum in this business line. There is growth across every product type as agents utilize additional training and support to help meet the needs of the underserved educator market. Strong Life sales are one tangible example of our focus on increasing the quality and productivity of our distribution.

Looking further ahead, we are accelerating the pace at which we will reach our strategic objectives with additional improvements in products, distribution and infrastructure. On the product front, we continue to develop enhancements in marketing programs designed to appeal to educators throughout each stage of their lives. We are introducing these concepts at our back-to-school agent sales meetings across the country. We're excited about some of the new product features that we will be introducing to the marketplaces this fall that should especially appeal to the younger educators.

On the distribution front, these summer agent meetings also provide new training on building strong relationships with educators. Many of these sessions are led by our most successful agents who share best practices for solution-based selling. The aim is to replicate the practices of our best agents and increase productivity across the board, underscoring our commitment to increasing agent productivity and quality.

And on the infrastructure front, we continue to invest to improve our ease of doing business. With the first phase of our P&C administration system implementation for claims complete, we have started the second phase. This includes billing and policy administration systems, which will significantly improve customer experience and operational efficiencies. We are actively pursuing these opportunities and we are making investments that align with our strategy. We remain focused on expense discipline as well.

Overall, we continue to make solid progress across our goal of being a company of choice to provide financial solutions to meet our customers' needs, both today and in the future. It's a message that continues to ring true with our policyholders, our agents, our employees and the broader educational community. As our educators prepare to start a new school year, we are also getting ready to serve them with broader products, more knowledgeable distributions and improved ease of doing business and I'm looking forward to more progress in the third quarter and beyond.

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

Bret A. Conklin

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

Thanks, Marita, and good morning, everyone. Core earnings per share were up for both the quarter and year due to continued improvement in our strategic initiatives and favorable year-over-year comparisons of weather-related losses. However, weather losses this year were still significant and led us to revise our full year 2018 core earnings guidance to the range of $1.90 to $2.10 per share. Even at the low end of this range, our full year core EPS would be up about 10% over 2017.

While the guidance revision is largely due to those weather losses, we've seen some additional timing-related puts and takes versus our original expectations. These changes basically net out, but I'll touch upon them as I cover the outlook by business segment. A full summary of these adjustments is available on page 35 of the second quarter Investor Presentation, which is available on our website.

In P&C, net written premiums increased 3% over last year second quarter, driven primarily by rate actions. The second quarter reported combined ratio of 114.7% was 3.8 points better than last year, largely because catastrophe losses were 4.2 points lower. Although cat losses were significant, they are in line with our typical seasonal loss experience. We consistently have higher weather-related losses in the first half of the year, especially the second quarter.

For each of the previous three years, our second quarter has accounted for more than 45% of our annual catastrophe losses. And while we regularly evaluate our exposure risk, for each of these three years, Property full year results were solidly profitable because weather-related losses in the second half of the year were lighter. This is largely due to a significant reduction we have made in coastal property exposure, which has meaningfully reduced our risk for hurricane losses. Last year, our losses from hurricanes Harvey and Irma were well below market share implied losses and significantly below peers. As a result, we remain comfortable with our original capacity loss estimate of 6 to 7 points. However, we now expect to be at the high-end of that range due to first-half results.

On an underlying basis, we are also seeing the impact of elevated levels of weather losses. In auto, our underlying loss ratio decreased by 1.1 points, a solid improvement. Because of weather and elevated bodily injury severity trends that Marita mentioned, we are now targeting 1.5 to 2 points of improvement in the underlying auto loss ratio on a full-year basis. We remain committed to our goal of 5 points of improvement and we are confident we will achieve it. However, we now expect it may take a quarter or two longer than originally anticipated to achieve the full impact or a total of 18 to 24 months.

Likewise, non-cat weather, particularly wind and hail, impacted our Property book more than expected. As such, we now expect our underlying property loss ratio to be roughly flat with prior year's result of 47.2%. We've addressed these loss trends in our rate filings, which will keep us on pace to grow P&C net written premiums by mid-single-digits this year. Throughout this rate change cycle, our policyholder retention in both auto and property has remained stable, which we attribute to our loyal customer base that appreciates the educator-specific benefits and value-added programs we provide and we expect this trend to continue.

