

Fourth Quarter 2013 Investor Presentation

December 31, 2013

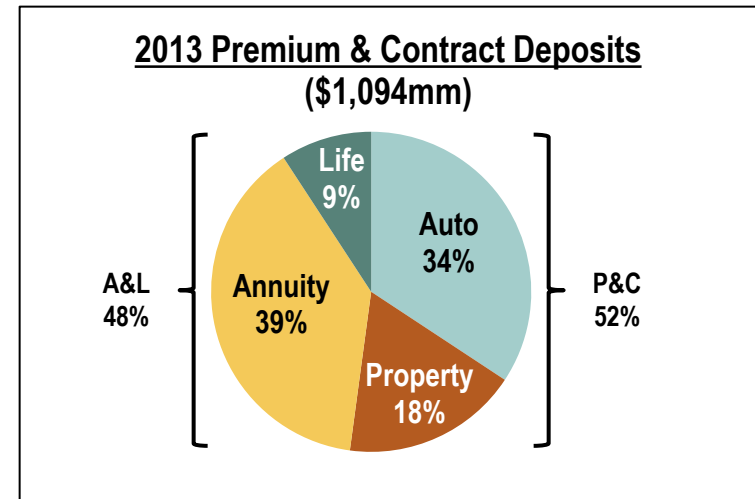
Safe Harbor Statement and Non-GAAP Financial Measures

Certain statements made in this presentation should be considered forward-looking as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. These statements are related to our intentions, beliefs, projections, estimations or forecasts of future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results to be materially different from those expressed or implied by the forward-looking statements. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe” and other words and terms of similar meaning in connection with a discussion of future operating or financial performance. We caution investors that these forward-looking statements are not guarantees of future performance, and actual results may differ materially. Investors should consider the important risks and uncertainties that may cause such differences, including those risks discussed in our most recent Form 10-K and Form 10-Q filed with the Securities and Exchange Commission. Our forward-looking statements speak only as of the date of this presentation or as of the date they were made, and we undertake no obligation to update those statements.

The historical and forward-looking financial information contained in this presentation includes financial measures which are based on methodologies other than Generally Accepted Accounting Principles (“GAAP”) such as operating income, operating earnings per share, pre-tax reporting segment income excluding DAC/VIF unlocking and book value per share excluding some components of accumulated other comprehensive income. A reconciliation of non-GAAP measures to the closest GAAP measures is available in our earnings release.

Horace Mann is the largest multiline insurance company focused on the nation's K-12 educators

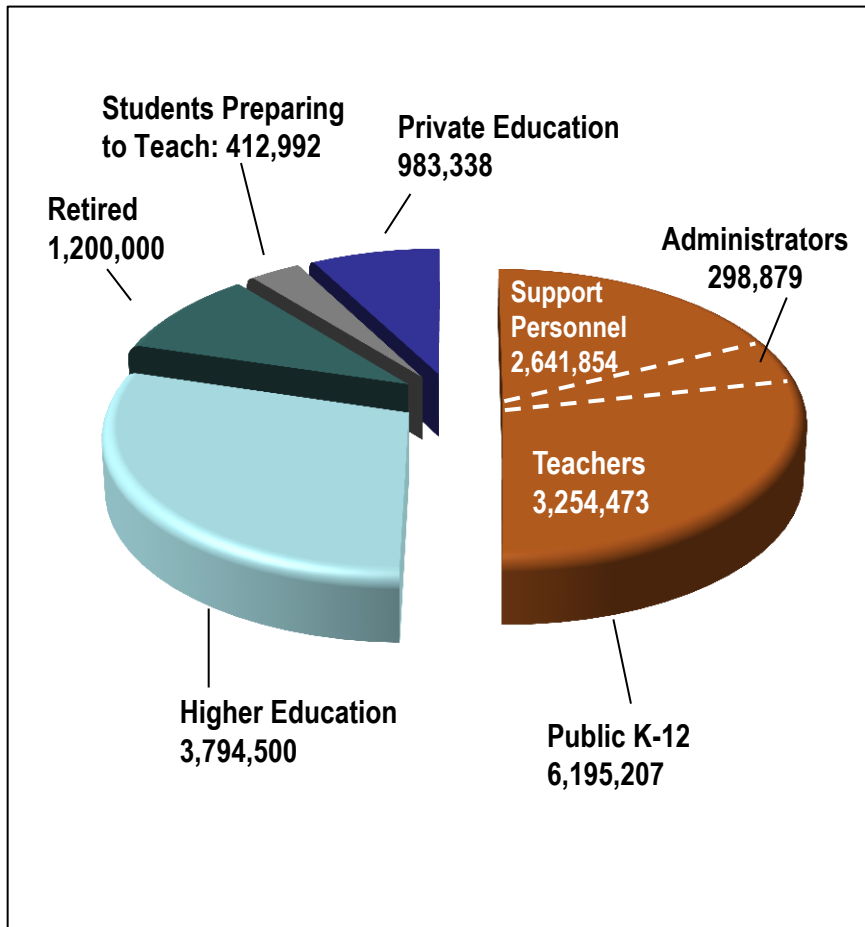
Exchange / Ticker	NYSE: HMN
Share price (12/31/13)	\$31.54
2 year TSR	145.0%
Shares Outstanding	40.5 million
Market Cap	\$1.28 billion
Annual dividend per share	\$0.78
Dividend yield per share	2.5%
Book value per share <small>ex 115</small>	\$23.83



Horace Mann is a national insurer that offers Auto, Home and basic Annuity and Life products through a captive agency distribution model

- True multiline company with balanced premiums and surplus
- Top quartile book value growth ex FAS 115 since 2008
- Strong sales momentum for Annuity and Life products
- Improving P&C profitability

The educator segment is large and growing; in addition, opportunities exist outside our core Public K–12 market



Source: 2012 NCES Digest of Education Statistics

(1) Department of Labor 2012 Occupational Outlook Handbook

- Continue to focus on K-12 personnel and school districts as lead customers
 - The Public K-12 teacher and administrator market, which has been our historic core focus, is projected to grow by 14% by 2020⁽¹⁾
- Opportunities exist within the educator segment; natural adjacencies include:
 - Larger school districts
 - Private Education
 - Former K-12 personnel

Educators and their families are an attractive and loyal market niche that value personalized service

Horace Mann offers personalized service and a full range of insurance and financial products

Property and Casualty

- High concentration of preferred educators
- Superior, conservative risk profile
- Loyal customer base with retention that is higher than industry average

