PARTICIPANTS

Corporate Participants

Ryan E. Greenier – Vice President-Investor Relations, Horace Mann Educators Corp.
Marita Zuraitis – President, Chief Executive Officer & Director, Horace Mann Educators Corp.
Bret A. Conklin – Executive Vice President and Chief Financial Officer, Horace Mann Educators Corp.
William J. Caldwell – Executive Vice President-Property & Casualty, Horace Mann Educators Corp.
Bret L. Benham – Executive Vice President-Life & Retirement, Horace Mann Educators Corp.

Other Participants

Robert Glasspiegel – Analyst, Janney Montgomery Scott LLC
Matthew J. Carletti – Analyst, JMP Securities LLC
Christopher Campbell – Analyst, Keefe, Bruyette & Woods, Inc.
Gary Kent Ransom – Analyst, Dowling & Partners Securities LLC

MANAGEMENT DISCUSSION SECTION

Operator: Greetings and welcome to the Horace Mann First Quarter 2018 Earnings 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, Mr. Ryan Greenier, Vice President-Investor Relations for Horace Mann. Thank you. You may begin.

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

Thank you, Melissa, and good morning, everyone. Welcome to Horace Mann's discussion of our first quarter 2018 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 Bret Conklin, Executive Vice President and Chief Financial Officer; Bill Caldwell, Executive Vice President of Property and Casualty; and Bret Benham, Executive Vice President of Life and Retirement 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 Litigation Reform Act of 1995. These statements are based on management's best estimates and we do not have an obligation or – to update the statements. 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 measures. Reconciliations of those measures are included in our Investor Financial Supplement.

Thank you. And I'll now turn the call over to Marita Zuraitis, President and CEO.

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

Thanks, Ryan. Good morning, everyone, and welcome to our call. Yesterday evening, we reported first quarter core earnings of $0.51, a significant improvement over the prior year. Like the broader industry, we experienced a quarter of heavier than normal weather-related losses. Our underlying auto results as well as our Life and Retirement businesses remain on track and consistent with our 2018 guidance.

Last year, we experienced a significant increase in severe convective storm activity in the first quarter generating sizable catastrophe losses. This year's cat losses were more typical for a first quarter, with more than 80% related to winter storm events. In addition, this quarter, we saw elevated non-cat weather, primarily March convective storm activity across Texas and the Southeast, again consistent with the broader industry.

Overall, the majority of the quarter's 5.9-point catastrophe load was due to winter weather, most notably from an early March storm in the Mid-Atlantic states. This is well below last year's result of 10.8 points of cat losses, which include multiple severe convective storm events attributable to early spring weather. This year, we saw some early spring storm impacts. However, they were less severe, and as a result did not reach the PCS catastrophe threshold, the standard we use for our reporting.

In particular, we experienced about 4 points of non-cat weather losses for March convective storm activities in Texas and Arkansas, which resulted in a modest increase in non-cat property loss ratio. Despite these industry-wide weather challenges, we remain profitable in P&C, with a combined ratio of 98.9%.

Auto margins, a key driver of our ROE improvement strategy, continued to steadily improve. Our auto loss ratio for the quarter was 76.1%, the lowest it's been in two years. This is a result of rate actions coupled with a disciplined underwriting strategy aimed at growing profitably in our P&C geographies, while thoughtfully considering our approach in areas that have become more challenging due to loss cost trends.

While we're pleased with this improvement, we still have work to do to achieve our profitability targets as our reported auto combined ratio is at 101.8%. Our 2017 rate increases will continue to earn in over the course of the year and we are on track to achieve our 2018 rate plan in the high single digits for auto. And I'm confident that we'll achieve our goal of 2 points to 2.5 points of improvement in our underlying auto loss ratio for the full year. Our broad suite of insurance products and financial solutions and our strong network of trusted advisors are key contributors to our strong, stable retention throughout this challenging rate cycle.

Our P&C market share is holding, while we improved profitability, an accomplishment that many auto-only carriers haven't been able to achieve. By helping our customers protect what they have today and prepare for a successful tomorrow, we build relationships with strong brand affinity. We continue to strategically invest in our business in order to position ourselves for long-term success. We are upgrading our infrastructure to support greater volumes of business and we're providing more support to our agents, who are providing holistic financial solutions to our clients.

