



Horace Mann[®]

Founded by Educators for Educators

INVESTOR FINANCIAL SUPPLEMENT

SEPTEMBER 30, 2014

HORACE MANN EDUCATORS CORPORATION

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Note: The information contained in this document includes financial measures which are based on methodologies other than United States generally accepted accounting principles ("GAAP"). Reconciliations of non-GAAP measures to the closest GAAP measures are contained in the supplemental numerical pages of HMEC's quarterly earnings releases (and related Form 8-K filings), and additional descriptions of the non-GAAP measures are contained in the Glossary of Selected Terms included as an exhibit to HMEC's SEC filings.

HORACE MANN EDUCATORS CORPORATION

CONSOLIDATED FINANCIAL HIGHLIGHTS

| For Period Ended | Three Months Ended | | | | | Year to Date | |
|-------------------------------------------------------------------------------------------------|---------------------------|--------------------------|--------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| | Sept. 30, 2014 | Jun. 30, 2014 | Mar. 31, 2014 | Dec. 31, 2013 | Sept. 30, 2013 | Sept. 30, 2014 | Sept. 30, 2013 |
| <i>(\$ in millions, except per share data)</i> | | | | | | | |
| Earned Premiums | \$ 179.1 | \$ 179.1 | \$ 175.4 | \$ 176.4 | \$ 173.8 | \$ 533.6 | \$ 514.5 |
| Net Investment Income | 82.6 | 81.4 | 83.0 | 80.4 | 78.4 | 247.0 | 233.2 |
| Net Realized Investment Gains (Losses) | 3.5 | 3.5 | 1.7 | 1.3 | (1.4) | 8.7 | 20.9 |
| Other Income | 0.4 | 0.8 | 1.1 | 1.0 | 1.1 | 2.3 | 3.5 |
| Total Revenues | \$ 265.6 | \$ 264.8 | \$ 261.2 | \$ 259.1 | \$ 251.9 | \$ 791.6 | \$ 772.1 |
| Net Income | \$ 25.4 | \$ 20.4 | \$ 28.4 | \$ 34.3 | \$ 23.6 | \$ 74.2 | \$ 76.6 |
| Operating Income | 23.1 | 18.2 | 27.3 | 33.4 | 24.5 | 68.6 | 63.1 |
| At Period End | | | | | | | |
| Total Assets | \$ 9,643.0 | \$ 9,446.2 | \$ 9,083.5 | \$ 8,826.7 | \$ 8,522.7 | \$ 9,643.0 | \$ 8,522.7 |
| Total Policy Liabilities | 5,269.5 | 5,163.3 | 5,082.3 | 5,029.2 | 4,969.8 | 5,269.5 | 4,969.8 |
| Debt | 237.9 | 237.9 | 237.9 | 237.9 | 237.9 | 237.9 | 237.9 |
| Shareholders' Equity | 1,288.3 | 1,283.1 | 1,197.8 | 1,099.3 | 1,089.3 | 1,288.3 | 1,089.3 |
| Per Share and Shares Data | | | | | | | |
| Net Income per share (basic) | \$ 0.61 | \$ 0.49 | \$ 0.69 | \$ 0.84 | \$ 0.59 | \$ 1.79 | \$ 1.93 |
| Operating Income per share (basic) | 0.56 | 0.44 | 0.66 | 0.82 | 0.61 | 1.66 | 1.59 |
| Net Income per diluted share | \$ 0.60 | \$ 0.48 | \$ 0.67 | \$ 0.81 | \$ 0.57 | \$ 1.76 | \$ 1.85 |
| Operating Income per diluted share | 0.55 | 0.43 | 0.65 | 0.79 | 0.59 | 1.63 | 1.53 |
| Weighted average common shares (basic) | 41.5 | 41.4 | 41.2 | 40.8 | 40.0 | 41.4 | 39.8 |
| Dilutive effect of stock equivalents | 0.8 | 0.9 | 1.1 | 1.4 | 1.7 | 0.8 | 1.6 |
| Weighted average diluted shares | 42.3 | 42.3 | 42.3 | 42.2 | 41.7 | 42.2 | 41.4 |
| Book value per share | \$ 31.51 | \$ 31.40 | \$ 29.47 | \$ 27.14 | \$ 27.15 | \$ 31.51 | \$ 27.15 |
| Per share impact of unrealized gain (loss) on fixed maturities and equity securities | 6.60 | 6.89 | 5.20 | 3.31 | 4.00 | 6.60 | 4.00 |
| Book value per share excluding unrealized gain (loss) on fixed maturities and equity securities | \$ 24.91 | \$ 24.51 | \$ 24.27 | \$ 23.83 | \$ 23.15 | \$ 24.91 | \$ 23.15 |
| Dividends paid per share | \$ 0.23 | \$ 0.23 | \$ 0.23 | \$ 0.195 | \$ 0.195 | \$ 0.69 | \$ 0.585 |
| Financial Ratios | | | | | | | |
| Net Income ROE | 9.1% | 9.2% | 9.8% | 9.6% | 9.1% | 9.1% | 9.1% |
| Net Income ROE excluding unrealized on investments | 11.1% | 11.1% | 12.0% | 12.2% | 12.3% | 11.1% | 12.3% |
| Operating Income ROE | 8.6% | 9.0% | 8.8% | 8.3% | 7.7% | 8.6% | 7.7% |
| Operating Income ROE excluding unrealized on investments | 10.4% | 10.8% | 10.8% | 10.6% | 10.3% | 10.4% | 10.3% |
| Debt to total capitalization | 15.6% | 15.6% | 16.6% | 17.8% | 17.9% | 15.6% | 17.9% |
| Debt to total capitalization excluding unrealized on investments | 18.9% | 19.2% | 19.4% | 19.8% | 20.4% | 18.9% | 20.4% |
| Annualized Investment yield, after tax | 3.58% | 3.61% | 3.67% | 3.61% | 3.61% | 3.58% | 3.61% |