Almost 1 in 5
customers is
crossline

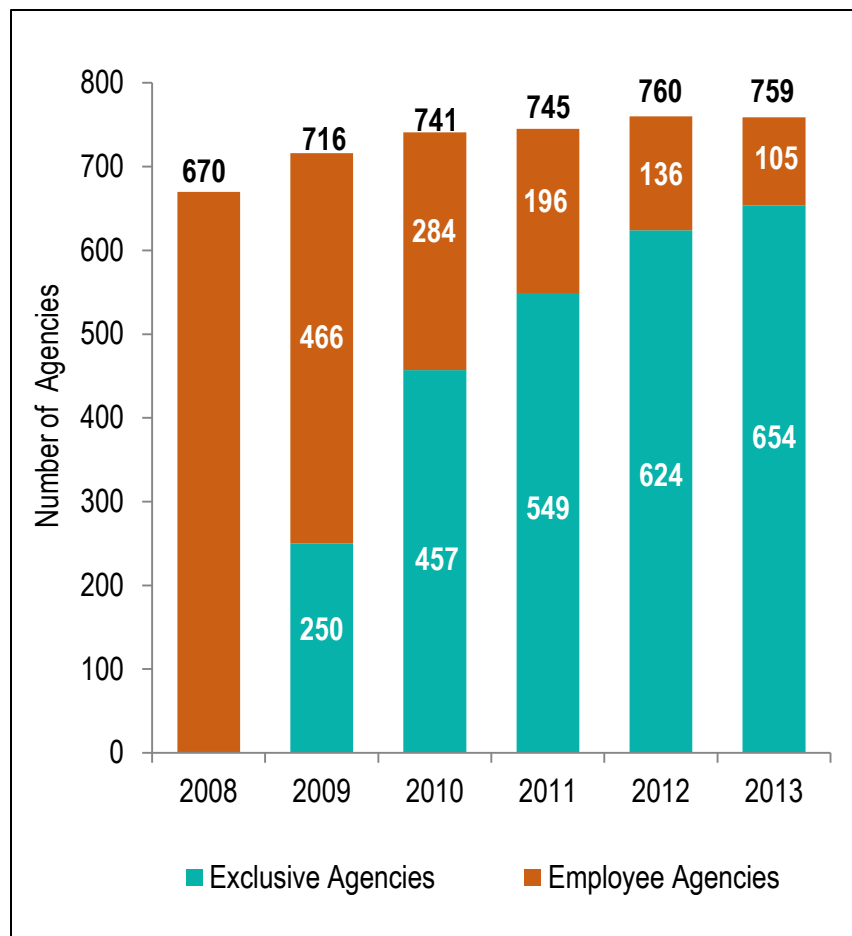
Annuity and Life

- Dual-income households with conservative investment preferences
- Underserved middle market
- Sizable 403(b) assets

Distribution

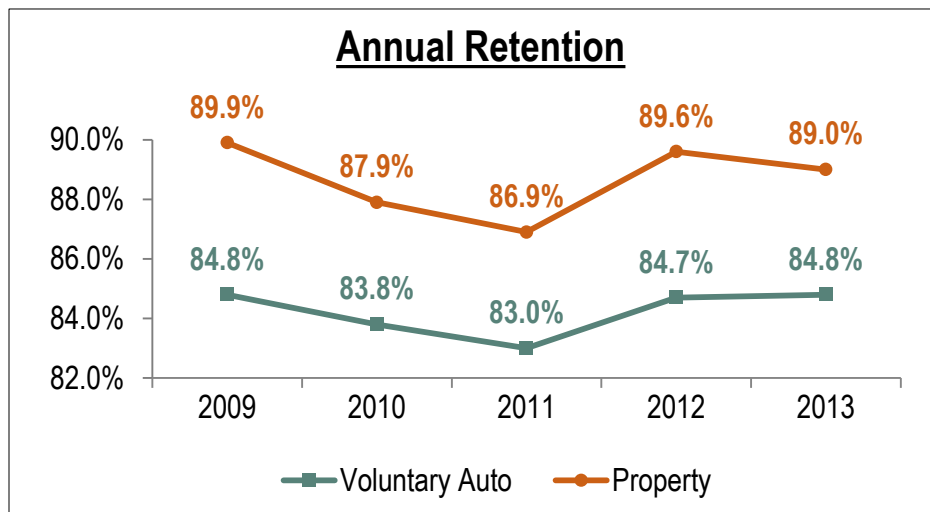
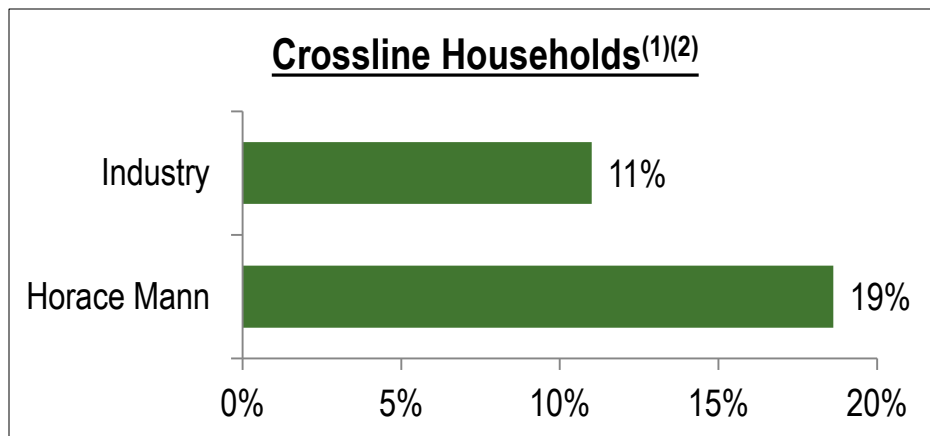
- Captive distribution focused on educators' needs
- Tailored worksite marketing and workshops provide financial know-how
- Strategic relationships in the educator community

Our captive agent channel is poised for further productivity increases following a multiyear transformation



- Migration to an Exclusive Agent model is largely complete
 - Number of exclusive agents will continue to grow as the model matures
- Improving Agent productivity is 2014-15 focus
 - Institutionalize top agent best practices across the entire agency force
 - Provide additional Home Office support and training, particularly on Annuity & Life products
- Core marketing activities will continue
 - School district marketing and institutional sales support
 - STRS and Financial Literacy seminars
 - Annual Policy Reviews

Our agents are trusted advisors; multiline and crossline penetration exceed industry averages, with room to grow