And while many in the retirement industry continue to react to the latest iterations of a fiduciary rule in order to divine their strategies, we set our course well over a year ago and continue to move forward. The operating model changes we made such as levelized agent compensation across all product types is part of a larger strategy, but more importantly, putting our clients first is part of who we are.

We are providing our customers with choices and seeing a steady shift in what products our customers choose. As sales of traditional annuities decline, we're seeing a complementary increase in our Retirement Advantage mutual fund products. We're seeing strong sales momentum and building excitement in our agency force. This will serve us well in a variety of market conditions as the growth in our fee-based products further diversifies our earnings profile, making the Retirement segment less dependent on spread-based earnings.

Creating long-term shareholder value remains at the top of our mind. We returned nearly $12 million in capital to shareholders in dividends this quarter and our board of directors have approved a dividend increase for the 10th consecutive year. Year-over-year book value has increased by 8%.

Overall, I'm pleased with the quarter's results. Our property business remains profitable, despite elevated weather activity. Our auto business is on track to meet our improved profitability targets. Our Retirement business is providing [ph] affinity niche (06:56) with tailored products solutions in a transparent way and our Life business remains very strong.

Our strategy is solid and we're making steady progress towards our goals of creating long-term shareholder value, deepening our relationships with customers and driving profitable growth.

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. First quarter core earnings of $0.51 were $0.14 above prior year, driven by more favorable P&C performance. The majority of the quarter's earnings drivers are consistent with our 2018 guidance and reflect the concerted effort to position our business for long-term success. We remain confident in our full year guidance of $2.10 to $2.30 per diluted share.

Our P&C results were largely positive, with the exception of some elevated non-cat weather. Net written premium increased 4% and net income of $9.7 million increased $7 million over prior year. The reported P&C combined ratio of 98.9% improved 6.6 points over prior year. Our auto underlying loss ratio, a key driver of ROE, improved by 2.1 points over fourth quarter 2017 and 1.2 points over prior year.

Auto loss trends continue to stabilize and we're confident in our strategy to drive continued profitability improvement throughout 2018. We expect our expense ratio to remain near 27% for the full year, but we benefited this quarter from an expense recovery that equaled 2 points on the auto expense ratio.

In property, our combined ratio of 93.3% was 9.2 points better than prior year, mostly on lower catastrophe costs. As Marita previously mentioned, we saw about 4 points of elevated non-cat weather in Texas and Arkansas which put some pressure on our underlying property loss ratio, which increased 2.7 points over prior year.

Looking ahead, the second quarter has historically been our most volatile from a weather perspective. We balanced this volatility by thoughtfully reducing coastal exposure over the past few years. Even so, despite unprecedented levels of weather losses last year, we ended the year profitably in property. In Retirement, assets under management increased nearly 7% over prior year. Earnings of $11.4 million remained relatively flat to prior year as higher fee income and a lower tax rate were offset by an increase in expenses, including DAC amortization costs.

We continue to see a product shift in our Retirement business as more customers choose our Retirement Advantage mutual fund products and fewer choose traditional annuities, consistent with the broader industry. Overall, deposits of $113 million were down less than 5% over prior year. Life earnings were down slightly on higher mortality costs, partially offset by a lower tax rate. Recurring premium product sales continue to be solid and we have a strong sales pipeline.

Net investment income increased by 1.3% over prior year, but was down on a sequential quarter basis. Prepayment activity slowed and the portfolio yield declined due to lower interest rate environment. This resulted in a decline in our net interest spread to 170 basis points, consistent with our 2018 guidance.

The net investment income decline, which impacts our quarterly earnings per share by more than $0.10, is due to two factors. The first, is the return to average prepayment levels after the accelerated pace at the end of 2017 as borrowers looked to maximize their tax benefits relative to the U.S. tax reform changes. The second is a concerted effort to increase our portfolio quality, which puts additional pressure on portfolio yield.

