

Third Quarter 2014 Investor Presentation

September 30, 2014

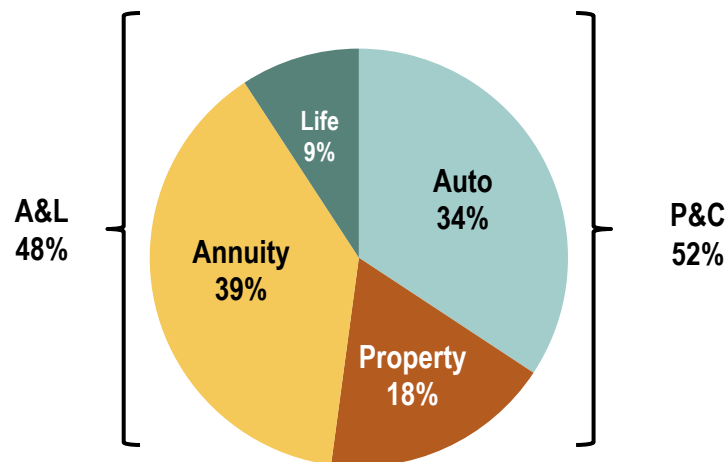
Safe Harbor Statement and Non-GAAP Financial Measures

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.

National insurer that offers Auto, Property and traditional Annuity and Life products, largely through a captive agency distribution model

2013 Premium & Contract Deposits
(\$1,094mm)



Exchange / Ticker	NYSE: HMN
Share price (9/30/14)	\$28.51
2-year TSR	129.9% ⁽¹⁾
Shares outstanding	40.9 million ⁽²⁾
Market Cap	\$1.17 billion
Annualized dividend per share	\$0.92
Dividend yield per share	3.2%
Book value per share ex 115	\$24.91

- Educator niche focus with long-established leadership position in the public K-12 403(b) retirement savings market
- True multiline company: diversified revenue streams that provide financial stability in a variety of market cycles
- Conservative balance sheet, disciplined ALM and investment management
- Track record of strong book value and earnings growth; compelling dividend and opportunistic repurchase program

(1) Measurement period beginning 1/1/12

(2) 42.3 million weighted average diluted shares for Q3 2014

Our Vision: To be the preferred insurance and financial services provider to the nation's educators

Horace Mann will protect educators' short-term risks and secure their financial future throughout their life cycle through ...

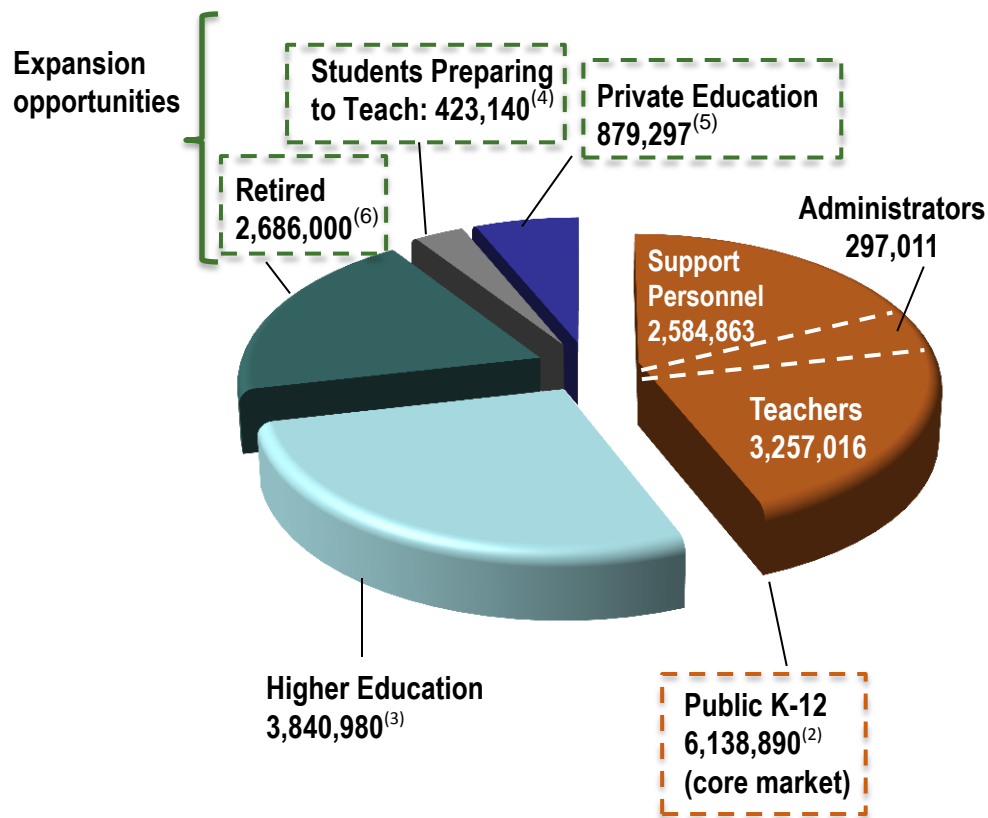
Tailored Product designed to meet educators' needs and cover their risks

Trusted, knowledgeable Distribution tailored to educator needs and preferences

Modern Infrastructure that is efficient, scalable and easy to do business with

... while providing shareholders with a compelling return through various market cycles

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



- The Public K-12 teacher market, which has been our historic core focus, is projected to grow by 15% 2010 to 2021⁽¹⁾
- Distribution is primarily captive agent force that meets with educators at their worksite
 - Supplemented by independent agents that offer Annuity products in certain markets
- Opportunities exist to improve productivity of existing agency force, expand distribution points and enter adjacent markets

(1) U.S. Dept. of Education, National Center for Education Statistics, Common Core of Data, March 2012

(2) U.S. Dept. of Education, National Center for Education Statistics, Common Core of Data, August 2013