Before moving on to Retirement, I wanted to briefly note that we expect the P&C expense ratio in the second half of the year to run above 27%, but still keeping us on track to be at roughly 27% for the full year.

Turning to the Retirement segment, net income, excluding DAC unlocking, improved 18% over last year second quarter. Higher net investment income, an increase in fee-based Retirement product income and the lower federal income tax rate offset a higher level of expenses. The annualized net interest spread was 181 basis points in the quarter, benefiting from prepayment activity that offset the challenges we face in the current interest rate environment.

We also saw favorable alternative investment return. As a result, we now expect Retirement net income in the range of $49 million to $51 million for the full year. Retirement assets under management increased 6% year-over-year. We continue to see a strong increase in mutual fund product sales. Our annuity persistency remains strong at 94.6% for variable annuities and 94.4% for fixed annuities.

Moving on to the Life segment, second quarter net income increased 5% over prior year. While mortality costs were favorable, they did increase compared to the very favorable experience last year. As Marita mentioned earlier, sales increased 49% over prior year. We continue to see the Life business as an area of significant opportunity and expect continued double-digit sales growth. Net investment income increased by more than 5% in the quarter as we experienced a significantly higher level of prepayment activity compared to the prior year. We also continue to experience favorable returns from our alternative investments.

Despite the higher rate environment and modestly wider credit spreads, we continue to be disciplined in our investment purchases. In our opinion, we are in the late stages of the credit cycle and are seeing signs of loosening covenants, increasing leverage and overall leasing of credit. We believe the most prudent approach is to continue to move the portfolio up in credit quality, while maintaining a high degree of liquidity. This approach provides financial flexibility that we hope will allow us to capitalize on any market dislocation.

Our purchases in the quarter focused on agency mortgage-backed securities, high quality munis and structured securities. We achieved a new money rate of over 4.25%, which was significantly higher than our original outlook. That said, we remain cautious on net investment income as much of the favorable experience in the first half of the year was related to prepayment activity.

To close, while some of our key drivers have moved slightly up or down, our overarching strategy and execution remains sound, and we continue to make progress on key initiatives to create long-term shareholder value. We remain confident we are on the right path guided by the right plan.

Thanks. And now I'll turn the call over to Heather to start the Q&A.

Heather J. Wietzel
Vice President-Investor Relations, Horace Mann Educators Corp.

Thanks, Bret. Sherry, could you poll for questions?

QUESTION AND ANSWER SECTION

Operator: Yes. [Operator Instructions] And our first question is from Christopher Campbell with KBW. Please proceed.

Christopher Campbell
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Hi. Good morning. Congrats on the quarter.

Bret A. Conklin
Executive Vice President and Chief Financial Officer, Horace Mann Educators Corp.

A

Thanks, Chris.

Christopher Campbell
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. I guess, my first question is just kind of this increased trend you were seeing towards non-cat weather, when does this just become business as usual and automatically built into your P&C pricing algorithms?

William J. Caldwell
Executive Vice President-Property & Casualty, Horace Mann Educators Corp.

A

Hey Chris, this is Bill Caldwell. It happens as soon as they occur. As soon as there's increased weather, they go right into our indications and we react with rate, not only rate, but also claims and underwriting restrictions where appropriate, but essentially they go right into our pricing models.

Christopher Campbell
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay, great. And then just kind of – just backing away a little bit from the near-term focus on auto improvement and then just looking over – looking at Horace Mann's P&C growth over time and, I mean, I understand homeowners [indiscernible] (00:16:25) there was a lot of coastal reductions, et cetera,. But if you're just looking at it over a longer period of time, the auto PIF and I'm thinking like 2008 to present, auto PIF is down about 12%, homeowners is down 23%. So I'm just thinking structurally, as Horace Mann becomes more rate-adequate, I mean, does Horace Mann have the skill set to grow with this customer base?

Marita Zuraitis
President, Chief Executive Officer & Director, Horace Mann Educators Corp.