We believe that we are late in the credit cycle and are taking proactive actions to opportunistically position our portfolio. For example, we reduced exposure to high yield corporates in certain sectors of investment grade, corporates like retail and consumer cyclical, while being more selective on new purchases, such as agencies, structured securities including MBS, ABS, and CMBS and high quality municipals. The combination of reducing lower quality exposure, while increasing the credit quality of purchases has increased our average portfolio quality from an A to an A-plus and positions us very well for a recessionary environment.

Our new money guidance target for 2018 was 3.5%, which included the incremental yield impact of moving up in quality. In the first quarter, we exceeded that rate, largely due to increases in interest rates. As a result, we achieved a new money rate of 3.8% in the quarter. That said, our new money rate remains significantly lower than our portfolio rate of 5% and we expect to continue to see net investment income pressure in 2018. Our outlook for net interest margin is unchanged at 170 basis points for the full year.

The actions to improve credit quality are consistent with our approach at the tail end of the previous credit cycle in 2006 and 2007. We identified the heightened possibility of a recession and positioned our portfolio accordingly. This allowed us to opportunistically add credit risk through the financial crisis which resulted in strong portfolio returns overtime.

We are taking a similar approach now and this reflects the long term view which is consistent with how we manage the entire business. We've laid the foundation for growth through improvements in product, distribution and infrastructure. We have built a customer-centric focus into our day-to-day business operations and we're making steady improvement to our ROE through meaningful profitability initiative. All of these elements are critical to generating long-term shareholder value. Our first quarter was a solid start to 2018 and we're confident that we remain on the right path.

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

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

Thanks, Bret. Melissa, please open up the line for Q&A.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Robert Glasspiegel with Janney Montgomery Scott. Please proceed with your question.

<Q – Bob Glasspiegel – Janney Montgomery Scott LLC>: Good morning, Horace Mann. Got a couple follow-up questions to some numbers you threw out, the 4 points to 5 points of non-cat, whether that was overall or was that just in one of the segments?

<A – Bill Caldwell – Horace Mann Educators Corp.>: It was property. Hey Bob, it's Bill. It's property.

<Q – Bob Glasspiegel – Janney Montgomery Scott LLC>: So property was impacted by 4 points to 5 points...

<A – Bill Caldwell – Horace Mann Educators Corp.>: Right.

<Q – Bob Glasspiegel – Janney Montgomery Scott LLC>: ...it didn't impact auto?

<A – Bill Caldwell – Horace Mann Educators Corp.>: No.

<Q – Bob Glasspiegel – Janney Montgomery Scott LLC>: Okay. And you said guidance was given based on 3.5% new money and you're getting 3.8%, did I get that right?

<A – Bret Conklin – Horace Mann Educators Corp.>: That is correct Bob. This is Bret.

<Q – Bob Glasspiegel – Janney Montgomery Scott LLC>: Okay. Marita, just some comments on distribution, the normal first quarter decline in agent count, but it was a bit more than normal. Can we still get some growth this year, or are we too far behind to make that up?

<A – Marita Zuraitis – Horace Mann Educators Corp.>: Yeah, you know, Bob, I'm actually glad you've asked the question, again. The agency count does bounce around a little bit, but has remained relatively flat. Our reported number's not going to show much movement probably until later in the year and not materially until next year, and I think if you remember how we count agents, we're not counting LPs, we're not counting their production staff.

So when we have some consolidation, like larger agencies buying smaller ones, the result is they're better run, but the number goes down. Contrary to that, and that doesn't mean we have less boots on the street, contrary to that, if agencies are hiring more LPs and production staff, which they are, the number doesn't go up, but yet, we do have more boots on the street.

So I think that you're right to think about that overall number, it's a hard number to move because of the way we count it, but our focus continues to be on building stronger agencies and our priority has been on increasing household penetration in our existing territories, so also because of that I think greenfield territory expansion is going to emerge over time.

<Q – Bob Glasspiegel – Janney Montgomery Scott LLC>: Very helpful answer. I just look at the numbers you give us, so if there's better numbers to look at, I'd love to see them [indiscernible] (16:32).