HORACE MANN EDUCATORS CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

| For Period Ended | Three Months Ended | | | | | Year to Date | |
|----------------------------------------------------------|---------------------------|--------------------------|--------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| | Sept. 30, 2014 | Jun. 30, 2014 | Mar. 31, 2014 | Dec. 31, 2013 | Sept. 30, 2013 | Sept. 30, 2014 | Sept. 30, 2013 |
| <i>(\$ in millions)</i> | | | | | | | |
| Revenues | | | | | | | |
| Insurance premiums and contract charges earned | \$ 179.1 | \$ 179.1 | \$ 175.4 | \$ 176.4 | \$ 173.8 | \$ 533.6 | \$ 514.5 |
| Net investment income | 82.6 | 81.4 | 83.0 | 80.4 | 78.4 | 247.0 | 233.2 |
| Net realized investment gains (losses) | 3.5 | 3.5 | 1.7 | 1.3 | (1.4) | 8.7 | 20.9 |
| Other income | 0.4 | 0.8 | 1.1 | 1.0 | 1.1 | 2.3 | 3.5 |
| Total revenues | 265.6 | 264.8 | 261.2 | 259.1 | 251.9 | 791.6 | 772.1 |
| Benefits, losses and expenses | | | | | | | |
| Benefits, claims and settlement expenses | 117.4 | 127.2 | 112.0 | 102.1 | 112.7 | 356.6 | 346.2 |
| Interest credited | 44.5 | 43.7 | 43.1 | 43.5 | 42.9 | 131.3 | 126.4 |
| DAC amortization expense, excluding unlocking | 23.2 | 23.0 | 22.9 | 22.4 | 22.2 | 69.1 | 65.8 |
| DAC unlocking | 1.3 | (0.5) | 0.1 | (1.8) | (1.3) | 0.9 | (1.8) |
| Operating expenses | 39.9 | 39.3 | 39.9 | 40.9 | 41.4 | 119.1 | 119.2 |
| Interest expense | 3.5 | 3.6 | 3.5 | 3.5 | 3.6 | 10.6 | 10.7 |
| Total benefits, losses and expenses | 229.8 | 236.3 | 221.5 | 210.6 | 221.5 | 687.6 | 666.5 |
| Income before income taxes | 35.8 | 28.5 | 39.7 | 48.5 | 30.4 | 104.0 | 105.6 |
| Income tax expense | 10.4 | 8.1 | 11.3 | 14.2 | 6.8 | 29.8 | 29.0 |
| Net income | \$ 25.4 | \$ 20.4 | \$ 28.4 | \$ 34.3 | \$ 23.6 | \$ 74.2 | \$ 76.6 |
| Less: Net realized investment gains (losses), after tax | 2.3 | 2.2 | 1.1 | 0.9 | (0.9) | 5.6 | 13.5 |
| Operating income | \$ 23.1 | \$ 18.2 | \$ 27.3 | \$ 33.4 | \$ 24.5 | \$ 68.6 | \$ 63.1 |
| Other Statistics | | | | | | | |
| Effective tax rate on net investment income | 32.9% | 32.8% | 32.9% | 33.0% | 32.8% | 32.9% | 32.7% |
| Net investment income, after tax | \$ 55.4 | \$ 54.7 | \$ 55.7 | \$ 53.9 | \$ 52.7 | \$ 165.8 | \$ 156.9 |
| Catastrophes, net of reinsurance, pre-tax | 5.7 | 23.5 | 6.3 | 2.9 | 9.1 | 35.5 | 37.3 |
| Catastrophes, net of reinsurance, after tax | 3.7 | 15.3 | 4.1 | 1.9 | 5.9 | 23.1 | 24.2 |
| Other-than-temporary impairment losses on securities [1] | (0.1) | (0.5) | - | (0.5) | - | (0.6) | (1.0) |
| Agent Information | | | | | | | |
| Exclusive agencies | 640 | 620 | 629 | 654 | 620 | 640 | 620 |
| Employee agents | 79 | 87 | 93 | 105 | 116 | 79 | 116 |
| Total | 719 | 707 | 722 | 759 | 736 | 719 | 736 |

[1] Included in pre-tax net realized investment gains (losses)

HORACE MANN EDUCATORS CORPORATION

CONSOLIDATED BALANCE SHEET

| | Sept. 30, 2014 | Jun. 30, 2014 | Mar. 31, 2014 | Dec. 31, 2013 | Sept. 30, 2013 | Jun. 30, 2013 |
|----------------------------------------------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <i>(\$ in millions, except per share data)</i> | | | | | | |
| ASSETS | | | | | | |
| Investments | | | | | | |
| Fixed maturities, available for sale, at fair value | \$ 6,793.5 | \$ 6,676.3 | \$ 6,398.4 | \$ 6,009.6 | \$ 5,940.5 | \$ 5,930.6 |
| Equity securities, available for sale, at fair value | 106.8 | 109.5 | 94.2 | 91.9 | 86.6 | 83.0 |
| Short-term and other investments | 406.2 | 303.9 | 308.7 | 438.0 | 313.7 | 283.7 |
| Total investments | 7,306.5 | 7,089.7 | 6,801.3 | 6,539.5 | 6,340.8 | 6,297.3 |
| Cash | 41.2 | 44.7 | 34.9 | 18.2 | 45.8 | 37.9 |
| Deferred policy acquisition costs | 217.7 | 210.0 | 222.6 | 245.3 | 233.1 | 220.8 |
| Goodwill | 47.4 | 47.4 | 47.4 | 47.4 | 47.4 | 47.4 |
| Other assets | 243.8 | 240.3 | 232.3 | 228.3 | 227.9 | 226.9 |
| Separate account assets | 1,786.4 | 1,814.1 | 1,745.0 | 1,748.0 | 1,627.7 | 1,525.5 |
| Total assets | \$ 9,643.0 | \$ 9,446.2 | \$ 9,083.5 | \$ 8,826.7 | \$ 8,522.7 | \$ 8,355.8 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | |
| Policy liabilities | | | | | | |
| Fixed annuity contract liabilities | \$ 3,717.3 | \$ 3,629.1 | \$ 3,567.2 | \$ 3,515.9 | \$ 3,454.3 | \$ 3,366.5 |
| Interest-sensitive life contract liabilities | 788.3 | 785.3 | 781.1 | 777.3 | 773.8 | 769.7 |
| Unpaid claims and claim expenses | 305.1 | 302.6 | 295.2 | 291.6 | 297.0 | 303.4 |
| Future policy benefits | 232.1 | 228.6 | 224.6 | 223.3 | 221.4 | 218.8 |
| Unearned premiums | 226.7 | 217.7 | 214.2 | 221.1 | 223.3 | 211.7 |
| Total policy liabilities | 5,269.5 | 5,163.3 | 5,082.3 | 5,029.2 | 4,969.8 | 4,870.1 |
| Other policyholder funds | 601.6 | 347.1 | 344.8 | 346.3 | 97.8 | 99.9 |
| Other liabilities | 459.3 | 600.7 | 475.7 | 366.0 | 500.2 | 516.2 |
| Short-term debt | 38.0 | 38.0 | 38.0 | 38.0 | 38.0 | 38.0 |
| Long-term debt, current and noncurrent | 199.9 | 199.9 | 199.9 | 199.9 | 199.9 | 199.8 |
| Separate account liabilities | 1,786.4 | 1,814.1 | 1,745.0 | 1,748.0 | 1,627.7 | 1,525.5 |
| Total liabilities | 8,354.7 | 8,163.1 | 7,885.7 | 7,727.4 | 7,433.4 | 7,249.5 |
| Common stock, \$0.001 par value | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Additional paid-in capital | 420.7 | 418.0 | 413.4 | 407.0 | 400.1 | 396.2 |
| Retained earnings | 1,045.1 | 1,029.5 | 1,018.9 | 1,000.3 | 974.2 | 958.8 |
| Accumulated other comprehensive income (loss), net of taxes: | | | | | | |
| Net unrealized gains and losses on fixed maturities and equity securities | 270.0 | 281.5 | 211.4 | 134.0 | 160.5 | 196.8 |
| Net funded status of pension and other post-retirement benefit obligations | (11.8) | (11.8) | (11.8) | (11.8) | (15.3) | (15.3) |
| Treasury stock, at cost | (435.8) | (434.2) | (434.2) | (430.3) | (430.3) | (430.3) |
| Total shareholders' equity | 1,288.3 | 1,283.1 | 1,197.8 | 1,099.3 | 1,089.3 | 1,106.3 |
| Total liabilities and shareholders' equity | \$ 9,643.0 | \$ 9,446.2 | \$ 9,083.5 | \$ 8,826.7 | \$ 8,522.7 | \$ 8,355.8 |