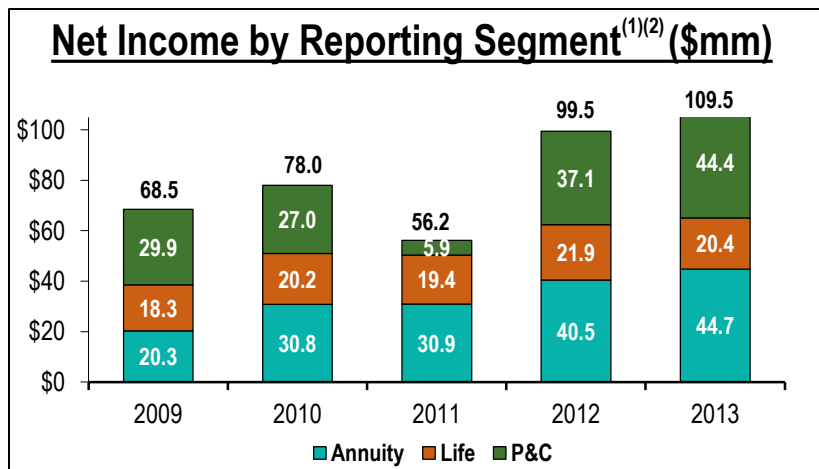


- The majority of our P&C policyholders also own an additional Horace Mann product
 - Crossline penetration significantly exceeds industry averages
- Retention ratios have been relatively stable despite sizable rate actions
 - Loyal customer base
 - Increasing share of Payroll / EFT policies
 - Annual Policy Reviews have helped mitigate retention impact of rate actions
- Targeted marketing programs to drive higher retention and crossline sales
 - Increase number of Annual Policy Reviews in 2014
 - Add additional payroll deduct capability for Auto and Property

(1) Households with Auto and/or Property plus Annuity, Life and/or Group

(2) HMN data: Educator households as of December 2013; Industry data per LIMRA, 2011 multiline exclusive agent average

2013 Operating Earnings of \$2.32 reflect the strong earnings power of all three of our business segments

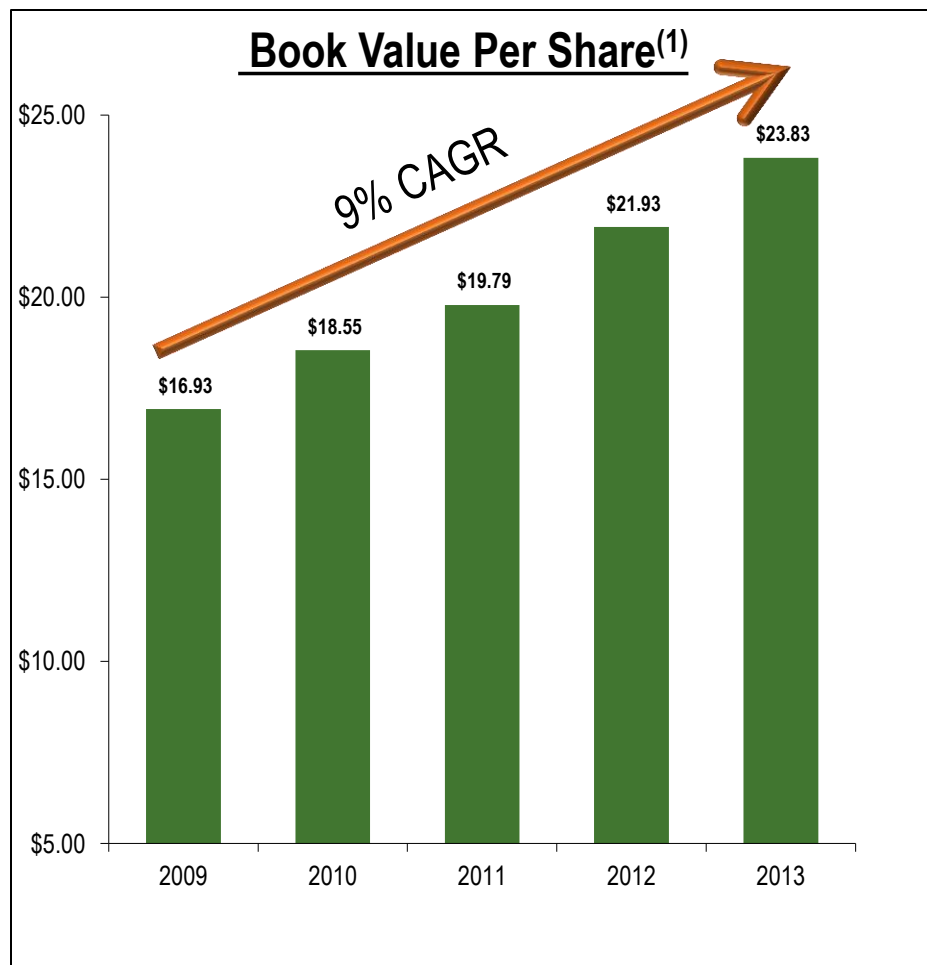


- **2013 Operating Earnings of \$2.32 per diluted share included a number of favorable items; normalized earnings were at the high end of our revised guidance range of \$1.95 and \$2.05**
- **2013 Operating Income exceeded our expectations in all three business segments**
 - P&C earnings reflect continued favorable prior years' development; 1.8 point improvement in the underlying loss ratio; partially offset by a modestly higher expense ratio
 - Annuity earnings benefitted from more favorable net interest spread and a 13% increase in assets under management
 - Life earnings continue to benefit from favorable mortality, but not as favorable as 2012
- **2014 Operating Earnings guidance of \$2.05 to \$2.25 per share reflects a solid increase in operating income on a normalized basis**
 - Continued improvement in P&C profitability; modest earnings pressure in Annuity on lower net interest spread; normal Life mortality
 - Modest favorable prior years' development
 - No positive DAC unlocking
 - 7 point Catastrophe load

(1) Net income excluding realized investment gains and losses

(2) Excludes Corporate and Other segment

Solid financial results have resulted in sustained book value growth and a compelling dividend yield