<A – Marita Zuraitis – Horace Mann Educators Corp.>: Yeah, and I agree with you as well. If you'll recall, in the past, we did provide a licensed producer number, but that was an even harder number to track because we do have a lot of people in these agencies who are licensed producers, but they might not currently be in a sales job. So that's a hard number as well.

But we'll continue to give you commentary and information about the strategies what Matt's doing in business development as he looks at future expansion and greenfield territories in new geographies so that you have something other than just the pure agency count number to look at. But I think the best way to think about it is, we have strong agencies in the territories we cover and that hasn't substantially changed.

<Q – Bob Glasspiegel – Janney Montgomery Scott LLC>: Thank you. Last question is – may broke – other broken record question on capital, where are you sort of at the parent, excess at the holding – at the subsidiary levels and remind me on your buyback program with the [ph] air drift (17:33) down in insurance stocks. How long you'd have to stay out of the market and where you last did buy shares?

<A – Bret Conklin – Horace Mann Educators Corp.>: Yeah, Bob. This is Bret. Your first question with respect to excess capital at the end of the first quarter, we're at about $133 million, $81 million in the Life operations, $52 in the P&C, and that's up about $8 million from year-end; Life remaining relatively flat and P&C up a little bit.

I guess, with respect to share buyback, I think we bought maybe a couple hundred shares in the first quarter so far, but obviously, we do purchase opportunistically and obviously, with where the shares are trading currently, that could provide an opportunity for us to go back into the market.

<Q – Bob Glasspiegel – Janney Montgomery Scott LLC>: How long do you have to stay out after your report or we could buy today?

<A – Bret Conklin – Horace Mann Educators Corp.>: We could go back – yeah, we could, Bob, yes.

<Q – Bob Glasspiegel – Janney Montgomery Scott LLC>: Okay. And the highest price you've paid to-date has been what, roughly?

<A – Bret Conklin – Horace Mann Educators Corp.>: $37.50, Bob.

<Q – Bob Glasspiegel – Janney Montgomery Scott LLC>: Okay. Appreciate it. Thank you.

<A – Bret Conklin – Horace Mann Educators Corp.>: Sure.

<A – Marita Zuraitis – Horace Mann Educators Corp.>: Thanks, Bob.

Operator: Thank you. Our next question comes from the line of Matthew Carletti with JMP Securities. Please proceed with your question.

<Q – Matt Carletti – JMP Securities LLC>: Yeah. Thanks. Good morning.

<A – Bret Conklin – Horace Mann Educators Corp.>: Hi.

<Q – Matt Carletti – JMP Securities LLC>: Just a couple of numbers questions and a high level one. On the numbers side, looking at the Retirement segment, DAC amortization and operating expenses were a little high in the quarter or at least high versus kind of where various quarters were last year. Anything going on there kind of one-time-ish that elevated them and how should we think about that for the remainder of the year?

<A – Bret Conklin – Horace Mann Educators Corp.>: Matt, this is Bret. With respect to – and let me address the two buckets, if you will. Operating expenses are up compared to – if you're looking back four quarters, a couple million bucks roughly, I would say is it – with respect to the Retirement space, that is a strategic area for us and we're continuing to work on growing that segment of the business. That's just a continuum of what we've seen in 2017.

As it relates to DAC amortization, we will see an increase in that line item this year. As you recall, in 2017, we did change some of our DAC assumptions, really two pieces to that puzzle. The first being, the net interest margin is 170 basis points this year, obviously that's a decline from our assumption in the prior year. And then also our financial market performance assumption, we began last year at 10% and we're beginning this year with a 8% assumption. So it's really those two pieces that will cause that to be.

But as you recall, our plan for 2018 as it relates to the Retirement segment is basically to be flat with the prior year, to 2017. And really the dynamics of that is pre-tax income is targeted to be down, primarily driven by net investment income, offset by the tax benefit that we generated from tax reform. So really the pre-tax is being – the pre-tax decline is being offset by the after-tax increase.

<A – Marita Zuraitis – Horace Mann Educators Corp.>: And this is Marita...

<Q – Matt Carletti – JMP Securities LLC>: Okay.