HORACE MANN EDUCATORS CORPORATION

CAPITAL METRICS

| For Period Ended | Three Months Ended | | | | | Year to Date | |
|-------------------------------------------------------------------------------------------------------------|---------------------------|--------------------------|--------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| | Sept. 30, 2014 | Jun. 30, 2014 | Mar. 31, 2014 | Dec. 31, 2013 | Sept. 30, 2013 | Sept. 30, 2014 | Sept. 30, 2013 |
| <i>(\$ in millions, except per share data)</i> | | | | | | | |
| <u>Book Value Per Share</u> | | | | | | | |
| Numerator | | | | | | | |
| Shareholders' Equity | \$ 1,288.3 | \$ 1,283.1 | \$ 1,197.8 | \$ 1,099.3 | \$ 1,089.3 | \$ 1,288.3 | \$ 1,089.3 |
| Less: Unrealized Gains and Losses on Fixed Maturities and Equity Securities [1] | 270.0 | 281.5 | 211.4 | 134.0 | 160.5 | 270.0 | 160.5 |
| Shareholders' Equity Excluding Unrealized Gains and Losses on Fixed Maturities and Equity Securities | \$ 1,018.3 | \$ 1,001.6 | \$ 986.4 | \$ 965.3 | \$ 928.8 | \$ 1,018.3 | \$ 928.8 |
| Denominator | | | | | | | |
| Common Shares Issued and Outstanding, at period end | 40.9 | 40.9 | 40.6 | 40.5 | 40.1 | 40.9 | 40.1 |
| Book Value Per Share | \$ 31.51 | \$ 31.40 | \$ 29.47 | \$ 27.14 | \$ 27.15 | \$ 31.51 | \$ 27.15 |
| Book Value Per Share Excluding Unrealized on Fixed Maturities and Equity Securities | \$ 24.91 | \$ 24.51 | \$ 24.27 | \$ 23.83 | \$ 23.15 | \$ 24.91 | \$ 23.15 |
| <u>Return on Shareholders' Equity</u> | | | | | | | |
| Numerator | | | | | | | |
| Trailing 12 Months Net Income | \$ 108.5 | \$ 106.7 | \$ 112.3 | \$ 110.9 | \$ 108.5 | \$ 108.5 | \$ 108.5 |
| Trailing 12 Months Operating Income | 102.0 | 103.4 | 101.2 | 96.5 | 91.0 | 102.0 | 91.0 |
| Denominator (5-point Average) | | | | | | | |
| 5-point Average Shareholders' Equity | \$ 1,191.6 | \$ 1,155.2 | \$ 1,150.9 | \$ 1,160.5 | \$ 1,187.1 | \$ 1,191.6 | \$ 1,187.1 |
| Trailing 12 Months Net Income on Average Shareholders' Equity (5-point Average) | 9.1% | 9.2% | 9.8% | 9.6% | 9.1% | 9.1% | 9.1% |
| Trailing 12 Months Operating Income on Average Shareholders' Equity (5-point Average) | 8.6% | 9.0% | 8.8% | 8.3% | 7.7% | 8.6% | 7.7% |
| <u>Debt and Total Capitalization</u> | | | | | | | |
| Short Term Debt, Due Under Revolving Credit Agreement, Expires On 10/6/15, At Libor +125 bps | \$ 38.0 | \$ 38.0 | \$ 38.0 | \$ 38.0 | \$ 38.0 | \$ 38.0 | \$ 38.0 |
| Senior Debt: | | | | | | | |
| 6.05% Senior Notes Due June 15, 2015 | 75.0 | 75.0 | 75.0 | 75.0 | 75.0 | 75.0 | 75.0 |
| 6.85% Senior Notes Due April 15, 2016 | 124.9 | 124.9 | 124.9 | 124.9 | 124.9 | 124.9 | 124.9 |
| Total Debt | 237.9 | 237.9 | 237.9 | 237.9 | 237.9 | 237.9 | 237.9 |
| Shareholders' Equity | 1,288.3 | 1,283.1 | 1,197.8 | 1,099.3 | 1,089.3 | 1,288.3 | 1,089.3 |
| Total Capitalization | \$ 1,526.2 | \$ 1,521.0 | \$ 1,435.7 | \$ 1,337.2 | \$ 1,327.2 | \$ 1,526.2 | \$ 1,327.2 |
| Ratio of Debt to Shareholders' Equity | 18.5% | 18.5% | 19.9% | 21.7% | 21.8% | 18.5% | 21.8% |
| Ratio of Debt to Total Capitalization | 15.6% | 15.6% | 16.6% | 17.8% | 17.9% | 15.6% | 17.9% |
| <u>Capital Returned to Shareholders</u> | | | | | | | |
| Common Stock Repurchased | \$ 1.5 | \$ - | \$ 3.9 | \$ - | \$ - | \$ 5.4 | \$ 3.9 |
| Cash Dividends Paid | 9.8 | 9.8 | 9.8 | 8.3 | 8.1 | 29.4 | 24.3 |
| Total Capital Returned to Shareholders | \$ 11.3 | \$ 9.8 | \$ 13.7 | \$ 8.3 | \$ 8.1 | \$ 34.8 | \$ 28.2 |

[1] After tax and including the impact on deferred policy acquisition costs for interest-sensitive life and investment (annuity) contracts.