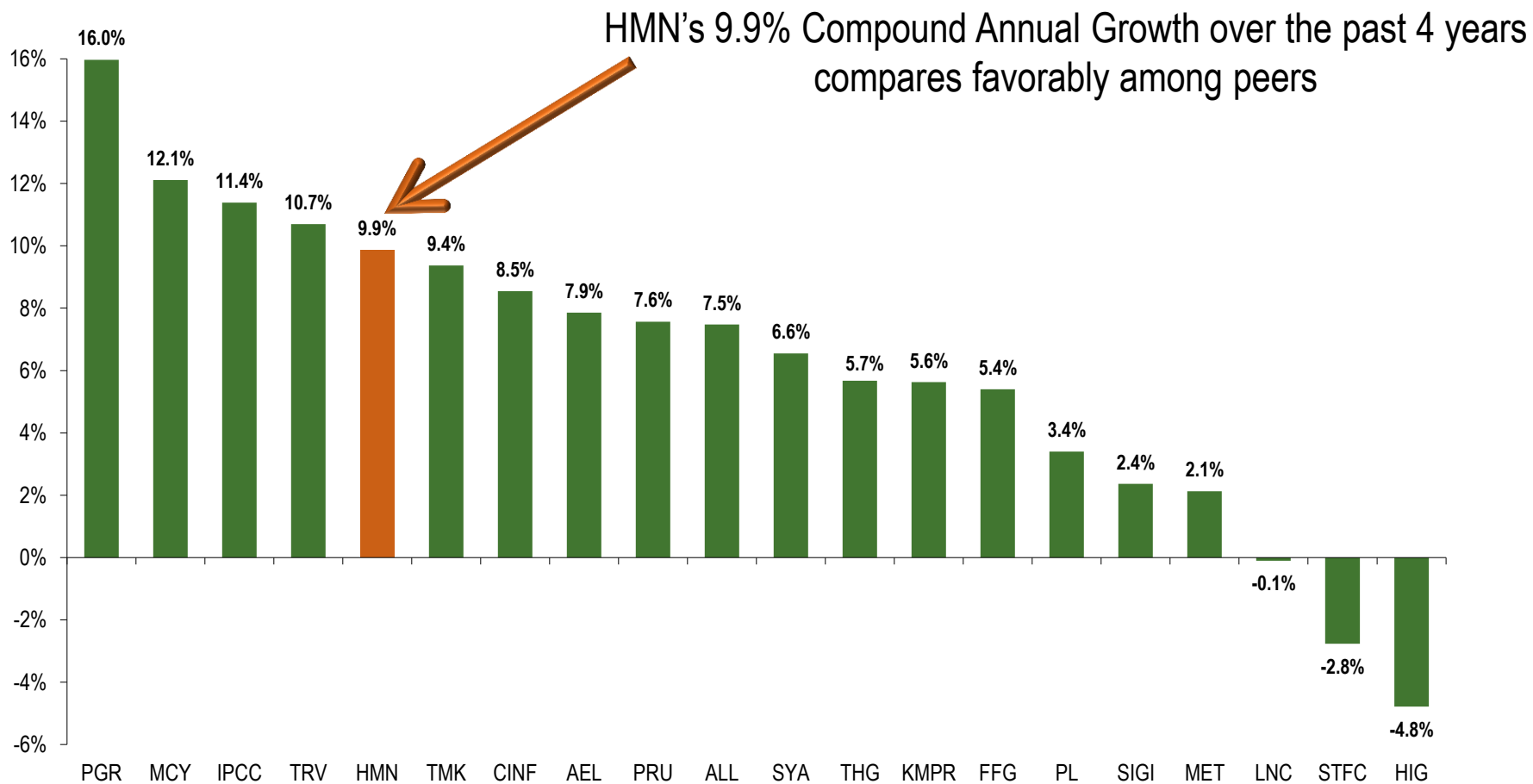


- \$23.83 book value per share excluding FAS 115 as of December 31, 2013
 - 9% growth rate over 2012
- FY 2013 shareholder dividend of \$0.78
 - Dividend yield of 2.5%⁽²⁾
 - Up 42% vs. PY; over 200% increase since 2009
 - Reflects ~34% payout ratio

(1) Excluding FAS 115. Prior periods have been restated to include the retrospective application of new accounting guidance for deferred policy acquisition costs.

(2) Based on 12/31/13 stock price of \$31.54

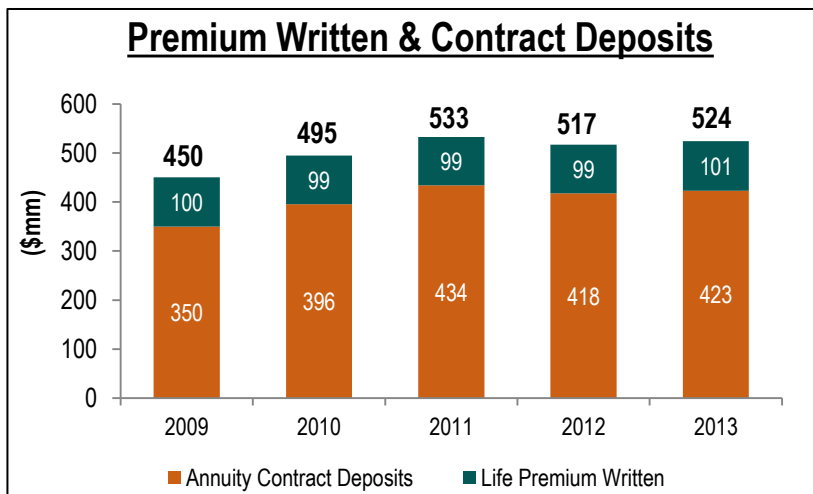
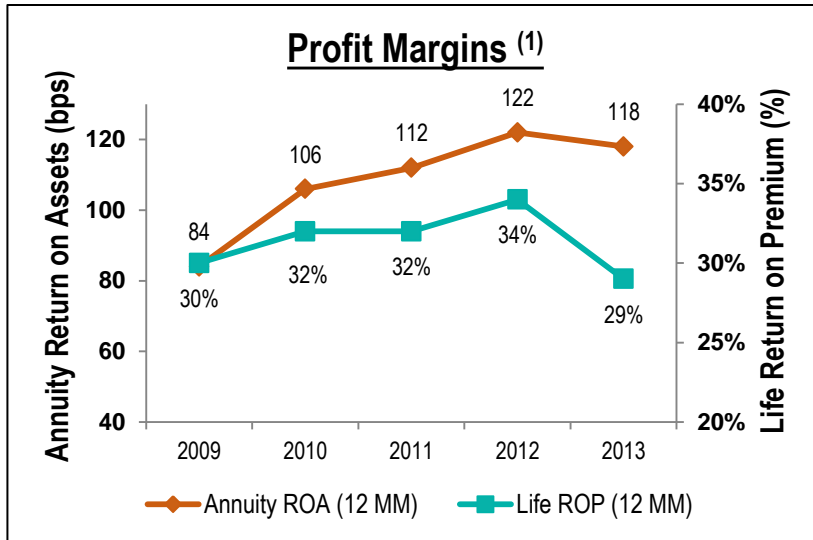
Top quartile book value growth plus accumulated dividends since 2008⁽¹⁾