A

Yeah. This is Marita, Chris. I'll answer first and then if Bill wants to add any specific P&C details and facts, he certainly can.

I understand the question and I think it's a good one. You mentioned retreating from the coast from a property perspective and you see that in our more typical third quarter cat history tends to be very low for us. So, over the course of the year, that's how we're able to maintain that 6% to 7% and this year with the second quarter maybe closer to the higher end of that range. But also embedded in this is the work that Bill and his team have done in state segmentation, in moving from places that are less profitable from an auto perspective that are more litigious. And you see that in the agent count as well, as we begin to restrict agents in those places And as we begin to build agents in better geographies where our opportunity to have a better ROE and a better predominantly auto loss ratio is there and we are, when we break it down state by state, seeing some really decent PIF growth in places where we are intending to grow. It's just going to take a while for that to overcome the places that we've been constricting and we're getting close to that point.

We feel good that we're seeing the increase in premium, it's what we planned, and we planned for flattish PIF growth this year. So we're right where we planned to be. And I think it's important and you're seeing it, so you're seeing the improvement in the underlying loss ratios, you're seeing improvement in the ROE that follows this. And this has all been part of the plan. So when we look at it, we see it as things are falling into place as we planned and eventually we'll begin to see that growth emerge.

And I also want to remind you that it isn't just a P&C game and we're not just a P&C carrier, this is really about the Retirement assets and the life insurance that we provide to our educators. And when you see that, you can see the underlying benefit that that provides to our financials.

William J. Caldwell
Executive Vice President-Property & Casualty, Horace Mann Educators Corp.

A

Yes. And Chris, it's Bill. I'll just add a couple comments to that. If you go back as far as 2008, a lot of the folks at this table weren't here then, but I believe we did have a non-educator strategy that didn't have the proper return. So, as we [ph] shed (00:19:26) business that tends to be non-educator, so not only state mix, as Marita said, but also our educator mix is up, our tier mix is up, our cross-sell penetration is up. So, from a mix perspective, we feel really good about it. And as we work on the states that are profit challenged, we do have the HMGA where we keep that customer. So although you don't see it in our auto PIF numbers, we do retain that customer in our agency and that enables Bret's business to cross-sell Life and Retirement products.

Christopher Campbell
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. Well, that's very helpful. Thank you. And then just kind of one final question. Just in terms of excess capital, does the really strong Life sales, is that easing off a lot of excess capital or how should we think about that?

Bret A. Conklin
Executive Vice President and Chief Financial Officer, Horace Mann Educators Corp.

A

Chris, this is Bret. With respect to excess capital, we ended the quarter at about $115 million and as it relates to the Life portion of the excess capital, we're basically – the Life excess is actually up this quarter versus where we were in the first quarter. So even though Life sales are up 49%, somewhat of a small volume, so inherently asset eats up some of the excess capital, but at this juncture, nothing significant. Like I said, our excess capital in the Life company is probably up about $12 million from the first quarter.

Christopher Campbell
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. Great. Well, thanks a lot, Bret.

Bret A. Conklin
Executive Vice President and Chief Financial Officer, Horace Mann Educators Corp.

A

Sure.

Christopher Campbell
Analyst, Keefe, Bruyette & Woods, Inc.

Q

And then good luck on next quarter.

Bret A. Conklin
Executive Vice President and Chief Financial Officer, Horace Mann Educators Corp.

A

All right. Thank you.

Marita Zuraitis
President, Chief Executive Officer & Director, Horace Mann Educators Corp.

A

Thanks, Chris.

Operator: Our next question is from Gary Ransom with Dowling & Partners. Please proceed.

Gary Kent Ransom
Analyst, Dowling & Partners Securities LLC

Q

Good morning.

Marita Zuraitis
President, Chief Executive Officer & Director, Horace Mann Educators Corp.

A

Hi, Gary.

Gary Kent Ransom
Analyst, Dowling & Partners Securities LLC

Q

I had a question on loss cost trends and I apologize if I missed some of your prepared remarks, but I think you were mentioning something about the bodily injury severity trends. But I was interested whether that is a sort of a medical cost pressure or whether it is the legal, more litigious pressures or some combination of the both that's driving what you see?