<A – Marita Zuraitis – Horace Mann Educators Corp.>: ...just to add on to that, all of that consistent with what we built into our 2018 full-year guidance.

<Q – Matt Carletti – JMP Securities LLC>: Okay, perfect. And then the other numbers question I had just was tax rate, kind of where we thought this quarter, kind of, mid-upper-teens. Is that – anything going on this quarter that we shouldn't expect that similar result going forward?

<A – Bret Conklin – Horace Mann Educators Corp.>: No. Actually, Matt, this is Bret again, 15%, if you recall the year-end guidance we gave was between 15% to 18%, so we...

<Q – Matt Carletti – JMP Securities LLC>: Right.

<A – Bret Conklin – Horace Mann Educators Corp.>: ...landed right where we thought. Probably a fair question if you're looking at the prior year, it's actually up 1%, but it's more about the noise that was in the first quarter of 2017 where the P&C income is not where it is this year, coupled with the fact there was a accounting change that was adopted in the first quarter related to incentive comp, equity-based comp that had a 13% decrease on our effective rate in the prior year. But as far as it relates to 2018, 15% to 18% would be the percentage you want to use.

<Q – Matt Carletti – JMP Securities LLC>: Okay, great. And then last question, just high level, just looking at the stock reaction today and there's a pretty wide kind of range of consensus estimates out there. It seems like there might be just some confusion as to kind of expectations, particularly as we focus on auto going forward. And I know you guys have given kind of formal guidance, but just wanted to ask you kind of as this quarter came in, I mean, I know net investment income at least to me and I think Bret you alluded to it was the biggest swing versus anything EPS wise to be expected.

It looks to me that auto was a pretty good result. It was very in line with what we expected. How was it versus what you expected? Are we on kind of path for that improvement that you're projecting or are we ahead, behind, kind of just trying to focus on the kind of the core of the improvement in the P&C segment?

<A – Marita Zuraitis – Horace Mann Educators Corp.>: Thanks, Matt. I mean, first, what I would say overall is the reactions are little frustrating because for us we know it was a very solid quarter and very consistent with what we expected and what we put out in full 2018 guidance, pretty much across the board. And as it relates to auto, very confident that we're on track, not only what we saw in the first quarter, but also what we plan out for that 2 points to 2.5 points of full year improvement, very confident that we'll achieve that. So, we feel like the first quarter came in pretty close almost across the board to what we would have expected and consider it a very solid quarter. I'll ask Bill to comment on anything specific in auto.

<A – Bill Caldwell – Horace Mann Educators Corp.>: Yeah. Yeah, Matt, so when you think about the 2 points and 2.5 points to come out of the gate, 1.2 points better than the prior quarter, and with last quarter pretty tough quarter for us, we're definitely on track. We have rate in the high single digits in the first quarter. As you'd expect, 25% of those has been filed and approved, so we're well on track with rates and we continue with our underwriting and claims programs. It's not just all about rate, but those programs significantly help with that loss ratio improvement over the course of the year. So we feel good about it.

<Q – Matt Carletti – JMP Securities LLC>: Great.

<A – Marita Zuraitis – Horace Mann Educators Corp.>: I'd also go on to say that we're seeing some growth in territories where we have very strong performance and then our ability, because we're not a mono-line auto carrier, our ability to use third-party carriers in places that are a little more difficult from an underwriting perspective. So rather than chasing the customer away, we have the ability to place the auto with a third party provider. And then when circumstances change and they meet our hurdle rate, we have the ability to pull that customer back. And that has allowed us to maintain market share, while we're growing in places where we know we have the price to cover loss cost trends and we're constraining in those places where we don't. So we feel very good about having optionality in auto that if you're a pure manufacturer on a mono-line basis, you don't have that optionality.

<Q – Matt Carletti – JMP Securities LLC>: All right. Great. Well, thank you for the answers. Congrats on the progress made so far and best of luck for the rest of the year.

<A – Marita Zuraitis – Horace Mann Educators Corp.>: Thanks a lot.

<A – Bret Conklin – Horace Mann Educators Corp.>: Thanks, Matt.