(1) Starting point of 12/31/08 Book Value Per Share excluding unrealized investment gains/losses (ex. FAS 115) through 12/31/12

Source: SNL Financial

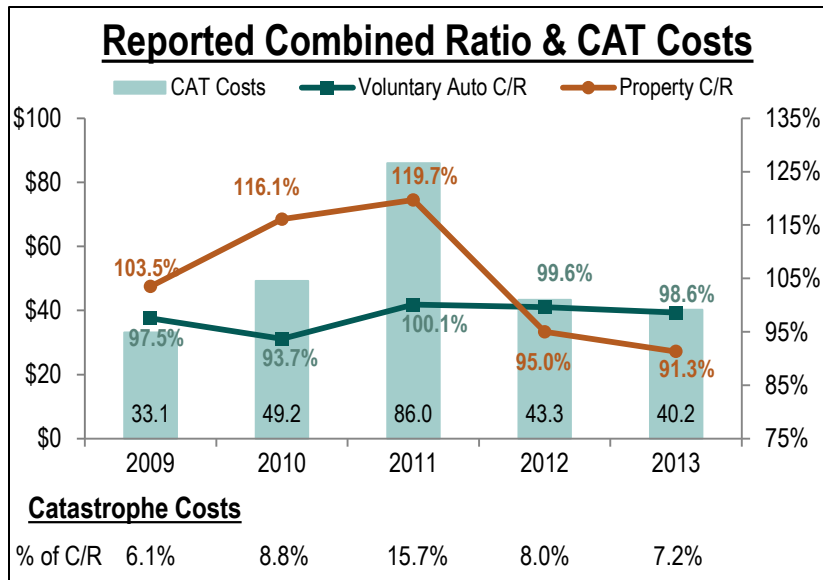
The Annuity and Life segments are profitably growing



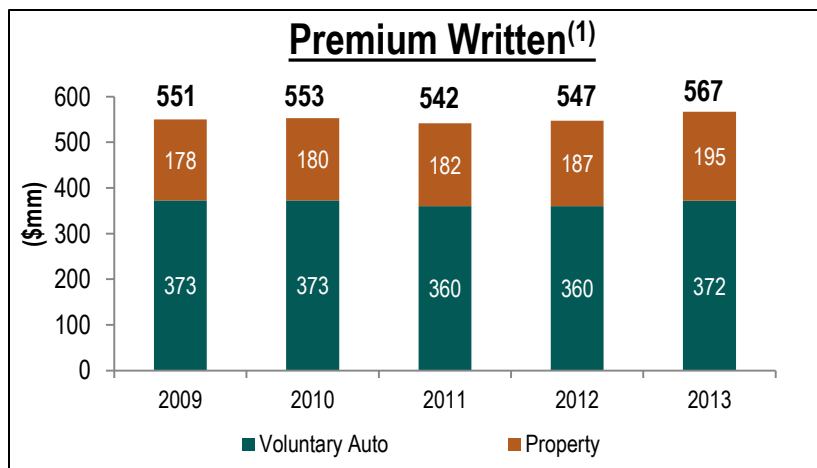
- Operating income remains stable despite spread compression
 - 2013 Annuity net interest spread of 199 basis points, down 12 basis points from FY2012
 - Life mortality can be volatile, but 2013 results were favorable
- Sales momentum for both Annuity and Life products remains strong; Assets under management growing
 - Annuity assets under management up 13% from YE2012 to \$5.4 billion
 - Life sales growing at a double-digit pace
- 2014 Outlook: Modest operating earnings pressure, reflecting rate environment and normalized mortality
 - 4.25% reinvestment rate assumption; Annuity net interest spread declines to 180s over 2014
 - Annuity assets under management continue to grow on strong sales and deposits
 - New Fixed Indexed Annuity product expected to provide a lift to full year Annuity sales
 - Life mortality reverts to normalized levels

(1) Pretax GAAP Operating Income excluding DAC/VIF unlocking and change in GMDB reserve. 2008-2011 numbers have been restated to include the retrospective application of new accounting guidance for deferred policy acquisition costs

The P&C segment continues to generate positive earnings growth; written premiums are growing

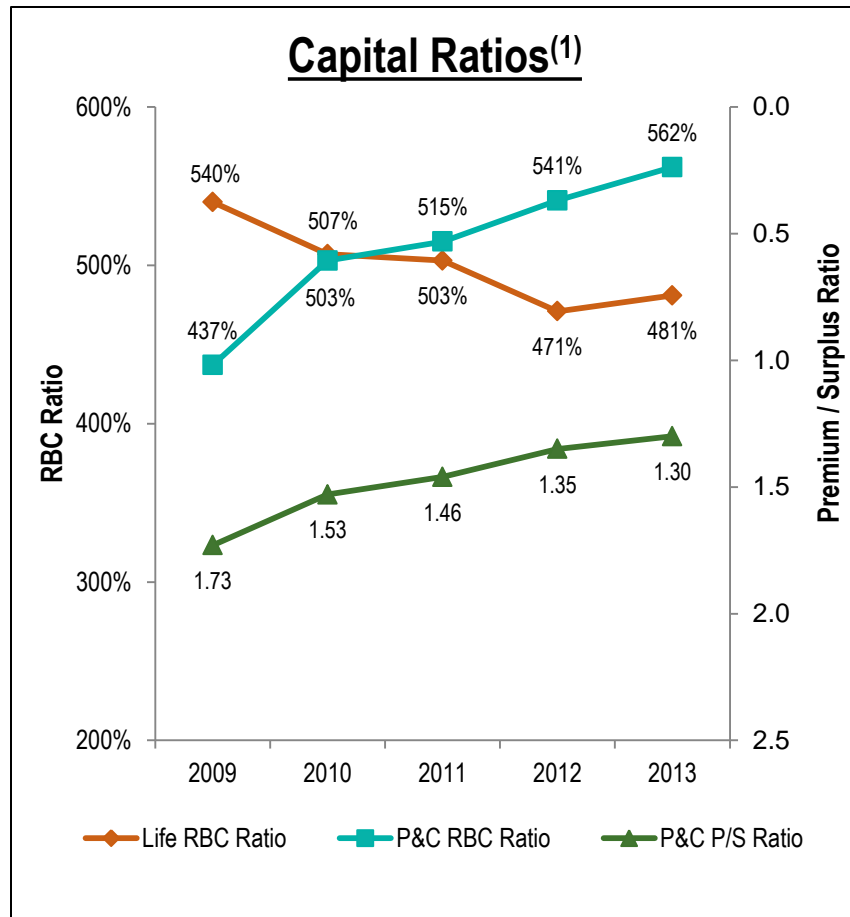


- Reported combined ratio 2 points better than prior year
 - 1.8 point improvement in underlying loss ratio
 - Partially offset by 0.7 points of planned increase in expense ratio
- 2013 written premiums of \$570 million up 4% over 2012
 - PIF has stabilized with both strong new business production and retention
- 2014 Outlook: Continued top line growth and underwriting margin improvement
 - Written premium growth of 3-4%
 - 1 to 2 points of underlying margin expansion
 - Relatively modest favorable prior years' reserve development