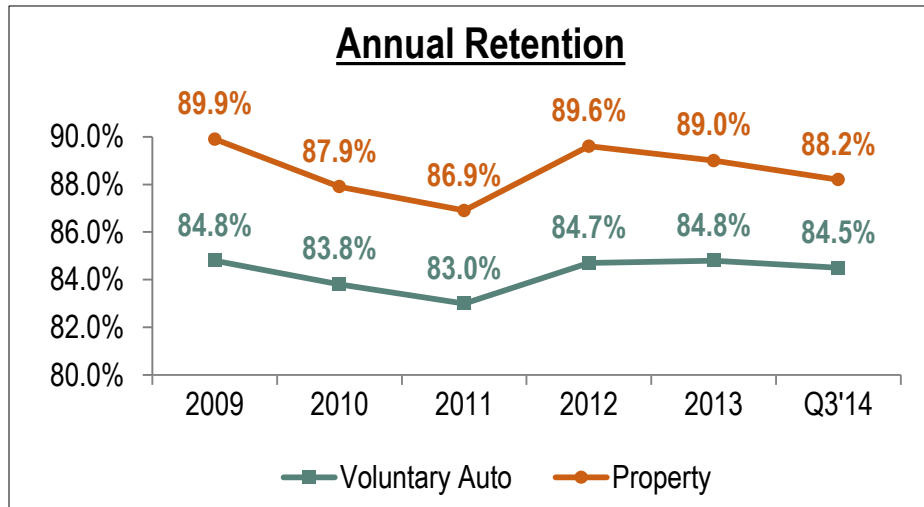
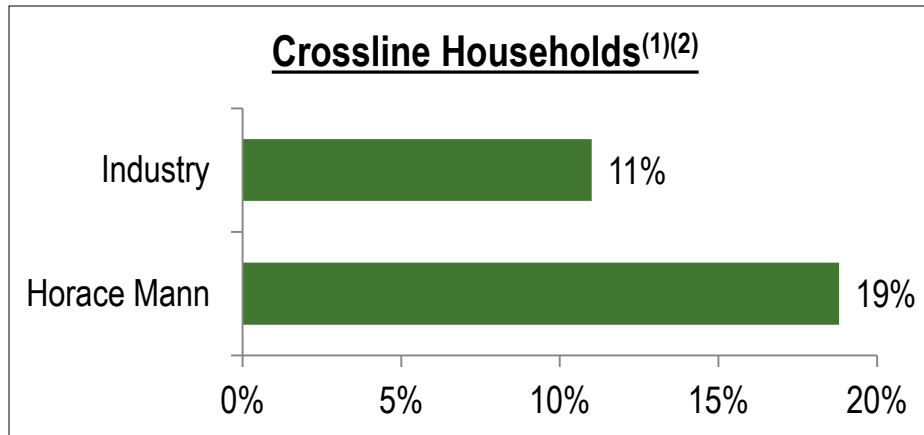
(3) U.S. Dept. of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System, July 2012

(4) U.S. Dept. of Education, National Center for Education Statistics, Higher Education General Information Survey, July 2013 (Estimated, current year Education major Bachelors Degrees awarded times 4)

(5) U.S. Dept. of Education, National Center for Education Statistics, Private School Universe Survey, July 2013 (Total private employment estimated based on public teacher/staff ratio)

(6) Analysis of 2013 State Teacher and Public Employee Retirement Plans

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



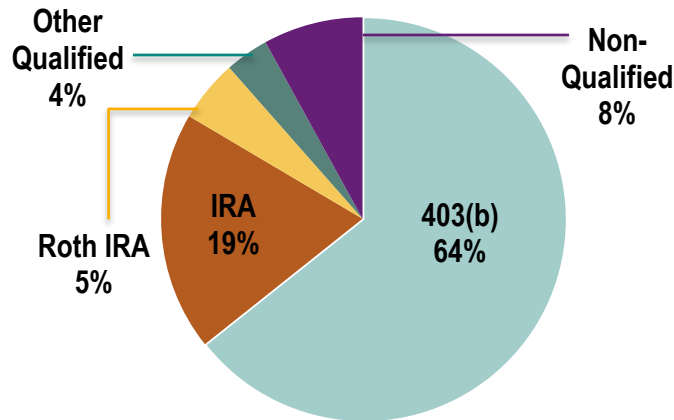
- Crossline penetration significantly exceeds industry average
 - Majority of P&C policyholders purchase both auto and homeowner products
- P&C retention ratios have been relatively stable despite sizable rate actions
- Life and Annuity persistency ratios have been consistently strong and stable, around 95%
- Targeted marketing programs to drive higher retention and crossline sales
 - State teacher retirement seminars
 - DonorsChoose.org relationship
 - Payroll deduct expansion for Auto, Annuity and Life products

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

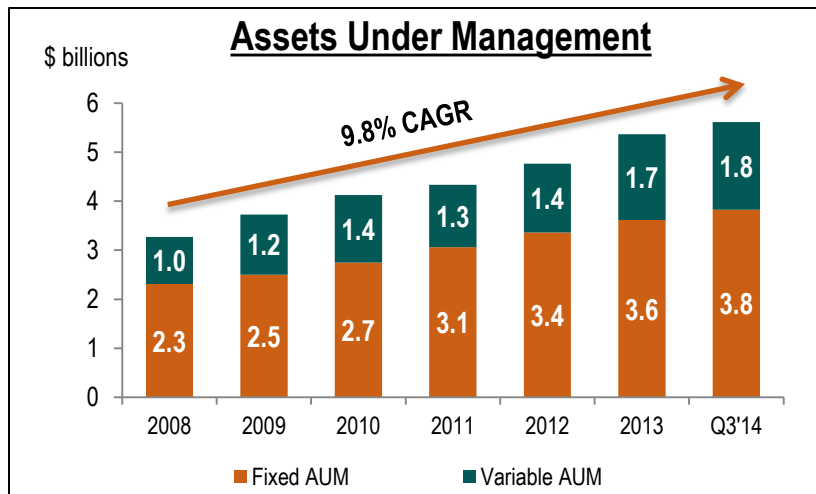
(2) HMN data: Educator households as of September 2014; Industry data per LIMRA, 2011 multiline exclusive agent average

Annuity segment assets under management and sales continue to grow

Product Composition⁽¹⁾



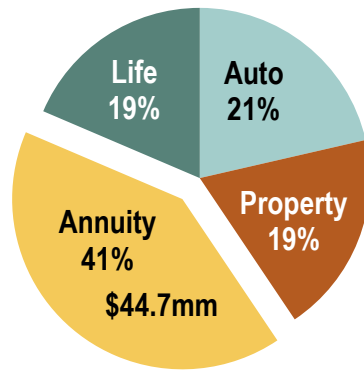
- 92% of Annuity assets under management are tax-qualified accounts
 - Consistently strong persistency ~95%
 - Roughly two-thirds of underlying assets are Fixed Annuities; remaining one-third is Variable Annuities with no living benefits
- Assets under management growing at steady pace
 - Introduction of new Fixed Indexed Annuity product in Q1'14 has accelerated AUM growth
- Sales momentum for Annuity is strong
 - 22% increase in Annuity product sales over Q3 YTD'13, led by the new Fixed Indexed Annuity product



(1) Based on Assets Under Management as of September 30, 2014

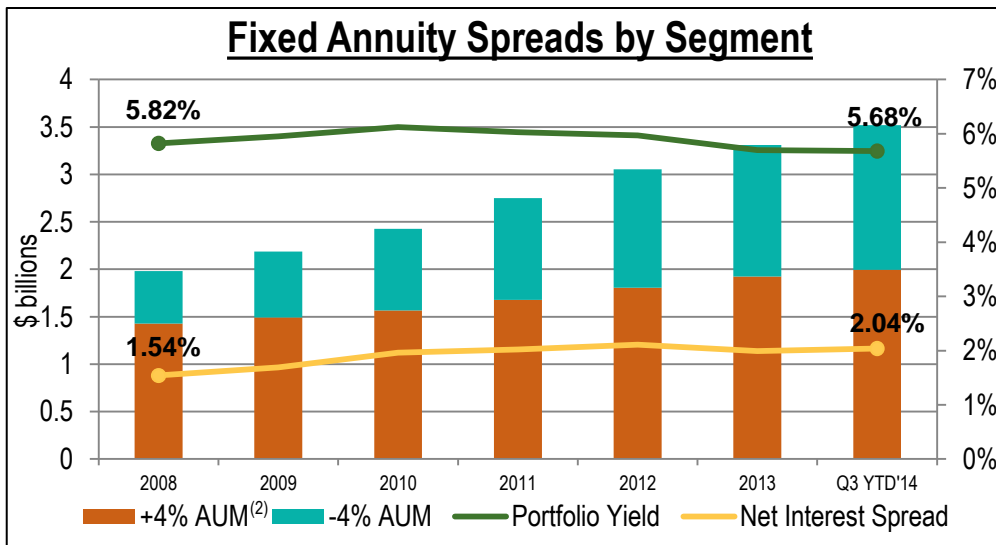
Maintained annuity segment margins in a low interest rate environment; well positioned for rising interest rates