William J. Caldwell
Executive Vice President-Property & Casualty, Horace Mann Educators Corp.

A

Yeah, Gary. It's a combination of both. You could see it in the medical CPI, costs are rising for medical injuries, but there's also the legal side of this. Our attorney [ph] read the (00:21:51) claims when they come to us, the percentage that are handled by an attorney are up. You could turn on any TV station not just in Philadelphia this last weekend and the dollars spent on advertising for auto injury claims is up 10%. So we're definitely seeing some pressure on the legal side and it's a macro trend across a lot of markets.

Gary Kent Ransom
Analyst, Dowling & Partners Securities LLC

Q

For what it's worth. I see those ads in Connecticut too.

William J. Caldwell
Executive Vice President-Property & Casualty, Horace Mann Educators Corp.

A

Billboards, TV commercials, just the expense that they're putting into this to increase [indiscernible] (00:22:26)

Gary Kent Ransom
Analyst, Dowling & Partners Securities LLC

Q

Then the other side of the loss trends is frequency and a couple of your large competitors have talked about frequency being down, it's been down quite a bit year-to-date, maybe 2% or 3%. Maybe that's not universal across all companies, but a couple of big ones that tell us. And I just wondered what you're seeing there and whether that is giving you any offsetting benefits at this point.

William J. Caldwell
Executive Vice President-Property & Casualty, Horace Mann Educators Corp.

A

Yeah. I like that you [ph] echo (00:22:56) with loss cost because I tend to look at the blends because when you do put in claims initiative, sometimes they can influence your frequency, especially around bodily injury. So I think it's important to look at the combination of the two. But in a generalized sense, I would call our frequency more stable, it's normalized. I wouldn't characterize it as decreasing right now.

Gary Kent Ransom
Analyst, Dowling & Partners Securities LLC

Q

Okay.

William J. Caldwell
Executive Vice President-Property & Casualty, Horace Mann Educators Corp.

A

But if you remember the second quarter for us tends to see a lot of weather-related frequency, especially on auto, which does not go into the catastrophe bucket. So hail that causes damage to a car that's a comp loss, that would be a cat loss, but accidents that are related to the intensified weather go into our ex-cat bucket and you could quantify that as about 2 points for the quarter.

Gary Kent Ransom
Analyst, Dowling & Partners Securities LLC

Q

Okay. And then shifting gears a little bit on the Retirement side, I think you mentioned that there is – you're having some success in building the assets under management with the new model that you've put in place a while back. Can you give us a little more details on how that is progressing, how it's working with the agents and how you're adapting to that new model?

Bret L. Benham
Executive Vice President-Life & Retirement, Horace Mann Educators Corp.

A

Yeah. Gary, this is Bret Benham, the other Bret. It's been quite a year and in part as we've rolled this out and done it in the heart of some of the changes with the DOL with new products and new forms of distribution also, our new ways of taking these products out, but also all the training that we've done. But I think the big opportunities or the big wins that we've seen is when we're able to take what we would call the total value proposition of Horace Mann out into the school districts. I don't know how well you know this market, but it tends to be very much product oriented and people are taking products in.

And we, to some degree, can have to compete that way, but where our value is, is where we take all of Horace Mann, not just the 403(b) offerings, but auto, home, life and everything else. And so, with this new recordkeeping capability, we were able to get in there and win and win in large chunks, not just one educator at a time, but 80 educators or even get the whole school. Those are wins. And so we're starting to see more of those opportunities, not only to propose on those, but actually starting to win those. And again, that's a good sign, it's a good validation that what we're doing is correct. But it's also a good indication of the future and where we're trying to take this part of our business.

Marita Zuraitis
President, Chief Executive Officer & Director, Horace Mann Educators Corp.

A

And this is Marita. I mean, I think that's well said, Bret, and we're talking about tweaked models and increased capability and refreshed products. But at the core of it, we always have to remind ourselves that we have an experienced captive agency plan that knows our educator market that we have a homogeneous set of customers with simple needs that we understand and we have a simple set of products that aren't particularly complex. So, that combined with the refreshment that Bret is talking about, we feel really confident as we move forward, as I said, in this ever-changing landscape, it's easier for us because we know our customers and we've been doing it for a very long period of time.