(1) Includes voluntary auto and property premiums

Capital ratios have improved significantly and reflect more than adequate capital to grow our businesses

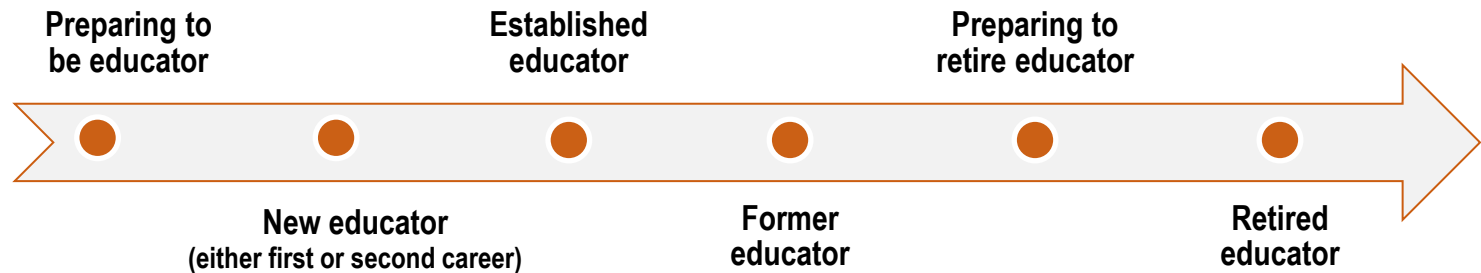


(1) 2013 results are preliminary

(2) Excluding unrealized gains/losses on investments

- Our consistent earnings, along with our conservative bias have resulted in strong capital ratios
 - P&C loss reserves held at top end of independent actuarial range
 - Annuity and Life product design
 - Investment portfolio construction / historical loss experience
- 2013 debt-to-capital ratio⁽²⁾ of 19.8%
- Organic growth plans for Annuity and Life expected to reduce excess capital levels over time

Continue to refine our value proposition within our niche market with a focus on product, distribution and infrastructure



Product	
Distribution	
Infrastructure	

Protect educators' short-term risks and secure their financial future through their life cycle

- We will do this through products that meet their needs and cover their risks, with local and knowledgeable distribution and efficient infrastructure to support
- We will know the profile and needs to properly serve each stage of the educator life cycle
- We will know this profile better – and will capture, retain and use the data better – than anyone else

We are well positioned to grow while continuing to achieve strong returns

Leverage

... And Leverage

- Strong market position in the educator niche
- Profitable growth
- Top tier customer experience
- Modern technology and infrastructure
- Segmented products for educator life cycle

Build

... To Build ...

- Strong sales momentum and productivity
- Improved customer experiences
- Higher cross sell and penetration ratios
- Investments in distribution and infrastructure

Foundation

Solid Foundation ...

- Solid capital position
- Strong risk management discipline
- Very strong and differentiated brand
- Unique and compelling value proposition

Horace Mann has an attractive track record of strong shareholder returns and compelling growth prospects

- Refining our value proposition within our niche market to accelerate growth
 - Segmented products that meet educator needs and cover their risks throughout their life cycle
 - Local and knowledgeable distribution
 - Improving infrastructure and technology efficiency
- Building on a solid foundation to leverage a strong market position within the educator niche
 - Solid capital foundation and strong risk management discipline
 - Differentiated brand with strong name recognition in the Public K-12 market where we have agents
 - Strong sales momentum and improving agent productivity
- Top quartile book value and accumulated dividend CAGR⁽¹⁾ compared to other P&C and Life peers
 - Competitive dividend yield combined with opportunistic share repurchases
 - Strong and growing Annuity and Life earnings
 - Improving P&C profitability

(1) Starting point of 12/31/08 Book Value Per Share excluding unrealized investment gains/losses (ex. FAS 115) through 12/31/12