HORACE MANN EDUCATORS CORPORATION
PROPERTY & CASUALTY SEGMENT
STATEMENT OF OPERATIONS

| For Period Ended <i>(\$ in millions)</i> | Three Months Ended | | | | | Year to Date | |
|--------------------------------------------------------|---------------------------|--------------------------|--------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| | Sept. 30, 2014 | Jun. 30, 2014 | Mar. 31, 2014 | Dec. 31, 2013 | Sept. 30, 2013 | Sept. 30, 2014 | Sept. 30, 2013 |
| UNDERWRITING RESULTS | | | | | | | |
| Written premiums | | | | | | | |
| Voluntary Auto | \$ 97.0 | \$ 93.3 | \$ 94.8 | \$ 93.6 | \$ 94.4 | \$ 285.1 | \$ 278.1 |
| Property | 56.9 | 54.0 | 41.9 | 46.8 | 57.3 | 152.8 | 148.2 |
| Involuntary & Other | 0.7 | 0.9 | 0.5 | 1.4 | 0.8 | 2.1 | 2.3 |
| Total written premiums | 154.6 | 148.2 | 137.2 | 141.8 | 152.5 | 440.0 | 428.6 |
| Earned premiums | | | | | | | |
| Voluntary Auto | \$ 94.6 | \$ 94.2 | \$ 93.9 | \$ 93.3 | \$ 91.8 | \$ 282.7 | \$ 274.2 |
| Property | 50.2 | 49.8 | 49.6 | 48.6 | 48.2 | 149.6 | 142.2 |
| Involuntary & Other | 0.8 | 0.6 | 0.4 | 1.8 | 0.8 | 1.8 | 1.8 |
| Total earned premiums | 145.6 | 144.6 | 143.9 | 143.7 | 140.8 | 434.1 | 418.2 |
| Losses and loss adjustment expenses | | | | | | | |
| Current accident year before catastrophes | 98.6 | 89.4 | 92.7 | 90.7 | 92.5 | 280.7 | 272.7 |
| Current accident year catastrophes | 5.7 | 23.5 | 6.3 | 2.9 | 9.1 | 35.5 | 37.3 |
| Prior years' reserve development [1] | (4.4) | (3.0) | (4.0) | (8.1) | (4.0) | (11.4) | (9.9) |
| Total losses and loss adjustment expenses | 99.9 | 109.9 | 95.0 | 85.5 | 97.6 | 304.8 | 300.1 |
| Operating expenses, including DAC amortization expense | 40.2 | 38.5 | 39.8 | 40.0 | 39.8 | 118.5 | 115.5 |
| Underwriting gain (loss) | 5.5 | (3.8) | 9.1 | 18.2 | 3.4 | 10.8 | 2.6 |
| Net investment income | 8.9 | 9.4 | 9.3 | 9.3 | 8.8 | 27.6 | 26.9 |
| Other income (expense) | - | - | 0.2 | - | 0.2 | 0.2 | 0.2 |
| Income before income taxes | 14.4 | 5.6 | 18.6 | 27.5 | 12.4 | 38.6 | 29.7 |
| Income tax expense (benefit) | 2.6 | 0.7 | 4.6 | 8.5 | 1.3 | 7.9 | 4.3 |
| Net Income [2] | \$ 11.8 | \$ 4.9 | \$ 14.0 | \$ 19.0 | \$ 11.1 | \$ 30.7 | \$ 25.4 |

[1] (Favorable) unfavorable.

[2] Net realized investment gains (losses) are not allocated by segment, therefore, net income and operating income are equivalent.

HORACE MANN EDUCATORS CORPORATION
PROPERTY & CASUALTY SEGMENT
UNDERWRITING RESULTS

| <u>For Period Ended</u> | <u>Three Months Ended</u> | | | | | <u>Year to Date</u> | |
|------------------------------------------------------------------------|---------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | <u>Sept. 30,</u> <u>2014</u> | <u>Jun. 30,</u> <u>2014</u> | <u>Mar. 31,</u> <u>2014</u> | <u>Dec. 31,</u> <u>2013</u> | <u>Sept. 30,</u> <u>2013</u> | <u>Sept. 30,</u> <u>2014</u> | <u>Sept. 30,</u> <u>2013</u> |
| UNDERWRITING RATIOS (%) | | | | | | | |
| Losses and loss adjustment expenses | | | | | | | |
| Current accident year before catastrophes | 67.7 | 61.8 | 64.4 | 63.1 | 65.7 | 64.7 | 65.2 |
| Current accident year catastrophes | 4.0 | 16.3 | 4.4 | 2.1 | 6.4 | 8.1 | 9.0 |
| Prior years' reserve development [1] | (3.0) | (2.1) | (2.8) | (5.7) | (2.8) | (2.6) | (2.4) |
| Total losses and loss adjustment expenses | 68.7 | 76.0 | 66.0 | 59.5 | 69.3 | 70.2 | 71.8 |
| Expense Ratio | 27.6 | 26.7 | 27.7 | 27.9 | 28.3 | 27.3 | 27.6 |
| Combined ratio | 96.3 | 102.7 | 93.7 | 87.4 | 97.6 | 97.5 | 99.4 |
| Combined ratio before catastrophes | 92.3 | 86.4 | 89.3 | 85.3 | 91.2 | 89.4 | 90.4 |
| Combined ratio before catastrophes and prior years' development | 95.3 | 88.5 | 92.1 | 91.0 | 94.0 | 92.0 | 92.8 |
| PRODUCT (%) | | | | | | | |
| Voluntary Automobile | | | | | | | |
| Loss and loss adjustment expense ratio | 69.0 | 70.3 | 67.7 | 68.4 | 71.0 | 69.0 | 71.2 |
| Expense ratio | 28.3 | 27.0 | 28.3 | 28.1 | 28.9 | 27.8 | 28.1 |
| Combined ratio | 97.3 | 97.3 | 96.0 | 96.5 | 99.9 | 96.8 | 99.3 |
| Prior years' reserve development [1] | (3.7) | (3.2) | (4.2) | (8.1) | (4.2) | (3.7) | (3.5) |
| Catastrophes | 1.1 | 4.2 | 0.1 | 0.4 | 2.0 | 1.8 | 1.5 |
| Combined ratio before catastrophes and prior years' development | 99.9 | 96.3 | 100.1 | 104.2 | 102.1 | 98.7 | 101.3 |
| Property | | | | | | | |
| Loss and loss adjustment expense ratio | 68.5 | 86.7 | 62.4 | 42.1 | 65.0 | 72.5 | 72.1 |
| Expense ratio | 26.4 | 26.2 | 26.7 | 27.7 | 27.3 | 26.4 | 26.8 |
| Combined ratio | 94.9 | 112.9 | 89.1 | 69.8 | 92.3 | 98.9 | 98.9 |
| Prior years' reserve development [1] | 0.0 | 0.0 | 0.0 | (1.3) | (0.5) | 0.0 | (0.1) |
| Catastrophes | 9.2 | 39.4 | 12.5 | 5.3 | 15.1 | 20.3 | 23.4 |
| Combined ratio before catastrophes and prior years' development | 85.7 | 73.5 | 76.6 | 65.8 | 77.7 | 78.6 | 75.6 |
| STATISTICAL PREMIUM INFORMATION | | | | | | | |
| Policy Count Retention (12 month) | | | | | | | |
| Voluntary Automobile | 84.5% | 84.5% | 84.6% | 84.8% | 85.0% | 84.5% | 85.0% |
| Property | 88.2% | 88.8% | 88.9% | 89.0% | 89.2% | 88.2% | 89.2% |
| Sales (12-month annualized premium, in millions) [2] | | | | | | | |
| Voluntary Automobile | \$ 22.1 | \$ 19.6 | \$ 17.2 | \$ 17.8 | \$ 20.6 | \$ 58.9 | \$ 57.0 |
| Property | 5.1 | 3.9 | 3.5 | 4.2 | 5.4 | 12.5 | 13.7 |
| Total Sales | \$ 27.2 | \$ 23.5 | \$ 20.7 | \$ 22.0 | \$ 26.0 | \$ 71.4 | \$ 70.7 |
| Policies in force (in thousands) | | | | | | | |
| Voluntary Automobile | 481 | 480 | 480 | 482 | 486 | 481 | 486 |
| Property | 230 | 232 | 234 | 235 | 236 | 230 | 236 |
| Total Policies in force | 711 | 712 | 714 | 717 | 722 | 711 | 722 |

[1] (Favorable) unfavorable.