Gary Kent Ransom
Analyst, Dowling & Partners Securities LLC

Q

Can you give us some idea about how many times during the first six months of the year you're getting sort of the whole school districts or where you got the big case sort of won it?

Bret L. Benham
Executive Vice President-Life & Retirement, Horace Mann Educators Corp.

A

I don't have those numbers off the top. They are relatively small right now. Most of it gets back into that whole funnel where you're out there prospecting and then you're actually doing the RFPs and then you see the wins later on, but it does have a longer tail than our normal business, tail to not only to win the institution and then a tail to be able to go back in and enroll the individuals one by one.

Gary Kent Ransom
Analyst, Dowling & Partners Securities LLC

Q

Right. Okay. Well, that's helpful. Thank you very much.

Marita Zuraitis
President, Chief Executive Officer & Director, Horace Mann Educators Corp.
A

You're welcome.

Heather J. Wietzel
Vice President-Investor Relations, Horace Mann Educators Corp.
A

Thank you.

Operator: Our next question is from Matt Carletti with JMP Securities. Please proceed.

Matthew J. Carletti
Analyst, JMP Securities LLC
Q

Hey, good morning.

Bret A. Conklin
Executive Vice President and Chief Financial Officer, Horace Mann Educators Corp.
A

Good morning.

Marita Zuraitis
President, Chief Executive Officer & Director, Horace Mann Educators Corp.
A

Good morning.

Matthew J. Carletti
Analyst, JMP Securities LLC
Q

I just got a couple of questions. One is just following up on Gary's, some of the comments Bill you had for Gary's question. The 2 points of non-cat weather that you referenced, was that related to auto in the quarter?

William J. Caldwell
Executive Vice President-Property & Casualty, Horace Mann Educators Corp.
A

Yeah, that was related to auto, but a similar story for property, a little bit less, I believe about a 1.5 points for property of non-cat weather impact in the quarter.

Matthew J. Carletti
Analyst, JMP Securities LLC
Q

Okay. All right. Perfect. That was where I was going with that. And then my other question relates to Life. Marita, you spoke a bit in your opening comments about the strong sales there. I was curious if you could just give us some more color on kind of what a lot of that – the new customer looks like. Is it customers that were already part of Horace Mann that you had a P&C relationship with and you are extending that relationship into Life, maybe Retirement too? Is it new customers to Horace Mann and there are P&C policies may be coming along with that? What does that growth look like kind of more holistically, not just within the Life segment?

Marita Zuraitis
President, Chief Executive Officer & Director, Horace Mann Educators Corp.
A

Yeah. Great question and I'll let Bret comment if he has any more specifics. But I think when you look at our relatively small base and I think if you look at our historic focus at least in recent history on P&C, when we give agents new products and new training and we get them back in the Life business because they're good agents who know how to sell, then we see increases in sales pretty much across the board. But these are educators, many of them are educators where we already have the P&C and maybe the Retirement as well. And we never asked for the Life insurance. Many times they might have purchased it elsewhere and many times they have no coverage at all. So it's basically asking for it.

A good example is, in our contact center, when we added to our script a simple question that said, when was the last time someone reviewed your life insurance needs, we saw an uptick in folks saying, yes, I'd be glad to have you take a look at that, and that has led to some lead generation for agents and actual sales. But the [ph] talk attracts the (00:29:44) products, the training put in the hands of agents that are with these customers anyway have led to those people who have that need taking up the product. I don't know if you have anything to add to that?

Bret L. Benham
Executive Vice President-Life & Retirement, Horace Mann Educators Corp.
A

Yeah. Matt, what I'd add to that is nothing really more than what Marita said. I mean, we do have a strong customer base out there that's loyal to us, sort of the field force knows life insurance. I think there's been a rejuvenation out there. We finished the year very strong last year with a record month in December. And getting out there and visiting with them – I think I've said this ever since I've been here and, of course, I've only been here for six months and they're about to resend my new guy card, but there is a lot of upside in my opinion here on the life insurance part of the business.