Source: SNL Financial

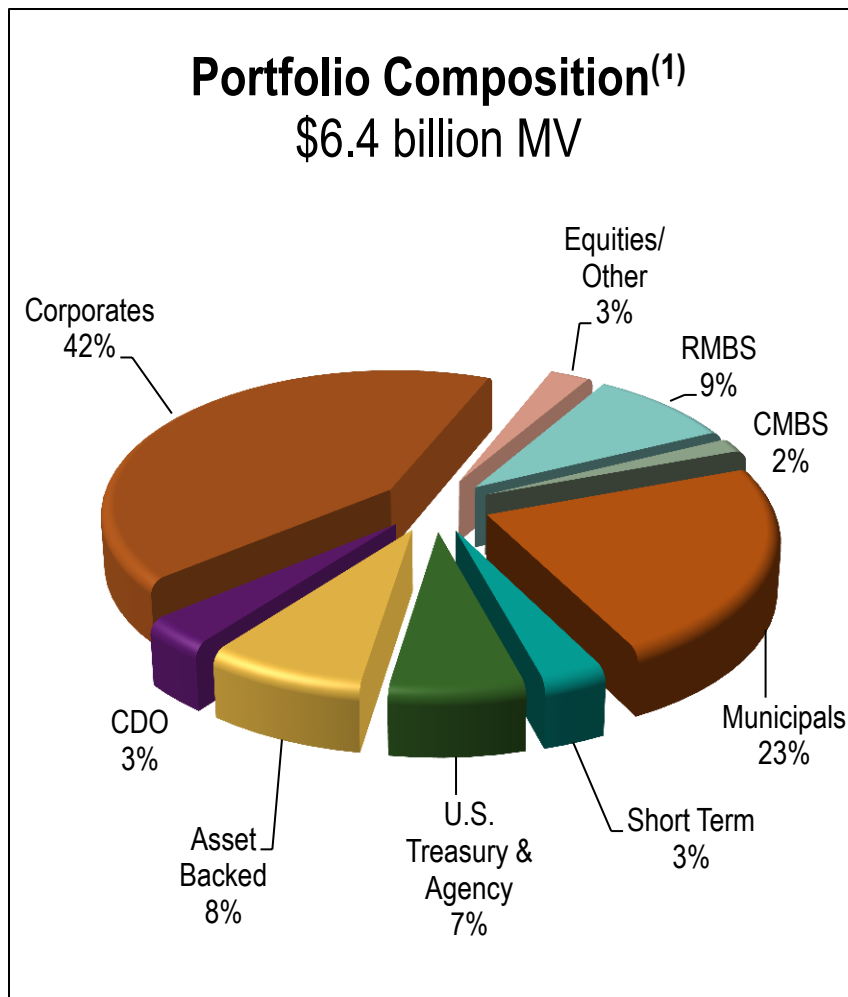
Appendix

Founded by Educators for Educators®

1945	Founded by two teachers in Springfield, IL as the Illinois Education Association Mutual Insurance Company to provide automobile insurance to IEA members
1949 1961	Company began offering a full range of life insurance products to the educational community Introduced 403(b) tax-qualified retirement annuities
1975 1989 1991	Company acquired by INA Corporation Company acquired from CIGNA through a management led LBO Completed initial public offering; stock trades on NYSE under the symbol "HMN"
2000 2006 2009	With less than 50% of new P&C business represented by educators, company refocuses on the educator market Began transitioning employee agency force to new business model Exclusive Agent (EA) contract introduced
2010 2012	Re-introduced State Teacher Retirement Seminars, and began strategic relationship with DonorsChoose.org Achieved double-digit sales increases in all four lines of business ⁽¹⁾
Today	Building on a solid foundation to accelerate our growth momentum and increase our penetration in the K-12 educator niche <ul style="list-style-type: none"> – Largest national, multiline insurance company focused on serving the nation's K-12 educator market – Current book ~ 80% educator – Agency force transition largely complete; now focused on productivity improvement initiatives – Annuity and Life product line enhancements and infrastructure improvements – Enhanced pricing segmentation and underwriting and claims initiatives to further improve P&C underwriting results

(1) Sold by Horace Mann agents

Conservative and well diversified investment portfolio that is designed to support our product offerings

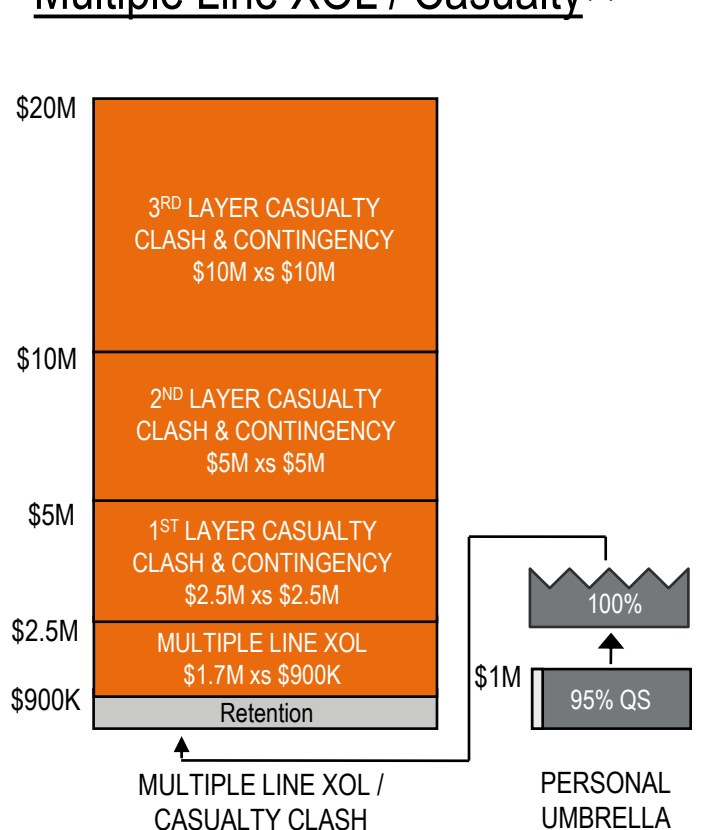


- High quality, well diversified portfolio across fixed income sectors
 - Weighted average quality: A
 - Average duration 6.3
- Focused on risk and asset liability management
 - \$5.5 billion FV portfolio supports long dated Annuity & Life liabilities
 - \$0.9 billion FV portfolio supports P&C
 - \$232 million net unrealized gain; majority in Annuity & Life portfolios
 - Portfolio asset liability well matched; as interest rates rise, we expect unrealized gain position to decline
- New purchases focused on maintaining portfolio quality and yield

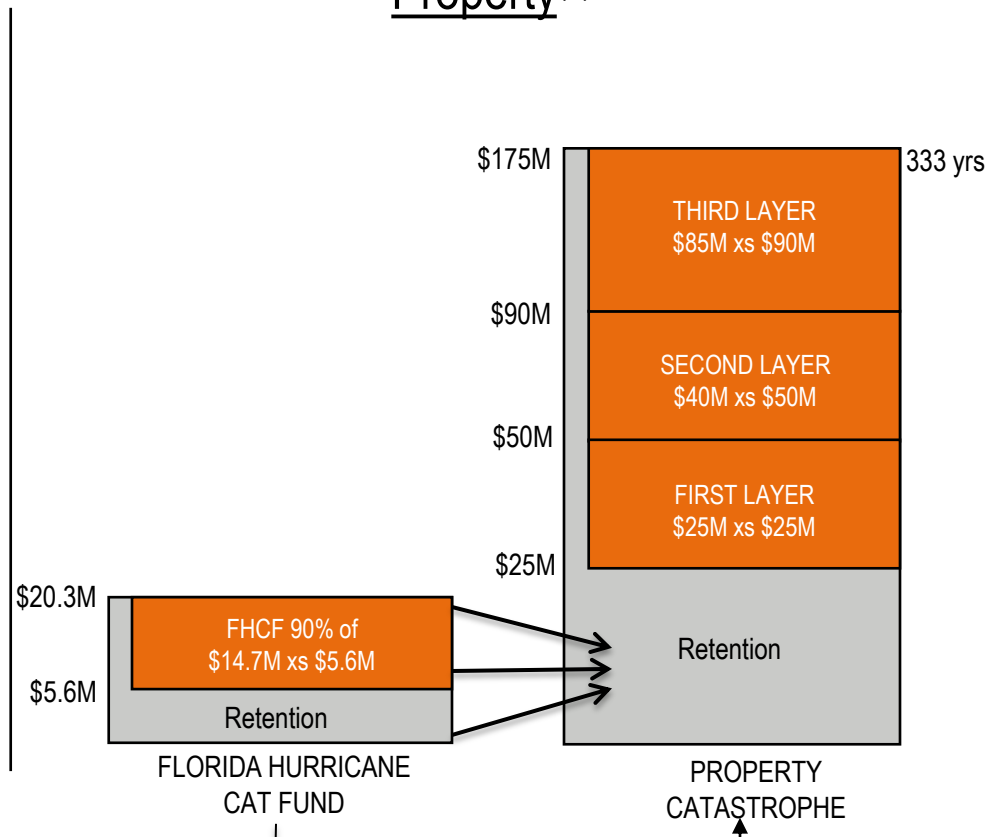
(1) As of December 31, 2013; excludes policy loans