[2] HM products.

HORACE MANN EDUCATORS CORPORATION
ANNUITY SEGMENT
STATEMENT OF OPERATIONS AND SUPPLEMENTAL DATA

| For Period Ended <i>(\$ in millions)</i> | Three Months Ended | | | | | Year to Date | |
|--------------------------------------------------------------|---------------------------|--------------------------|--------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| | Sept. 30, 2014 | Jun. 30, 2014 | Mar. 31, 2014 | Dec. 31, 2013 | Sept. 30, 2013 | Sept. 30, 2014 | Sept. 30, 2013 |
| Contract deposits | \$ 143.4 | \$ 118.0 | \$ 100.3 | \$ 106.2 | \$ 128.2 | \$ 361.7 | \$ 316.8 |
| Revenues | | | | | | | |
| Contract charges earned | \$ 6.6 | \$ 6.5 | \$ 5.9 | \$ 5.9 | \$ 5.9 | \$ 19.0 | \$ 16.7 |
| Net investment income | 56.0 | 54.4 | 55.8 | 53.6 | 52.1 | 166.2 | 154.8 |
| Other income | 0.2 | 0.5 | 0.6 | 0.7 | 0.6 | 1.3 | 2.3 |
| Total revenues | 62.8 | 61.4 | 62.3 | 60.2 | 58.6 | 186.5 | 173.8 |
| Benefits and Expenses | | | | | | | |
| Interest credited | 33.6 | 32.8 | 32.3 | 32.7 | 32.2 | 98.7 | 94.3 |
| Mortality loss and other reserve changes | 0.9 | 0.4 | 0.4 | 0.4 | 0.4 | 1.7 | 1.4 |
| DAC amortization expense, excluding unlocking | 3.5 | 3.3 | 3.3 | 3.0 | 2.9 | 10.1 | 8.7 |
| DAC unlocking | 1.2 | (0.4) | 0.1 | (1.8) | (1.3) | 0.9 | (1.9) |
| Operating expenses | 7.5 | 8.5 | 8.4 | 8.6 | 8.6 | 24.4 | 25.4 |
| Total benefits and expenses | 46.7 | 44.6 | 44.5 | 42.9 | 42.8 | 135.8 | 127.9 |
| Income before income taxes | 16.1 | 16.8 | 17.8 | 17.3 | 15.8 | 50.7 | 45.9 |
| Income tax expense | 5.8 | 5.3 | 5.5 | 4.5 | 4.2 | 16.6 | 14.0 |
| Net income [1] | \$ 10.3 | \$ 11.5 | \$ 12.3 | \$ 12.8 | \$ 11.6 | \$ 34.1 | \$ 31.9 |
| Less: DAC unlocking, after tax | (0.8) | 0.3 | (0.1) | 1.2 | 0.8 | (0.6) | 1.2 |
| Net income excluding DAC unlocking | \$ 11.1 | \$ 11.2 | \$ 12.4 | \$ 11.6 | \$ 10.8 | \$ 34.7 | \$ 30.7 |
| RETURN ON ASSETS (Before-tax bps) | | | | | | | |
| ROA (12 month) [2] | 124 | 121 | 121 | 118 | 116 | 124 | 116 |
| INTEREST SPREAD (Before-tax bps, YTD annualized) | 204 | 205 | 214 | 199 | 198 | 204 | 198 |
| Annuity Contracts in force (in thousands) | 199 | 197 | 196 | 195 | 192 | 199 | 192 |
| Persistence (12 month) | | | | | | | |
| Fixed Annuities | 94.8% | 94.9% | 95.1% | 95.2% | 95.3% | 94.8% | 95.3% |
| Variable Annuities | 94.2% | 94.1% | 94.1% | 94.0% | 93.9% | 94.2% | 93.9% |
| Sales (12-month annualized deposits, in millions) [3] | | | | | | | |
| Recurring | \$ 10.0 | \$ 10.0 | \$ 8.8 | \$ 12.6 | \$ 7.9 | \$ 28.8 | \$ 24.6 |
| Single Deposit/Rollover | 102.1 | 69.3 | 55.4 | 57.7 | 88.2 | 226.8 | 184.9 |
| Total Sales | \$ 112.1 | \$ 79.3 | \$ 64.2 | \$ 70.3 | \$ 96.1 | \$ 255.6 | \$ 209.5 |

[1] Net realized investment gains (losses) are not allocated by segment, therefore, net income and operating income are equivalent.

[2] Trailing 12 months adjusted earnings (income before income taxes adjusted to remove the impact of DAC unlocking and changes in guaranteed minimum death benefit reserves) divided by a 5-point average accumulated account value.

[3] HM products.

HORACE MANN EDUCATORS CORPORATION
ANNUITY SEGMENT
ACCOUNT VALUE ROLLFORWARD

| <u>For Period Ended</u> <i>(\$ in millions)</i> | Three Months Ended | | | | | |
|----------------------------------------------------|---------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------------|--------------------------------|
| | <u>Sept. 30,</u> <u>2014</u> | <u>Jun. 30,</u> <u>2014</u> | <u>Mar. 31,</u> <u>2014</u> | <u>Dec. 31,</u> <u>2013</u> | <u>Sept. 30,</u> <u>2013</u> | <u>Jun. 30,</u> <u>2013</u> |
| FIXED ANNUITIES | | | | | | |
| Beginning balance | \$ 3,730.6 | \$ 3,667.1 | \$ 3,617.2 | \$ 3,559.0 | \$ 3,471.7 | \$ 3,419.0 |
| Deposits | 108.7 | 82.8 | 67.8 | 71.6 | 96.7 | 63.1 |
| Withdrawals | (58.4) | (62.0) | (56.0) | (61.4) | (53.8) | (53.6) |
| Net Transfers | 11.5 | 10.9 | 4.6 | 12.1 | 13.3 | 11.0 |
| Interest Credited | 33.6 | 32.8 | 32.3 | 32.7 | 32.2 | 31.4 |
| Other | 0.1 | (1.0) | 1.2 | 3.2 | (1.1) | 0.8 |
| Ending balance | <u>\$ 3,826.1</u> | <u>\$ 3,730.6</u> | <u>\$ 3,667.1</u> | <u>\$ 3,617.2</u> | <u>\$ 3,559.0</u> | <u>\$ 3,471.7</u> |
| VARIABLE ANNUITIES | | | | | | |
| Beginning balance | \$ 1,814.1 | \$ 1,745.0 | \$ 1,748.0 | \$ 1,627.7 | \$ 1,525.5 | \$ 1,508.3 |
| Deposits | 34.7 | 35.2 | 32.5 | 34.6 | 31.5 | 35.3 |
| Withdrawals | (28.3) | (28.5) | (24.4) | (25.5) | (25.2) | (24.2) |
| Net Transfers | (11.5) | (10.9) | (4.6) | (12.1) | (13.3) | (11.0) |
| Fees & Charges | (7.0) | (6.9) | (6.6) | (7.0) | (6.1) | (5.9) |
| Market Appreciation | (15.8) | 80.2 | - | 130.1 | 115.2 | 22.9 |
| Other | 0.2 | - | 0.1 | 0.2 | 0.1 | 0.1 |
| Ending balance | <u>\$ 1,786.4</u> | <u>\$ 1,814.1</u> | <u>\$ 1,745.0</u> | <u>\$ 1,748.0</u> | <u>\$ 1,627.7</u> | <u>\$ 1,525.5</u> |