Annuity Earnings Contribution⁽¹⁾



- Ex-DAC Annuity earnings of \$11.1 million, up modestly from prior year quarter
 - Proactive crediting rate actions and prudent investment management have resulted in favorable net interest spreads that remain above 200
- Layering of new business at spreads above target levels has limited return pressure of the older fixed annuity block
 - New business spreads continue to exceed target
 - As rates rise, we expect the older fixed annuity block spreads to increase, lifting overall returns
- Business is priced to generate a low double-digit ROE at targeted spreads of 200 to 250 bps

Fixed Annuity Spreads by Segment

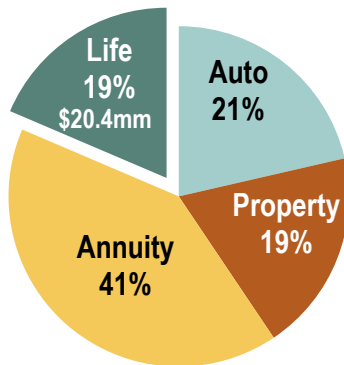


(1) Based on FY 2013 Operating Earnings by Segment, excluding Corporate and Other segment

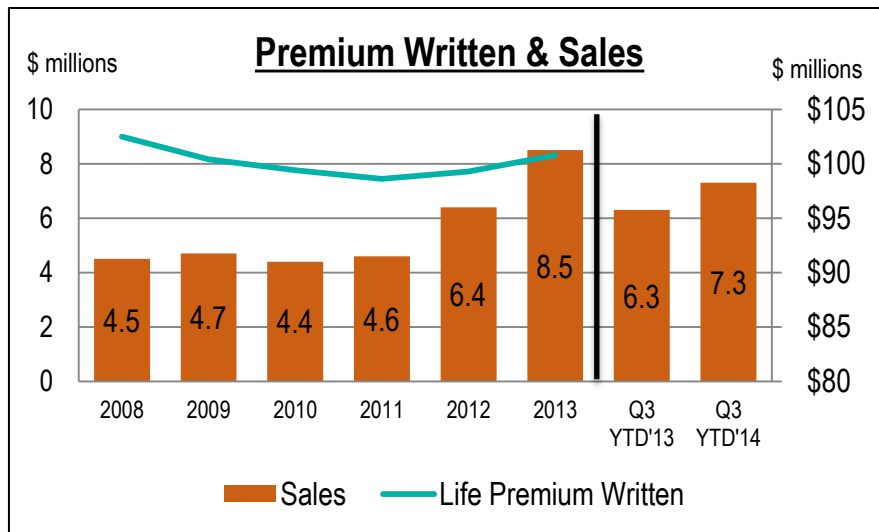
(2) Discontinued products with guaranteed crediting rates of 4% or higher

Reigniting growth in the profitable Life segment

Life Earnings Contribution⁽¹⁾



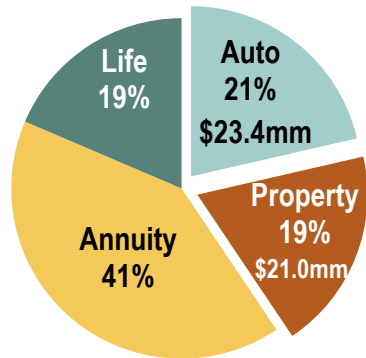
- Q3 earnings of \$3.9 million down from PYQ on more normal mortality compared to favorable experience in the prior year
- Mature book of whole and term life products
 - About 200,000 policies in force with ~96% retention ratio
- Business is priced to generate a low double-digit ROE
- Targeted growth initiatives have resulted in a 16% increase in life sales for Q3 YTD'14
 - Strategic focus to grow this segment of profitable business



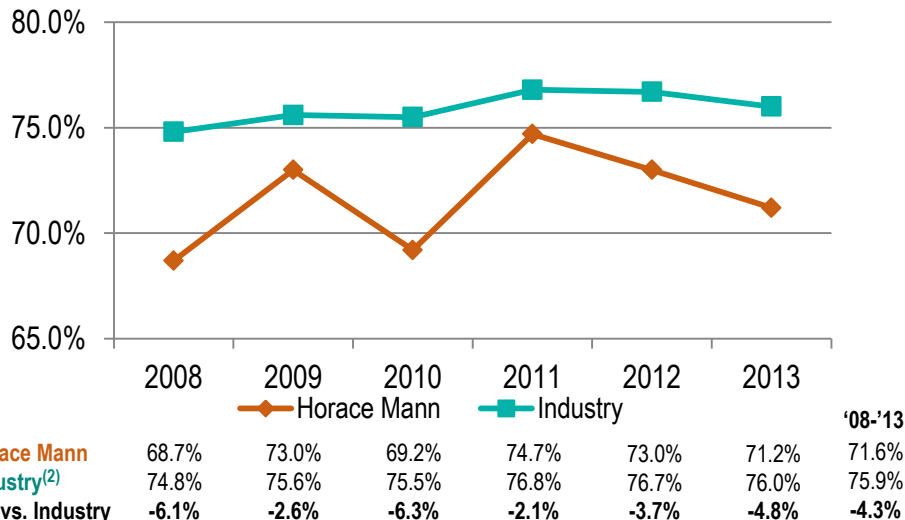
(1) Based on FY 2013 Operating Earnings by Segment, excluding Corporate and Other segment

Personal Lines P&C segment has improving combined ratios that are stronger than industry averages