Current single-event catastrophe reinsurance coverage of \$175 million; PML coverage of more than 300 years

Multiple Line XOL / Casualty⁽¹⁾



Property⁽¹⁾



- Based on the current AIR model, top-end coverage of \$175 million provides protection at the 333-year PML, which reflects the impact of planned coastal property PIF reduction in 2014.

(1) As of 12/31/13

Strong and stable P&C reserves further reduce potential earnings volatility

- **Appropriate conservatism**
 - Disciplined reserving practices
 - Carried reserves at high end of actuarial estimate (98% in 2013)
 - Recent favorable reserve development consistent with independent observations
- **Strong claims organization / capabilities**
 - Centralized claim offices
 - Technology / infrastructure
 - Implementation of best practices and procedures

Net P&C Reserve Position			
	<u>Independent Actuary</u>		<u>HMN</u>
(\$ Millions)	<u>Low</u>	<u>High</u>	<u>Held</u>
2013	\$218.0	\$266.2	\$261.7
2012	\$217.6	\$265.4	\$260.8
2011	\$224.9	\$276.6	\$269.6

Highly rated by all rating agencies with a focus on HMN's strengths – educator market focus, earnings diversification and capital strength

Strong Position within the Educator Community

- “strong business franchise/formidable reputation in K-12 educator market...”
- “continued expertise in writing personal lines products in educator market...”
- “historical growth/recent growth momentum in 403(b) market...established as one of the more significant providers...”

Stable Operating Results and Enterprise Risk Management

- “(earnings) have benefitted from diversity...P/C and Life operations...”
- “since the Exclusive Agency model began, the company has started to outperform the industry in terms of agent retention”
- “limits its risk taking to areas it understands and has made decisions to avoid risks related to certain distribution segments, products, and investments to maintain a high quality book of business focused on the educational market”

Strong Capital Adequacy

- “maintains a generally risk-adverse approach to underwriting and the management of its investment portfolio”
- “maintains debt at a conservative level, consolidated capital adequacy that is above the rating category and a conservative investment portfolio with limited exposure to problematic asset classes”

Current Financial Strength Ratings

<u>Agency</u>	<u>Rating</u> (affirmed/ reviewed)	<u>Outlook</u>
S&P	A (6/17/13)	Stable
Moody's	A3 (Apr. 2012)	Stable
AM Best - Life - P&C	A A- (3/29/13)	Stable Stable
Fitch	A- (9/26/13)	Stable

Consolidated GAAP Income Statement

(\$ in Millions, except EPS)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Written Prem. & Contract Deposits	\$ 1,003.7	\$ 1,052.0	\$ 1,078.4	\$ 1,067.7	\$ 1,094.2
Earned Prem. & Contract Charges	659.6	672.7	667.1	670.5	690.9
Investment Income	246.8	272.1	288.3	306.0	313.6
Other Income	4.7	6.2	5.2	7.0	4.5
Benefits, Claims, & Settlement Exp.	598.1	621.6	657.3	611.8	618.2
Total Other Expenses & Taxes	<u>257.8</u>	<u>264.7</u>	<u>257.2</u>	<u>285.4</u>	<u>294.3</u>
Income Before Realized Gains/Losses	\$ 55.2	\$ 64.7	\$ 46.1	\$ 86.3	\$ 96.5
Operating EPS	\$ 1.37	\$ 1.58	\$ 1.11	\$ 2.08	\$ 2.32
Operating ROE (excl. FAS 115)	8.8%	9.2%	6.1%	10.5%	10.6%
Realized Inv. Gains, After Tax	<u>17.2</u>	<u>15.4</u>	<u>24.4</u>	<u>17.6</u>	<u>14.4</u>
Net Income	<u><u>\$ 72.4</u></u>	<u><u>\$ 80.1</u></u>	<u><u>\$ 70.5</u></u>	<u><u>\$ 103.9</u></u>	<u><u>\$ 110.9</u></u>

Consolidated GAAP Balance Sheet

(\$ in Millions)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Assets					
Investments	\$ 4,574.6	\$ 5,073.6	\$ 5,677.5	\$ 6,292.1	\$ 6,539.5
Separate Account Assets	1,226.4	1,375.7	1,273.8	1,398.3	1,748.0
DAC	228.0	222.2	216.5	196.9	245.3
Goodwill	47.4	47.4	47.4	47.4	47.4
Other Assets	209.7	226.8	220.0	233.0	246.5
Total Assets	<u>\$ 6,286.1</u>	<u>\$ 6,945.7</u>	<u>\$ 7,435.2</u>	<u>\$ 8,167.7</u>	<u>\$ 8,826.7</u>
Liabilities					
Policy Liabilities & Other					
Policyholder Funds	\$ 3,927.1	\$ 4,198.0	\$ 4,515.5	\$ 4,839.9	\$ 5,375.5
Separate Account Liabilities	1,226.4	1,375.7	1,273.8	1,398.3	1,748.0
Long Term Debt	199.6	199.7	199.7	199.8	199.9
Short Term Debt	38.0	38.0	38.0	38.0	38.0
Other Liabilities	206.7	287.2	352.8	445.9	366.0
Total Liabilities	5,597.8	6,098.6	6,379.8	6,921.9	7,727.4
Shareholders' Equity	688.3	847.1	1,055.4	1,245.8	1,099.3
Total Liabilities & Equity	<u>\$ 6,286.1</u>	<u>\$ 6,945.7</u>	<u>\$ 7,435.2</u>	<u>\$ 8,167.7</u>	<u>\$ 8,826.7</u>

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