HORACE MANN EDUCATORS CORPORATION
LIFE SEGMENT
STATEMENT OF OPERATIONS AND SUPPLEMENTAL DATA

| <u>For Period Ended</u> (\$ in millions) | <u>Three Months Ended</u> | | | | | <u>Year to Date</u> | |
|-----------------------------------------------|---------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | <u>Sept. 30,</u> <u>2014</u> | <u>Jun. 30,</u> <u>2014</u> | <u>Mar. 31,</u> <u>2014</u> | <u>Dec. 31,</u> <u>2013</u> | <u>Sept. 30,</u> <u>2013</u> | <u>Sept. 30,</u> <u>2014</u> | <u>Sept. 30,</u> <u>2013</u> |
| Premiums and contract deposits | \$ 24.7 | \$ 26.2 | \$ 22.8 | \$ 27.4 | \$ 25.3 | \$ 73.7 | \$ 73.4 |
| Revenues | | | | | | | |
| Premiums and contract charges earned | \$ 26.9 | \$ 28.0 | \$ 25.6 | \$ 26.8 | \$ 27.1 | \$ 80.5 | \$ 79.6 |
| Net investment income | 17.9 | 17.9 | 18.1 | 17.7 | 17.7 | 53.9 | 52.2 |
| Other income | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.8 | 1.0 |
| Total revenues | 45.0 | 46.2 | 44.0 | 44.8 | 45.1 | 135.2 | 132.8 |
| Benefits and Expenses | | | | | | | |
| Death benefits / mortality cost [1] | 8.4 | 7.3 | 9.2 | 8.6 | 6.6 | 24.9 | 21.1 |
| Interest credited | 10.9 | 10.9 | 10.8 | 10.8 | 10.7 | 32.6 | 32.1 |
| Change in reserves | 8.2 | 9.6 | 7.4 | 7.6 | 8.1 | 25.2 | 23.6 |
| DAC amortization expense, excluding unlocking | 1.9 | 2.0 | 1.9 | 2.0 | 2.0 | 5.8 | 6.1 |
| DAC unlocking | 0.1 | (0.1) | - | - | - | - | 0.1 |
| Operating expenses | 9.4 | 8.8 | 8.7 | 8.8 | 8.8 | 26.9 | 25.5 |
| Total benefits and expenses | 38.9 | 38.5 | 38.0 | 37.8 | 36.2 | 115.4 | 108.5 |
| Income before income taxes | 6.1 | 7.7 | 6.0 | 7.0 | 8.9 | 19.8 | 24.3 |
| Income tax expense | 2.2 | 2.7 | 2.1 | 2.3 | 3.1 | 7.0 | 8.6 |
| Net income [2] | \$ 3.9 | \$ 5.0 | \$ 3.9 | \$ 4.7 | \$ 5.8 | \$ 12.8 | \$ 15.7 |
| Less: DAC unlocking, after tax | (0.1) | 0.1 | - | - | - | - | (0.1) |
| Net income excluding DAC unlocking | \$ 4.0 | \$ 4.9 | \$ 3.9 | \$ 4.7 | \$ 5.8 | \$ 12.8 | \$ 15.8 |
| Earnings margin (Before tax) | | | | | | | |
| Return On Premium (12 month) [3] | 25.0% | 27.4% | 28.9% | 29.5% | 31.8% | 25.0% | 31.8% |
| SUPPLEMENTAL DATA | | | | | | | |
| Lapse Ratio (12 month) [4] | 4.1% | 4.1% | 4.2% | 4.4% | 4.4% | 4.1% | 4.4% |
| Sales (12-month premium, in millions) [5] | | | | | | | |
| Recurring | \$ 1.6 | \$ 1.6 | \$ 1.4 | \$ 1.6 | \$ 1.4 | \$ 4.6 | \$ 3.8 |
| Single Premium | 0.7 | 1.7 | 0.3 | 0.6 | 1.4 | 2.7 | 2.5 |
| Total Sales | \$ 2.3 | \$ 3.3 | \$ 1.7 | \$ 2.2 | \$ 2.8 | \$ 7.3 | \$ 6.3 |
| Insurance in force (in millions) | \$ 15,560 | \$ 15,414 | \$ 15,241 | \$ 15,104 | \$ 14,940 | \$ 15,560 | \$ 14,940 |
| Policies in force (in thousands) | 200 | 200 | 200 | 200 | 199 | 200 | 199 |

[1] Ordinary life insurance.

[2] Net realized investment gains (losses) are not allocated by segment, therefore, net income and operating income are equivalent.

[3] Trailing 12 months adjusted earnings (income before income taxes adjusted to remove the impact of DAC unlocking) divided by trailing 12 months premiums and contract charges earned.

[4] Based on ordinary life insurance in force.

[5] HM products.

HORACE MANN EDUCATORS CORPORATION
CORPORATE & OTHER SEGMENT
STATEMENT OF OPERATIONS
(Amounts are net of consolidating eliminations)