<A – Bill Caldwell – Horace Mann Educators Corp.>: Thanks, Matt.

Operator: Thank you. Our next question comes from the line of Christopher Campbell with KBW. Please proceed with your question.

<Q – Chris Campbell – Keefe, Bruyette & Woods, Inc.>: Yes. Hi, good morning.

<A – Bret Conklin – Horace Mann Educators Corp.>: Good morning.

<A – Bill Caldwell – Horace Mann Educators Corp.>: Good morning, Chris.

<Q – Chris Campbell – Keefe, Bruyette & Woods, Inc.>: Just a question, I guess I'll start with P&C. So, I think Matt was there, he had mentioned the auto improvement, so I'll take a little bit of a different tact on it, right. So it looks like it slowed sequentially. It was only 120 bps year-over-year improvement off of, I'd say, a pretty bad 1Q 2017 result, which was up 550 bps year-over-year. So I'm just trying to square that where we've heard some competitors, like one yesterday, and then Progressive came out with lower frequency. So if you have this frequency tailwind in 1Q, so I'm just curious why we wouldn't have seen more of a pickup in the auto core loss ratio for the quarter?

<A – Bill Caldwell – Horace Mann Educators Corp.>: Yeah, yeah. Chris, if you're comparing to – this is Bill Caldwell by the way, if you're comparing to last Q3 and Q4, if you remember, they were very favorable from a weather perspective, where this was a little bit more of a normal first quarter, and I'd say normal more winter weather than last first quarter which was mostly spring. So when I look at this quarter in whole, yes, we're seeing frequency stabilize. Severities are still up a bit. And if I look at the combination of those two, think about a pure premium about 4 points to 5 points, mostly driven by severity, and a little bit more in bodily injury.

With that said, to get the point, 1.2 points improvement when our goal is to 2.5 points, we feel good coming out of the gate and the rate's only going to continue to earn, right. Our lowest point of the rate cycle obviously in the first quarter and that rate will only continue to come in through the course of the year.

<A – Bret Conklin – Horace Mann Educators Corp.>: Yeah, Matt (sic) [Chris] (27:46), still – this is Bret, that would still end the year at 102-ish. So to echo Bill's comment, 1.2 point improvement for the quarter, we're very pleased with that.

<Q – Chris Campbell – Keefe, Bruyette & Woods, Inc.>: Okay, got it. And then just switching over to homeowners, I think there was a higher non-cat property weather, so are you – so given those results and I know it's still early in the year, are you thinking about revising down the 100 bps to 150 bps year-over-year improvement there for the year?

<A – Bill Caldwell – Horace Mann Educators Corp.>: No. No, Chris, at this point, no change in our guidance. And just to rewind the tapes a little bit, if you go back to 2016, we ran a 90, so 10 points underwriting improvement last year. The industry was well over 100 and we ran a 97. The book has not changed significantly. It will be a little bit lumpy as we go through the quarters, but we feel good about where we are. We feel good about our underwriting and pricing drill and nothing has changed with our guidance around property.

<Q – Chris Campbell – Keefe, Bruyette & Woods, Inc.>: Okay. Got it, very helpful. And then just switching to Retirement, so little – lot of moving pieces in that this quarter. Now, I did notice there was a little spike up in operating expenses, which were about $2.3 million higher year-over-year. Any color on what's driving these higher costs?

<A – Bret Benham – Horace Mann Educators Corp.>: Yeah. This is the other Bret, Bret Benham. Bret Conklin touched on a little bit. Part of this is just a little bit of bump up in ongoing costs on the institutional side. Some of it is associated too with the year-over-year higher costs associated with the DOL and there's a few one-time costs there, but we think we'll be on target as we expected for the year.

<Q – Chris Campbell – Keefe, Bruyette & Woods, Inc.>: Okay. And so should we think like if there are – kind of a thought process on what we should think that run rate would be higher year-over-year, because it looks like it was up about 20%, is that a good way to think about OpEx?