P&C Earnings Contribution⁽¹⁾



Auto Loss Ratio vs Industry

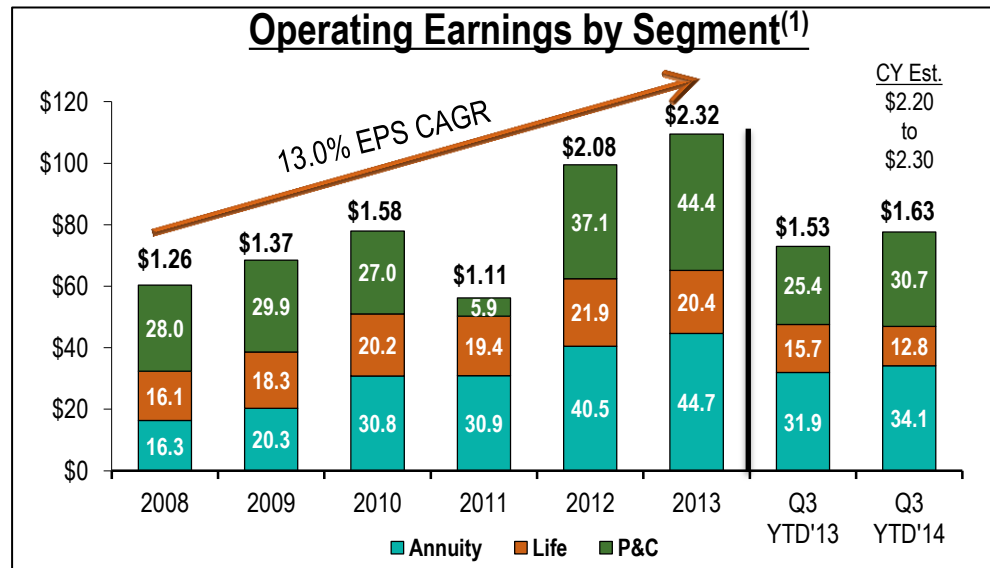


- Q3 earnings of \$11.8 million increased 6% over PYQ, mostly on lower catastrophe losses and continued margin expansion in auto
- Profitable book of preferred customers with retention that exceeds industry averages
 - Majority of customers purchase both Auto and Property insurance
 - Mid 80s retention in Auto; High 80s in Property
- Strong defense over past few years to reduce coastal concentrations, exit Florida homeowners and improve margins
 - Rate increases continue to exceed loss cost trends
- Mid-90s reported combined ratio would generate a 12% ROE at 1.5x underwriting leverage

(1) Based on FY 2013 Operating Earnings by Segment, excluding Corporate and Other segment

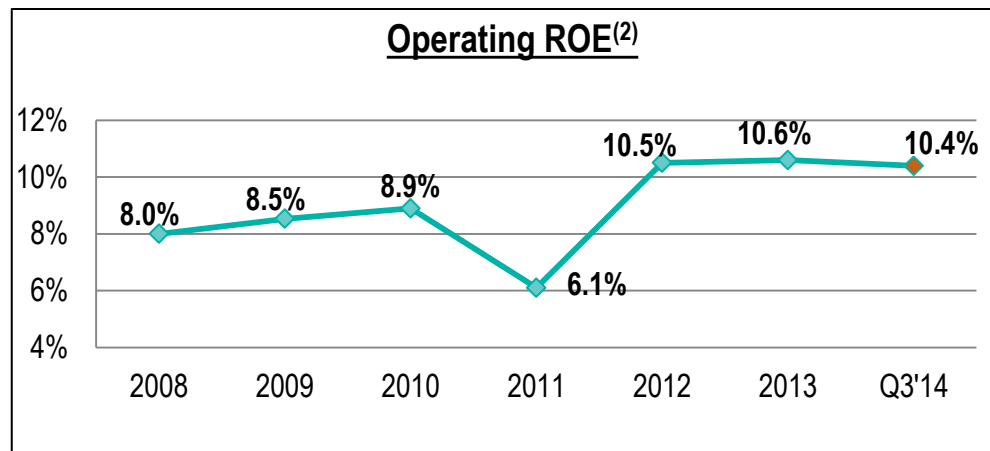
(2) AM Best industry composite based on statutory incurred losses

Multiline business model has generated steady, growing operating earnings during a variety of economic cycles



- Operating earnings per share⁽¹⁾ have grown 13% on a compound average annual basis, led by Annuity and P&C

- Continued P&C profitability improvement
- Strong Annuity sales and assets under management growth have generated 20+% earnings growth CAGR
- Life earnings reflect the maturity of in force block



- Investing in all three business segments to accelerate Operating EPS growth and improve ROE

(1) Operating earnings reflects net income excluding realized investment gains and losses

(2) Operating ROE excluding unrealized gains and losses; 2010 and prior are before the retroactive application of new accounting guidance for deferred policy acquisition costs

Solid earnings across all business segments have resulted in continued operating improvement in 2014



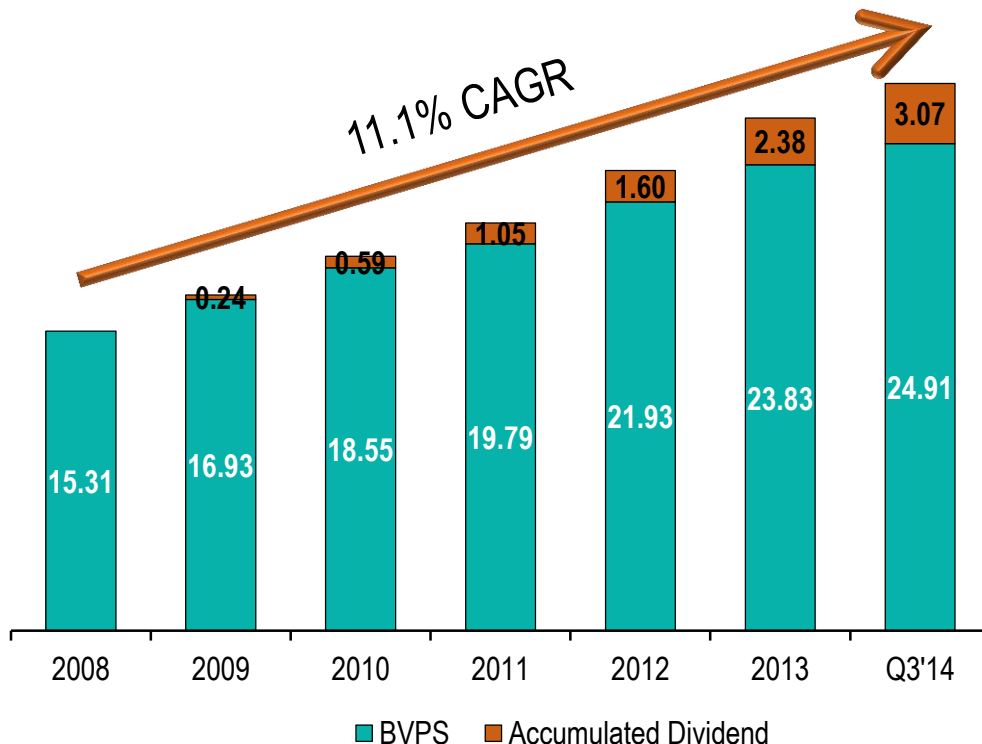
- Q3'14 Operating Income of \$0.55 per diluted share was a solid result despite sizable non-cat weather losses in Property
 - P&C earnings reflected benign catastrophe losses and 1.6 points of improvement in the Auto underlying loss ratio; continued favorable prior years' development
 - Annuity earnings benefited from favorable net interest spreads and an 8% increase in assets under management
 - More normal levels of Life mortality costs compared to favorable experience in the prior year quarter
- YTD Operating EPS of \$1.63 reflects:
 - Continued improvement in P&C profitability
 - 13% increase in ex-DAC Annuity earnings driven by strong investment performance, proactive crediting rate management
 - Return to modeled Life mortality