| For Period Ended <i>(\$ in millions)</i> | Three Months Ended | | | | | Year to Date | |
|----------------------------------------------------|---------------------------|--------------------------|--------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| | Sept. 30, 2014 | Jun. 30, 2014 | Mar. 31, 2014 | Dec. 31, 2013 | Sept. 30, 2013 | Sept. 30, 2014 | Sept. 30, 2013 |
| Revenues | | | | | | | |
| Net investment income | \$ (0.2) | \$ (0.3) | \$ (0.2) | \$ (0.2) | \$ (0.2) | \$ (0.7) | \$ (0.7) |
| Other income | - | - | - | - | - | - | - |
| Total revenues | (0.2) | (0.3) | (0.2) | (0.2) | (0.2) | (0.7) | (0.7) |
| Expenses | | | | | | | |
| Interest expense | 3.5 | 3.6 | 3.5 | 3.5 | 3.6 | 10.6 | 10.7 |
| Other operating expenses | 0.6 | 1.2 | 0.7 | 0.9 | 1.5 | 2.5 | 3.8 |
| Total expenses | 4.1 | 4.8 | 4.2 | 4.4 | 5.1 | 13.1 | 14.5 |
| Operating income (loss) before income tax | (4.3) | (5.1) | (4.4) | (4.6) | (5.3) | (13.8) | (15.2) |
| Income tax expense (benefit) | (1.4) | (1.9) | (1.5) | (1.5) | (1.3) | (4.8) | (5.3) |
| Operating income (loss) after tax | \$ (2.9) | \$ (3.2) | \$ (2.9) | \$ (3.1) | \$ (4.0) | \$ (9.0) | \$ (9.9) |
| Realized investment gains (losses) pretax [1] | 3.5 | 3.5 | 1.7 | 1.3 | (1.4) | 8.7 | 20.9 |
| Tax on realized investment gains (losses) [1] | 1.2 | 1.3 | 0.6 | 0.4 | (0.5) | 3.1 | 7.4 |
| Realized investment gains (losses) after tax [1] | 2.3 | 2.2 | 1.1 | 0.9 | (0.9) | 5.6 | 13.5 |
| Net income (loss) | \$ (0.6) | \$ (1.0) | \$ (1.8) | \$ (2.2) | \$ (4.9) | \$ (3.4) | \$ 3.6 |

[1] Corporate level transactions, such as realized investment gains and losses, are not allocated to the insurance segments consistent with how management evaluates the results of those segments.

HORACE MANN EDUCATORS CORPORATION
INVESTMENT EARNINGS BEFORE-TAX
CONSOLIDATED

| For Period Ended <i>(\$ in millions)</i> | Three Months Ended | | | | | Year to Date | |
|--------------------------------------------------------|---------------------------|--------------------------|--------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| | Sept. 30, 2014 | Jun. 30, 2014 | Mar. 31, 2014 | Dec. 31, 2013 | Sept. 30, 2013 | Sept. 30, 2014 | Sept. 30, 2013 |
| Net Investment Income | | | | | | | |
| Fixed maturities [1] | | | | | | | |
| Taxable | \$ 73.4 | \$ 72.7 | \$ 73.8 | \$ 71.2 | \$ 69.9 | \$ 219.9 | \$ 209.2 |
| Tax-exempt | 6.0 | 5.9 | 5.9 | 5.8 | 6.0 | 17.8 | 17.8 |
| Total fixed maturities | 79.4 | 78.6 | 79.7 | 77.0 | 75.9 | 237.7 | 227.0 |
| Equity securities | 1.2 | 1.1 | 1.2 | 1.2 | 1.1 | 3.5 | 2.5 |
| Policy loans | 2.0 | 2.1 | 1.9 | 2.1 | 1.9 | 6.0 | 5.8 |
| Limited partnerships and other alternative investments | 2.1 | 1.7 | 2.2 | 2.0 | 1.4 | 6.0 | 3.9 |
| Short-term investments and other | - | - | 0.1 | 0.2 | 0.1 | 0.1 | 0.2 |
| Investment income | 84.7 | 83.5 | 85.1 | 82.5 | 80.4 | 253.3 | 239.4 |
| Investment expenses | 2.1 | 2.1 | 2.1 | 2.1 | 2.0 | 6.3 | 6.2 |
| Total net investment income | \$ 82.6 | \$ 81.4 | \$ 83.0 | \$ 80.4 | \$ 78.4 | \$ 247.0 | \$ 233.2 |
| Annualized investment yield, before-tax [2] | 5.33% | 5.38% | 5.47% | 5.37% | 5.37% | 5.33% | 5.37% |
| Annualized investment yield, after-tax [2] | 3.58% | 3.61% | 3.67% | 3.61% | 3.61% | 3.58% | 3.61% |
| Net Investment Income by Segment | | | | | | | |
| Property & Casualty | \$ 8.9 | \$ 9.4 | \$ 9.3 | \$ 9.3 | \$ 8.8 | \$ 27.6 | \$ 26.9 |
| Annuity | 56.0 | 54.4 | 55.8 | 53.6 | 52.1 | 166.2 | 154.8 |
| Life | 17.9 | 17.9 | 18.1 | 17.7 | 17.7 | 53.9 | 52.2 |
| Corporate, including intersegment eliminations | (0.2) | (0.3) | (0.2) | (0.2) | (0.2) | (0.7) | (0.7) |
| Total net investment income | \$ 82.6 | \$ 81.4 | \$ 83.0 | \$ 80.4 | \$ 78.4 | \$ 247.0 | \$ 233.2 |
| Net Realized Capital Gains (Losses) | | | | | | | |
| Gross gains on disposals | \$ 8.2 | \$ 4.3 | \$ 2.6 | \$ 2.4 | \$ 2.8 | \$ 15.1 | \$ 27.1 |
| Gross losses on disposals | (4.6) | (0.3) | (0.9) | (0.6) | (4.2) | (5.8) | (5.2) |
| Other-than-temporary impairment losses | (0.1) | (0.5) | - | (0.5) | - | (0.6) | (1.0) |
| Total net realized capital gains (losses) | \$ 3.5 | \$ 3.5 | \$ 1.7 | \$ 1.3 | \$ (1.4) | \$ 8.7 | \$ 20.9 |

[1] Includes income on short-term bonds.

[2] Yields calculated by annualizing the result of year-to-date net investment income divided by the average of period-end and beginning of year invested assets at cost, amortized cost, or adjusted carrying value, as applicable.