<A – Bret Conklin – Horace Mann Educators Corp.>: Yeah. I mean, it's going – probably going to be up a little bit, but just the overarching theme as it relates to Retirement, our guidance has the core earnings flat with 2017. So, once again, I think your pre-tax income is going to be a little bit down from 2017, but the core earnings after-tax will be flat with the prior year. So, yeah, there's moving parts, but all-in, we're going to be flat with the prior year's is what we guided you guys to.

<Q – Chris Campbell – Keefe, Bruyette & Woods, Inc.>: Okay. Got it. And where would those – and where would those savings be, like, say, all right, if you have higher operating expenses, lower taxes, is there any delta there that kind of explains where you're getting the pickup in that variance to keep everything flat?

<A – Bret Conklin – Horace Mann Educators Corp.>: Well, they're basically offsetting variances, Chris, your expenses are going up, but your taxes are going down. What I'm saying is you've got the opposites above the line and below the line that net to a zero-sum game.

<Q – Chris Campbell – Keefe, Bruyette & Woods, Inc.>: Okay, got it. Thanks for all the answers. Best of luck in the second quarter.

<A – Bret Conklin – Horace Mann Educators Corp.>: Sure. Thanks.

Operator: Thank you. Our next question comes from the line of Gary Ransom with Dowling & Partners. Please proceed with your question.

<Q – Gary Ransom – Dowling & Partners Securities LLC>: Hi. I just have a couple follow-ups on some other questions. You were talking about frequency in auto stabilizing, but other companies have generally been talking about that being down in the first quarter and in some cases unexpectedly and I was wondering if you were seeing that kind of stabilizing frequency where it actually was improving more than you might have thought?

<A – Bill Caldwell – Horace Mann Educators Corp.>: Gary, this is Bill again. No, I can – I would characterize stable as more flat over prior year at this point, of course that always varies a lot by coverage.

<Q – Gary Ransom – Dowling & Partners Securities LLC>: Yeah.

<A – Bill Caldwell – Horace Mann Educators Corp.>: But when I look at the number of accidents that our insurers are getting in, that's relatively flat versus prior year.

<Q – Gary Ransom – Dowling & Partners Securities LLC>: Okay. And nothing unusual that you're seeing on the severity side at this point either, I assume?

<A – Bill Caldwell – Horace Mann Educators Corp.>: No, no, nothing unusual. Again, if you look at those combined, I'm seeing loss costs up about 4 points to 5 points on auto.

<Q – Gary Ransom – Dowling & Partners Securities LLC>: Okay. And then on another subject, on the investment income subject, you mentioned that the reinvestment rate is now – the new money is 3.8%. I'm just trying to think through the math of that, can you give us an idea of how much of your portfolio rolls over in a sense in a given year, rolls over naturally as opposed to selling changes you might make?

<A – Bret Conklin – Horace Mann Educators Corp.>: This is Bret. We have basically a six-year to seven-year duration on our portfolio. I mean, I can gather if you want the specific numbers, then we can provide that to you outside of the call. But that's where we ended the first quarter at 3.80%. I would say as we look to April, we're putting new money to work at slightly over 4%, I believe. So there could be a potential upside there, but 50 bps is probably worth about $2 million to $3 million of additional investment income on our portfolio. But it's really, to be honest with you, the decline was more driven by – if you recall last year, we had about $14 million of prepayments.

<Q – Gary Ransom – Dowling & Partners Securities LLC>: Right.

<A – Bret Conklin – Horace Mann Educators Corp.>: And our guidance for the year was $8 million. And to be candid with you, our prepayments in the first quarter, they're basically 25% of that $8 million. So from a net investment income standpoint, we're pretty much spot on with our plan, with the spread, the new money rate, the prepayments as well as the alt income.

<Q – Gary Ransom – Dowling & Partners Securities LLC>: Okay. Well, thank you very much. That's all I have.

<A – Marita Zuraitis – Horace Mann Educators Corp.>: Thanks, Gary.

Operator: Thank you. At this time, we have no further questions. I'd like to turn the floor back to Mr. Greenier for any final remarks.

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

Thanks, Melissa, and thank you for joining us today on this morning's call. If you have any additional questions, please don't reach out – don't hesitate to reach out to me this morning. Thank you.

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