(1) Net income excluding realized investment gains and losses

(2) Excludes Corporate and Other segment

Solid financial results have resulted in top quartile book value growth⁽¹⁾ and a compelling dividend yield

Book Value Plus Accumulated Dividends⁽¹⁾



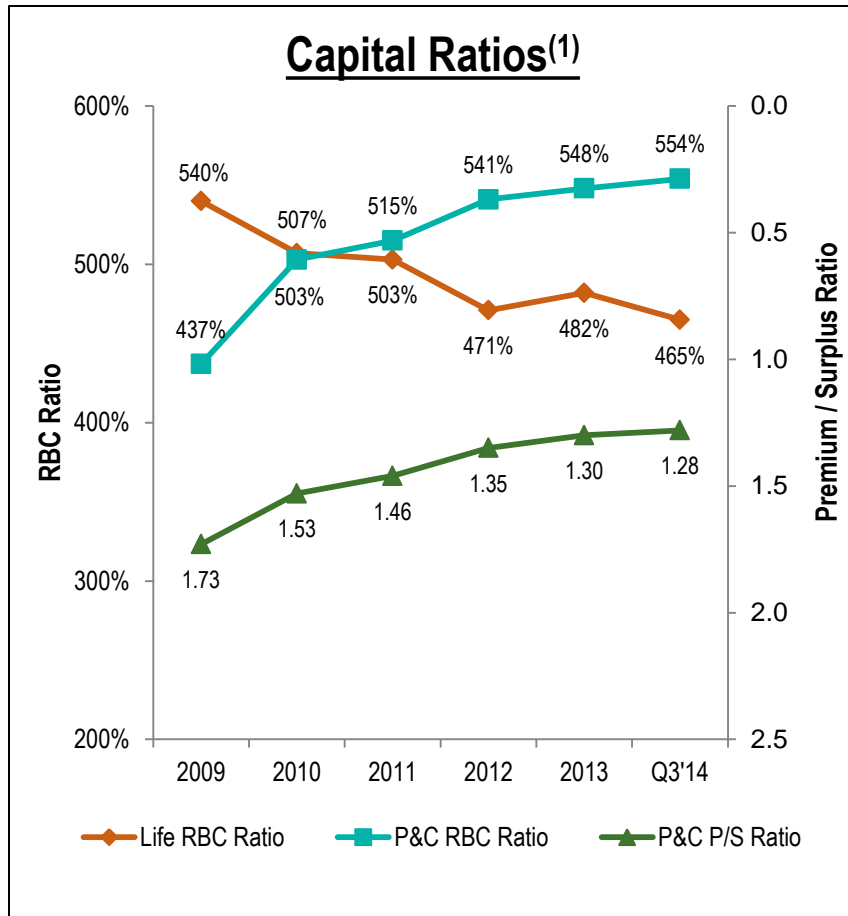
- \$24.91 book value per share excluding FAS 115 as of September 30, 2014
- Annualized 2014 shareholder dividend of \$0.92
 - Dividend yield of 3.2%⁽²⁾
 - Reflects ~40% payout ratio
- Opportunistic share buyback program
 - Repurchases of \$27.1 million since December 2011 at an average price of \$18.85 versus VWAP of \$23.04⁽³⁾
 - \$22.9 million remaining under authorization

(1) Book value per share excluding unrealized investment gains/losses (ex. FAS 115). 2008-2011 numbers have been restated to include the retrospective application of new accounting guidance for deferred policy acquisition costs. Top quartile ranking in peer group includes Large, Mid and Small cap personal lines and life insurance companies