HORACE MANN EDUCATORS CORPORATION
COMPOSITION OF INVESTED ASSETS
CONSOLIDATED

| <u>For Period Ended</u> (\$ in millions) | September 30, 2014 | | June 30, 2014 | | March 31, 2014 | | December 31, 2013 | | September 30, 2013 | | June 30, 2013 | |
|--------------------------------------------------------|-------------------------------------|---------------|-------------------|---------------|-------------------|---------------|----------------------|---------------|-----------------------|---------------|-------------------|---------------|
| | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent |
| | Fixed maturities, at fair value [1] | \$ 6,793.5 | 93.0% | \$ 6,676.3 | 94.2% | \$ 6,398.4 | 94.1% | \$ 6,009.6 | 91.9% | \$ 5,940.5 | 93.7% | \$ 5,930.6 |
| Equity securities, at fair value | 106.8 | 1.5% | 109.5 | 1.5% | 94.2 | 1.4% | 91.9 | 1.4% | 86.6 | 1.4% | 83.0 | 1.3% |
| Policy loans, at outstanding balance | 143.7 | 2.0% | 142.2 | 2.0% | 140.7 | 2.1% | 140.6 | 2.2% | 139.0 | 2.2% | 136.7 | 2.2% |
| Limited partnerships and other alternative investments | 100.3 | 1.4% | 93.2 | 1.3% | 92.5 | 1.4% | 90.6 | 1.4% | 80.3 | 1.3% | 64.9 | 1.0% |
| Short-term investments [2] | 162.2 | 2.2% | 68.5 | 1.0% | 75.5 | 1.1% | 206.8 | 3.2% | 94.4 | 1.5% | 82.1 | 1.3% |
| Short-term investments, securities lending collateral | - | - | - | - | - | - | - | - | - | - | - | - |
| Total investments | \$ 7,306.5 | 100.0% | \$ 7,089.7 | 100.0% | \$ 6,801.3 | 100.0% | \$ 6,539.5 | 100.0% | \$ 6,340.8 | 100.0% | \$ 6,297.3 | 100.0% |
| Asset-backed securities ("ABS") | \$ 507.7 | 7.5% | \$ 509.6 | 7.6% | \$ 507.5 | 7.9% | \$ 514.1 | 8.6% | \$ 513.1 | 8.6% | \$ 508.4 | 8.6% |
| Collateralized debt/loan obligations ("CDOs/CLOs") | 522.4 | 7.7% | 435.5 | 6.5% | 325.4 | 5.1% | 223.4 | 3.7% | 188.2 | 3.2% | 162.4 | 2.3% |
| Commercial mortgage-backed securities ("CMBS") | 153.0 | 2.3% | 125.7 | 1.9% | 114.4 | 1.8% | 104.2 | 1.7% | 107.3 | 1.8% | 107.6 | 1.8% |
| Corporate | 2,914.7 | 42.9% | 2,920.6 | 43.7% | 2,840.5 | 44.4% | 2,669.4 | 44.4% | 2,607.6 | 43.9% | 2,569.1 | 43.3% |
| Municipal | 1,617.1 | 23.8% | 1,597.9 | 23.9% | 1,546.2 | 24.2% | 1,471.5 | 24.5% | 1,459.6 | 24.6% | 1,508.1 | 25.4% |
| Residential mortgage-backed securities ("RMBS") | 574.9 | 8.5% | 610.8 | 9.1% | 597.4 | 9.3% | 591.4 | 9.8% | 609.6 | 10.3% | 636.7 | 10.7% |
| U.S. Treasuries and government agencies | 503.7 | 7.4% | 476.2 | 7.1% | 467.0 | 7.3% | 435.6 | 7.2% | 455.1 | 7.7% | 438.3 | 7.4% |
| Total fixed maturities | \$ 6,793.5 | 100.0% | \$ 6,676.3 | 100.0% | \$ 6,398.4 | 100.0% | \$ 6,009.6 | 100.0% | \$ 5,940.5 | 100.0% | \$ 5,930.6 | 100.0% |
| U.S. government/government agencies | \$ 1,042.1 | 15.3% | \$ 1,062.4 | 15.9% | \$ 1,048.6 | 16.4% | \$ 1,009.8 | 16.8% | \$ 1,047.3 | 17.6% | \$ 1,057.3 | 17.8% |
| AAA | 484.1 | 7.1% | 462.3 | 6.9% | 418.2 | 6.5% | 367.7 | 6.1% | 335.7 | 5.7% | 328.8 | 5.5% |
| AA | 1,426.5 | 21.0% | 1,284.9 | 19.2% | 1,162.0 | 18.2% | 995.5 | 16.6% | 958.8 | 16.1% | 940.0 | 15.9% |
| A | 1,641.4 | 24.2% | 1,651.2 | 24.7% | 1,590.6 | 24.9% | 1,543.8 | 25.7% | 1,517.0 | 25.5% | 1,542.2 | 26.0% |
| BBB | 1,932.7 | 28.4% | 1,938.2 | 29.0% | 1,898.9 | 29.7% | 1,820.7 | 30.3% | 1,797.1 | 30.3% | 1,767.0 | 29.8% |
| BB & below, includes securities not rated | 266.7 | 3.9% | 277.3 | 4.2% | 280.1 | 4.4% | 272.1 | 4.5% | 284.6 | 4.8% | 295.3 | 5.0% |
| Total fixed maturities | \$ 6,793.5 | 100.0% | \$ 6,676.3 | 100.0% | \$ 6,398.4 | 100.0% | \$ 6,009.6 | 100.0% | \$ 5,940.5 | 100.0% | \$ 5,930.6 | 100.0% |
| INVESTMENTS BY SEGMENT | | | | | | | | | | | | |
| Property & Casualty | \$ 936.0 | 12.8% | \$ 940.0 | 13.3% | \$ 907.5 | 13.3% | \$ 870.1 | 13.3% | \$ 865.9 | 13.7% | \$ 865.0 | 13.7% |
| Annuity and Life | 6,325.4 | 86.6% | 6,110.3 | 86.2% | 5,857.6 | 86.1% | 5,629.1 | 86.1% | 5,453.7 | 86.0% | 5,406.7 | 85.9% |
| Corporate | 45.1 | 0.6% | 39.4 | 0.6% | 36.2 | 0.5% | 40.3 | 0.6% | 21.2 | 0.3% | 25.6 | 0.4% |
| Total investments | \$ 7,306.5 | 100.0% | \$ 7,089.7 | 100.0% | \$ 6,801.3 | 100.0% | \$ 6,539.5 | 100.0% | \$ 6,340.8 | 100.0% | \$ 6,297.3 | 100.0% |

[1] Cost of \$6,323.1, \$6,187.4, \$6,031.0, \$5,784.2, \$5,662.7 and \$5,591.1 at September 30, 2014, June 30, 2014, March 31, 2014, December 31, 2013, September 30, 2013 and June 30, 2013, respectively.

[2] Includes \$45.1, \$39.4, \$36.2, \$40.3, \$21.2 and \$25.6 of short-term investments in the Corporate segment at September 30, 2014, June 30, 2014, March 31, 2014, December 31, 2013, September 30, 2013 and June 30, 2013, respectively.

HORACE MANN EDUCATORS CORPORATION

RATINGS AND CONTACT INFORMATION

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Corporate Website:
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Contact:

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Vice President
Investor Relations
Phone: 217-788-5738
Ryan.Greenier@horacemann.com

| As of September 30, 2014 | | | | |
|-----------------------------------------------------|------------------|------------------------------|----------------|--------------|
| | A.M. Best | Standard & Poor's | Moody's | Fitch |
| <i>Financial Strength Ratings:</i> | | | | |
| Horace Mann Life Insurance Company | A | A | A3 | A |
| Horace Mann Property and Casualty Insurance Company | A- | A | A3 | A |
| Horace Mann Insurance Company | A- | A | A3 | A |
| Teachers Insurance Company | A- | A | A3 | A |
| Horace Mann Lloyds | A- | NR | NR | A |
| <i>Other Ratings:</i> | | | | |
| Horace Mann Educators Corporation: | | | | |
| Senior debt | bbb | BBB | Baa3 | BBB |
| NR - not rated | | | | |

TRANSFER AGENT

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COMMON STOCK

Common stock of Horace Mann Educators Corporation is traded on the New York Stock Exchange under the symbol "HMN".

This report is for information purposes only. It should be read in conjunction with documents filed by Horace Mann Educators Corporation with the U.S. Securities and Exchange Commission, including the most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K.