We have seen an increase in placement rates through the end of last year. I think our placement rates was roughly 76% of the business that came in. Right now, we're hovering in around 81%, 82%. So we're doing a better job of underwriting it, which means we're getting it out quicker, we have better placement rates. But most of the work that we've done internally has been better blocking and tackling. The field forces responded. I've now come off of five of these back-to-school meetings and they're pumped up about life insurance and some of the things that we want to do going forward. But they've done a good job in responding, but it's been pretty much to the same traditional customer, nothing new, nothing exotic. I can't really point to one part of the product portfolio. It's coming in everywhere, from single premium to term insurance to recurring premium, which we'd like to see more and more of. So, overall, just very positive and we want to grow this even further. Although 49% year-over-year seems to be something that's probably not sustainable forever, we do want to grow it.

Marita Zuraitis
President, Chief Executive Officer & Director, Horace Mann Educators Corp.
A

And to put a finer point on Bret's last comment, which I think is important, the growth is coming from asking, the growth is coming from better training and better preparation and better focus with our agency plan. It's not coming from changes in underwriting profile, it's not coming from changes in in-pricing. This is the standard fare that we had available for a while, we increased the emphasis and we're asking more. And I feel good about what we're doing in the Life.

Bret L. Benham
Executive Vice President-Life & Retirement, Horace Mann Educators Corp.
A

Yeah, the strength of the execution.

Marita Zuraitis
President, Chief Executive Officer & Director, Horace Mann Educators Corp.
A

Absolutely.

Matthew J. Carletti
Analyst, JMP Securities LLC

Q

Great. Thank you for the answers and best of luck for the rest of the year.

Marita Zuraitis
President, Chief Executive Officer & Director, Horace Mann Educators Corp.

A

Thanks.

Bret A. Conklin
Executive Vice President and Chief Financial Officer, Horace Mann Educators Corp.

A

Thanks.

Operator: [Operator Instructions] And our next question is from Bob Glasspiegel with Janney. Please proceed.

Robert Glasspiegel
Analyst, Janney Montgomery Scott LLC

Q

Good morning, Horace Mann. What's your new money rate at PC and Life and how does that compare to better yields? Is the spread pressure sort of alleviating Life?

Bret A. Conklin
Executive Vice President and Chief Financial Officer, Horace Mann Educators Corp.

A

Yeah. Our new money rate for the first quarter was about 4.25%, which I think that brought our year-to-date just south of 4.10% year-to-date. And as you recall, Bob, in our original plan, we assumed a new money rate of about 3.50%, so running better than plan.

Robert Glasspiegel
Analyst, Janney Montgomery Scott LLC

Q

But what's your embedded yield in PC and how does that compare to new money rates?

Bret A. Conklin
Executive Vice President and Chief Financial Officer, Horace Mann Educators Corp.

A

I mean, the overall book yield, we ended the quarter at 5.14% and pretty much up slightly from last year at the time I think and here again, going back to – we planned for the year with about 5%. So, we're doing well, we're probably 10 bps – 10 bps to 15 bps above what we thought where we would be at, at this time. So, 5% overall book yield and obviously the pressure is that the new money rate is lower than the overall book yield, which obviously puts a pressure on all of our lives.

Robert Glasspiegel
Analyst, Janney Montgomery Scott LLC

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Okay. I'll follow-up with Heather. Thanks a lot.

Marita Zuraitis
President, Chief Executive Officer & Director, Horace Mann Educators Corp.

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Thanks, Bob.

Heather J. Wietzel
Vice President-Investor Relations, Horace Mann Educators Corp.
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Thanks.

Heather J. Wietzel
Vice President-Investor Relations, Horace Mann Educators Corp.

And I think that looks like we've got no questions in for today. Be available rest of the day and next week if anyone would like any follow up. We appreciate everyone participating today. Thank you.

Operator: Thank you. This concludes today's conference. You may disconnect your lines at this time and thank you for your participation.