(2) Based on 9/30/14 stock price of \$28.51

(3) Repurchase activity through 9/30/14

Capital ratios reflect more than adequate capital to grow our businesses

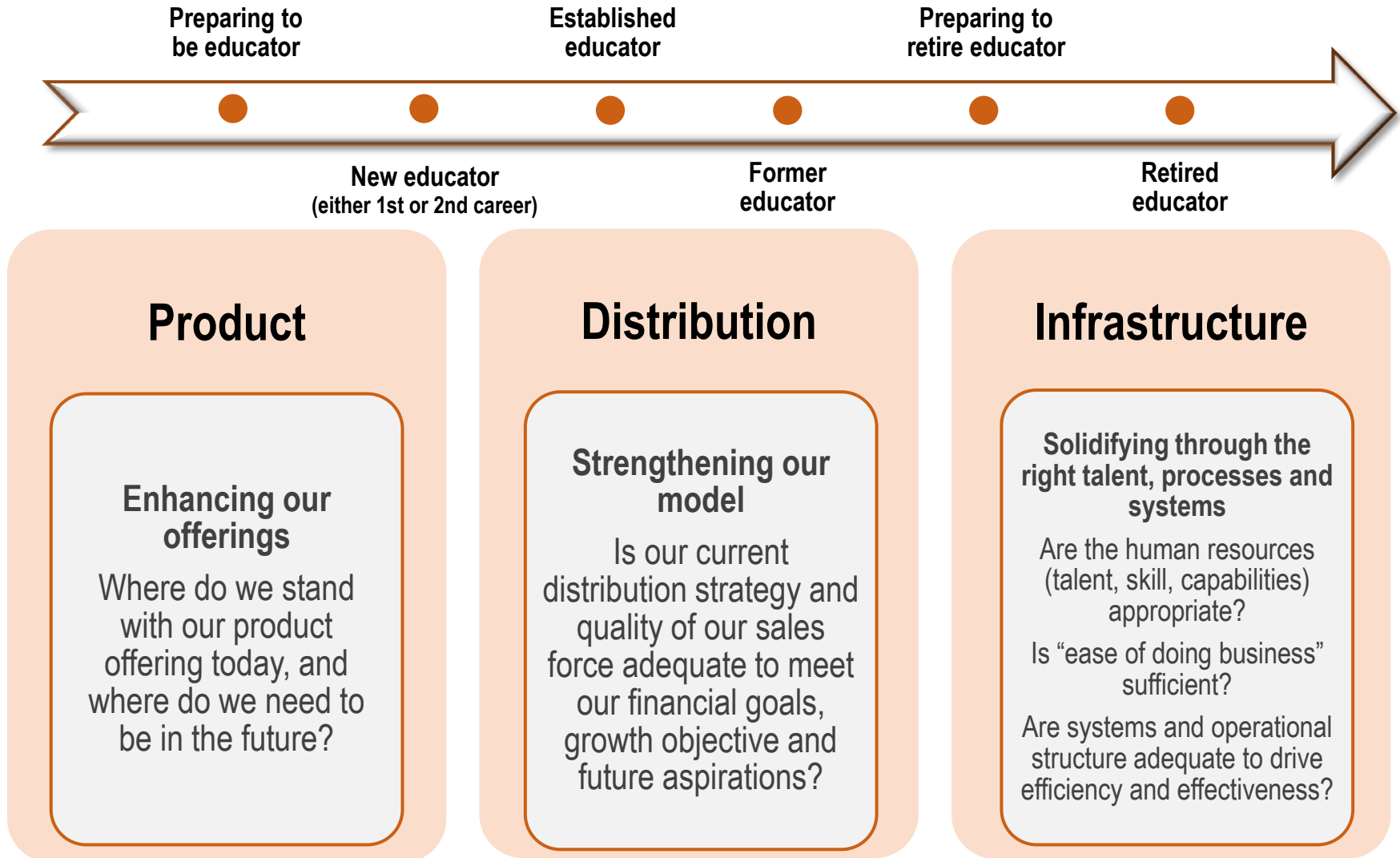


(1) 2014 RBC results are estimates

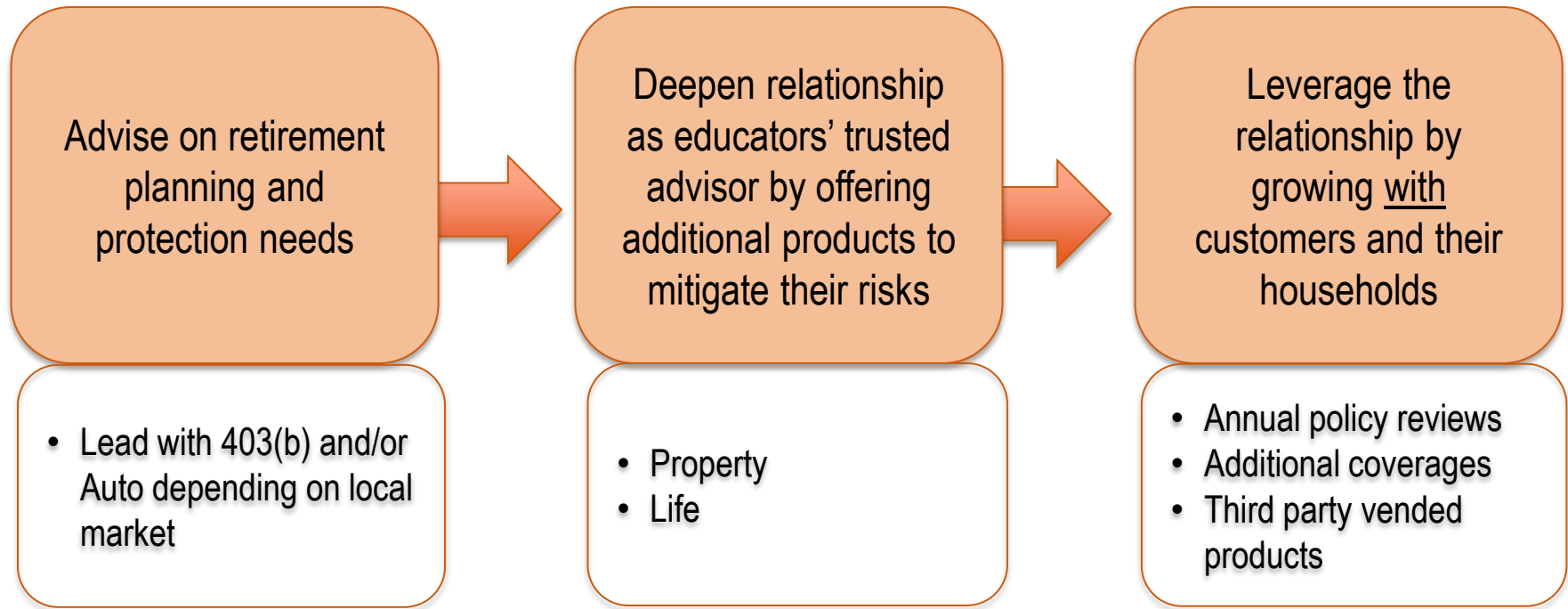
(2) Excluding unrealized gains/losses on investments

- Consistent earnings and 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
- Q3'14 debt-to-capital ratio⁽²⁾ of 18.9%
- Excess capital deployed for organic growth, which results in modest ROE expansion

Our strategy: To become a larger, more dominant player by successful execution at each stage of the educator life cycle

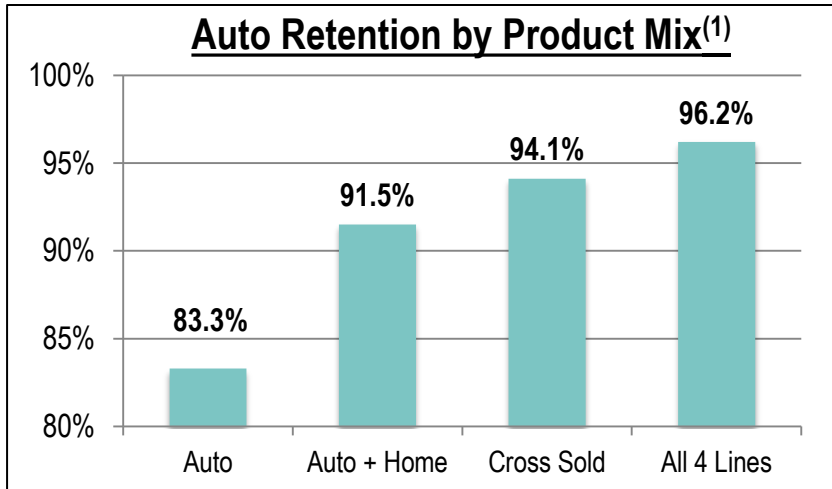


By being trusted advisors to educators, we're focused on finding, winning and keeping more educator households



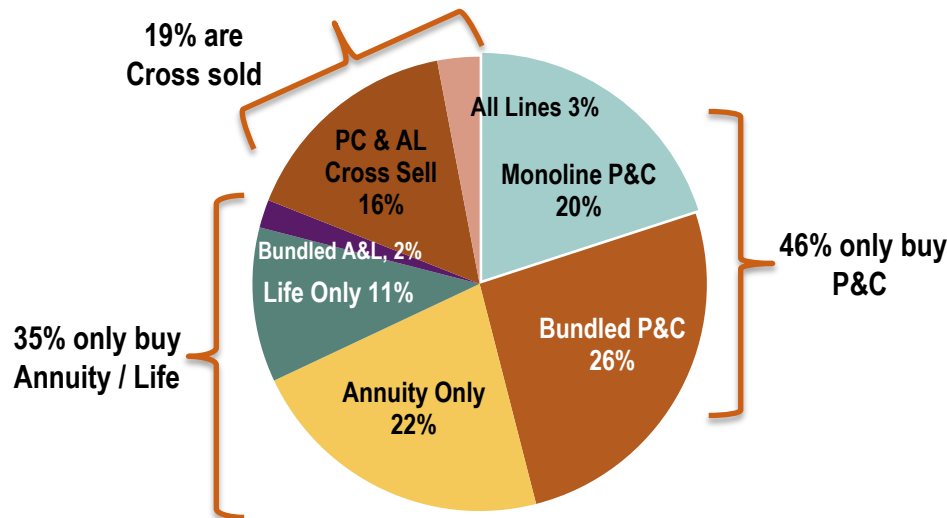
Objective to acquire an educator household, and then penetrate the household with multiple products and services – ***Find more, win more, keep more!***

As educator households buy more than one product, auto retention improves; significant opportunity to sell to existing customers





- Auto retention increases with each additional product sold
 - Monoline Auto - 83%
 - Increases over 8 points by bundling with Property
 - Increases over 10 points by cross selling
- In addition, we see modest persistency benefits in Annuity and Life for cross sold business
- Significant additional cross sell opportunities within existing educator customer base
 - 46% of educator households are only buying P&C products
 - 35% of educator households are only buying Annuity / Life products

Educator Household Distribution by Product⁽¹⁾



(1) Based on HMN Educator data as of September 30, 2014

Products tailored to the educator niche – with more to come

	ALG	P&C
HM Underwritten 	<ul style="list-style-type: none"> Traditional annuity / life products Fixed indexed annuity Universal life 	<ul style="list-style-type: none"> Auto Property Renters Umbrella
Preferred Third-Party Vendors 	<ul style="list-style-type: none"> Universal life Managed accounts 	<ul style="list-style-type: none"> Non-standard auto risks Motorcycle/toys Higher-value homes Commercial coverages Classic cars
Brokerage Platform	<ul style="list-style-type: none"> Mutual funds Survivorship life Impaired risk life products 	<ul style="list-style-type: none"> Commercial coverages

Gray = Historically offered

Teal = Introduced in 2014

Orange = Anticipated future launch

Our efforts in the next 12–18 months are focused on ...

Product

- Launch HMN Universal Life products
- Further enhance P&C segmentation to refine new business pricing
- Explore additional third-party vended products

Distribution

- Improve agent training and support
- Increase agent productivity and quality standards
- Enhance Call Center capabilities
- Increase Independent Agent 403(b) sales
- Build out large district / institutional sales channel

Infrastructure

- Continue successful implementation of the Life/Annuity admin system
- Complete P&C system due diligence
- Continue to assess talent needs
- Improve worksite capabilities
- Expand broker-dealer operations

. . . which results in growth in educator households and strong performance for shareholders

- Continued strong double-digit earnings growth
 - Led by Annuity in the near-term
 - With P&C following as we successfully attract new business
- Expanded Operating ROEs as we better leverage our capital position and expense structure
- Sustained double-digit book value and accumulated dividend growth per share⁽¹⁾

(1) Book value per share excluding unrealized investment gains/losses (ex. FAS 115)

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 P&C pricing segmentation and underwriting and claims initiatives to further improve underwriting results

(1) Sold by Horace Mann agents

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

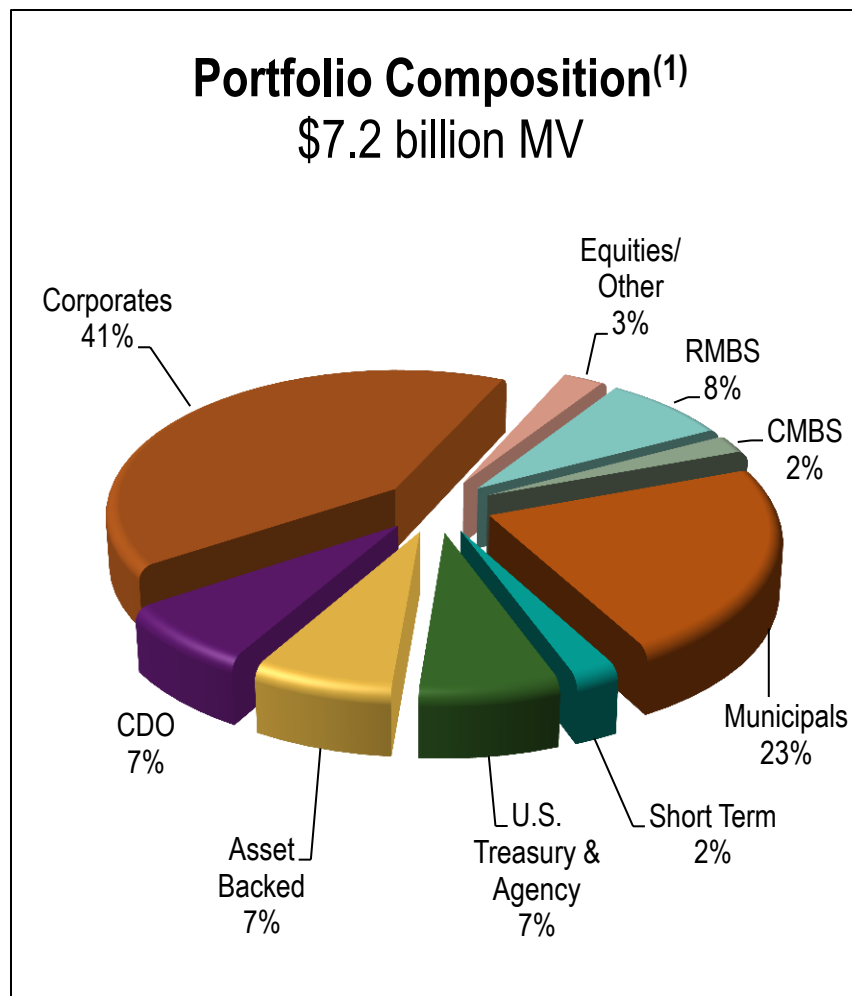
Annuity and Life

- 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

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

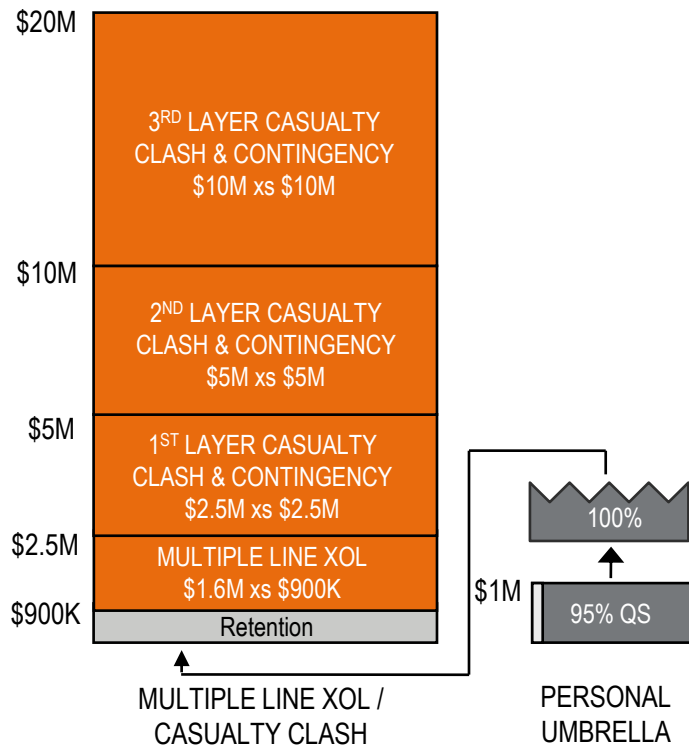


- High quality, well diversified portfolio across fixed income sectors
 - Weighted average quality: A
 - Average duration 5.9
- Focused on risk and asset liability management
 - \$6.2 billion MV portfolio supports long dated Annuity & Life liabilities
 - \$0.9 billion MV portfolio supports P&C
 - \$480 million net unrealized gain; majority in Annuity & Life portfolios
- New purchases focused on maintaining portfolio quality and yield
 - Q3'14 new money rate of 4%

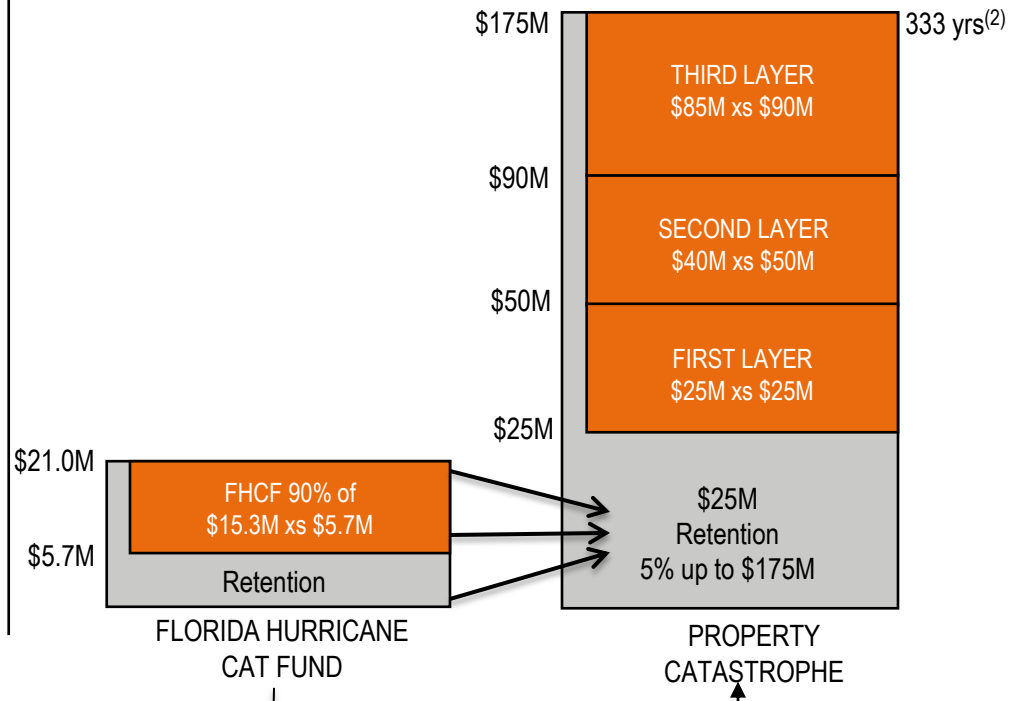
(1) As of September 30, 2014; excludes policy loans

Current single-event catastrophe reinsurance provides PML coverage of more than 300 years

Multiple Line XOL / Casualty⁽¹⁾



Property⁽¹⁾



(1) 2014 Catastrophe Reinsurance Program

(2) Based on the current AIR model, top-end coverage of \$175 million protection at the 333-year PML

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

Appropriate conservatism

- Disciplined reserving practices
- Carried reserves at high end of independent actuarial estimate
- 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: educator market focus, earnings diversification and capital strength

Recent Ratings Upgrades

- In Q1'14, AM Best upgraded our P&C outlook to Positive from Stable
- In Q2'14, Fitch upgraded our ratings to 'A' from 'A-'

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 (2/28/14)	Stable
Moody's	A3 (Apr. 2012)	Stable
AM Best - Life - P&C	A A- (2/28/14)	Stable Positive
Fitch	A (5/15/14)	Stable

Consolidated GAAP Income Statement

(\$ in Millions, except EPS and BV)

	2010	2011	2012	2013	Q3 YTD'14
Written Prem. & Contract Deposits	\$ 1,052.0	\$ 1,078.4	\$ 1,067.7	\$ 1,094.2	\$ 875.4
Earned Prem. & Contract Charges	\$ 672.7	\$ 667.1	\$ 670.5	\$ 690.9	\$ 533.6
Investment Income	272.1	288.3	306.0	313.6	247.0
Other Income	6.2	5.2	7.0	4.5	2.3
Benefits, Claims, & Settlement Exp.	621.6	657.3	611.8	618.2	487.9
Total Other Expenses & Taxes	264.7	257.2	285.4	294.3	226.4
Income Before Realized Gains/Losses	\$ 64.7	\$ 46.1	\$ 86.3	\$ 96.5	\$ 68.6
Operating EPS	\$ 1.58	\$ 1.11	\$ 2.08	\$ 2.32	\$ 1.63
Operating ROE (ex. FAS 115)	9.2%	6.1%	10.5%	10.6%	10.4%
Realized Inv. Gains, After Tax	15.4	24.4	17.6	14.4	5.6
Net Income	\$ 80.1	\$ 70.5	\$ 103.9	\$ 110.9	\$ 74.2
BV / Share (ex. FAS 115)	\$ 18.55	\$ 19.79	\$ 21.93	\$ 23.83	\$ 24.91
BV / Share	\$ 21.36	\$ 26.53	\$ 31.65	\$ 27.14	\$ 31.51

Consolidated GAAP Balance Sheet

(\$ in Millions)

	2010	2011	2012	2013	Q3'14
Assets					
Investments	\$ 5,073.6	\$ 5,677.5	\$ 6,292.1	\$ 6,539.5	\$ 7,306.5
Cash	5.9	7.5	15.2	18.2	41.2
Separate Account Assets	1,375.7	1,273.8	1,398.3	1,748.0	1,786.4
DAC	222.2	216.5	196.9	245.3	217.7
Goodwill	47.4	47.4	47.4	47.4	47.4
Other Assets	220.9	212.5	217.8	228.3	243.8
Total Assets	\$ 6,945.7	\$ 7,435.2	\$ 8,167.7	\$ 8,826.7	\$ 9,643.0
Liabilities					
Policy Liabilities & Other					
Policyholder Funds	\$ 4,198.0	\$ 4,515.5	\$ 4,839.9	\$ 5,375.5	\$ 5,871.1
Separate Account Liabilities	1,375.7	1,273.8	1,398.3	1,748.0	1,786.4
Long Term Debt	199.7	199.7	199.8	199.9	199.9
Short Term Debt	38.0	38.0	38.0	38.0	38.0
Other Liabilities	287.2	352.8	445.9	366.0	459.3
Total Liabilities	6,098.6	6,379.8	6,921.9	7,727.4	8,354.7
Shareholders' Equity	847.1	1,055.4	1,245.8	1,099.3	1,288.3
Total Liabilities & Equity	\$ 6,945.7	\$ 7,435.2	\$ 8,167.7	\$ 8,826.7	\$ 9,643.0

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