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<<Marita Zuraitis, Director, President, Chief Executive Officer & Director>>

Good morning everyone. I guess we're going to get started. Okay. I'd like to spend a little time this morning talking not only about the numbers, but a little remainder of our strategy as a company, and it starts with this slide. We're a unique company and that we deal primarily with K-12 public educators. We help them with insurance products to protect their short-term risk and with financial products that help them to prepare for their future. And this adds up to a comprehensive solution oriented approach to a finite niche of homogeneous customers.

We understand educators at a very different level. There are a lot of companies out there that do business with educators and particularly K-12 public educators. But because it's pretty much all we do, we understand the habits, the needs, the things that educators need at each step of their life stage. We sell in-schools. We are the trusted advisors at the point-of-sale in the educational institutions. We're able to tailor our products for the needs of educators. And our agents are very knowledgeable as we are as a company about the needs of educators and therefore helping them with the solutions that they need to both protect their short-term risk and secure their long-term financial future.

It also allows us to tailor our infrastructure, our hours when we're open, who is answering the telephone, again around the needs of educators. We were founded by two educators in Springfield, Illinois 70 years ago, so this is wired in the company from its beginning and certainly from its foundation. Because we deal with educators, we understand the risk profile of educators. How they live is a very important part of understanding this educator segment. They tend to buy higher limits of insurance. They tend to bundle their auto and home because they're focused on kids, they tend not to be focused on their insurance decisions, so they tend to want it quick, want it together, and like this idea of one-stop shopping.

They also tend to be a relatively loyal group of people and you see that and we see that in our retention and persistency numbers. We know a lot about where they work. What school they are in, their commuting patterns, how close they live to where they work, is also very important to us. And when you think about educators, they tend to commute at off-hours. So they're not in traffic at high patterns when there are a lot of vehicles on the road. And if you think about schooldays, they're also off when the weather is the worst, which insulates us from an auto perspective as well.

They tend to be pretty conservative savers. We talk back at the ranch about one step above the mattress. These people are very conservative investors. They like some optionality, but even when given optionality, they tend to pick the most conservative options. They like education. They're in the education field. They like to understand the issues that face them and have trusted professionals that can provide guidance. And when we find opportunities for savings for them, they're very open to reapplying those saving to retirement.

So, our strategy and our orientation really does start with understanding who an educator is, and then tailoring our solutions for those educators. When we have talked about the strategy of the company, we've been pretty consistent from the beginning. We do think about products, distribution and infrastructure. Making sure, we have the products that meets the needs specifically of educators. We're able to tailor our products, the laptop get stolen from a car parked at a parking lot at a school. We can have nuances in our product whether it's P&C or some other financial products in our life and annuity side.

We can tailor our products to meet the needs of educators. When we think about our distribution, is our distribution knowledgeable, do they have the consistency, the quality, the commonality from an agent and agent to serve our educator segment and making sure that we do have a consistency to that approach. And then our infrastructure, tailoring our infrastructure to meet the needs of educators, making sure it's modern and efficient.

And our strategy really has been put in those buckets and we've been focused on those key levers of our strategy. The life cycle of an educator and dissecting that life cycle is important just like any other human being. The need of an educator does change depending on their age, depending on what stage of life that they're in. We spend a lot of time thinking about what are the issues facing a new educator, an established educator, an educator preparing to retire or an educator that's already into the retirement phase of their life.

We can think about what are their issues, and then how do we tailor our solutions to meet the needs of those educators, a lot of time on demographic information and data, dissecting this group of individuals. You know there were a finite number of K-12 public educators. There is a fair amount of information available about them in the public domain. So dicing and slicing the data and understanding those needs and then tailoring our products and our solutions around their needs is not only doable, but it's what we do as an organization every day.

So when I think about our strategy and the results that the strategy has brought to bear, it's interesting when we think about our mix of business. Whether you think about it from being good from an educator standpoint or being good from a shareholder standpoint, it's interesting that it's beneficial to both. First for our educators, as we said before, they have short-term needs. They have auto needs, homeowner's needs, and umbrella needs, but they also have financial product needs, supplemental income needs through life insurance, retirement needs through annuity and we can provide all of that. So the idea that we're one-stop shopping for the educators is very important to them, but it's also good for our shareholders.

These businesses tend to be counter cyclical. They tend to provide pretty good earnings diversification across a pretty wide portfolio. So we tend to also be a conservative company and I think that's proven in our track record and our results year-over-year. The idea of an overall portfolio with our educators has translated into some pretty good cross-sell percentages. The industry tends to cross-sell between life and annuity and P&C at about 11%, our cross-sell is almost double that at 19%. So that has translated into some pretty good numbers for us.

You'll see in a minute our retention ratios, but like I said this is a loyal group of folks that really do tend to stick with the carrier and not make a lot of moves in their insurance and financial product buys. But I think it also helps our retention numbers that we do provide both needs for them and you'll see those numbers in a minute. Breaking it down by segment, first in the annuity segment, although we've had some pretty good trajectory in our growth numbers, we also feel that there is an awful lot of opportunity in this space.

Our educators are facing an awful lot of complexity across the country and a lot of changes in state retirement pension plans. Our agents tend to be experts in the changes in these state plans and can educate educators on those changes and make sure that if they've got to go outside and they do their typical pension plans, we have products that can help supplement that retirement, the retirement savings.

Educators come to us for student loan forgiveness. When you looked at that life cycle chart, you saw in there that one of the key things that we know educators on average have about $33,000 of student loan debt. Our agents can help educators get access to student loan forgiveness programs. And when they do that and they get that student loan forgiven either a title one school or many other grants and student loan forgiveness programs that are available. When they help them save that money, they immediately can apply that savings into an annuity, into a life insurance product, and prepare that educator better for their future.

Class room assistance funding, we've talked about DonorsChoose before our relationship with DonorsChoose. We know on average teacher spend about $500 of their own money in the classroom. When we can help them get access to the crowd funding availability of a DonorsChoose, we can take that savings whether its half of that $500 or the entire $500 and help that money go to work for the individual educator and we see this more in our annuity space as those funds get – get reapplied to the individual educators retirement plan.

As far as the product portfolio goes 92% of our assets under management, our tax-qualified accounts nice strong persistency in the line at about 94%. Our 403(b) and 457 variable products – I'm sorry are viable products in the current regulatory environment, meaning that they're somewhat insulated from the Department of Labor pending changes. So we like that portfolio. And we did launch a fixed index annuity product in the first quarter of 2014 that has certainly helped us from a growth perspective.

Our assets under management are strong. The sales continue to grow. 14% increase in sales through the second quarter of 2014. Two thirds of the underlying assets are fixed annuities and third are variable annuities with no living benefit. We have a very disciplined crediting rate action and prudent investment management, those have all resulted in favorable net investments spreads. You can see there, that the business is priced to generate a low double-digit ROE with targeted spreads at two to 250 basis points.

On the P&C side of the equation we said early on that educators tend to be a preferred book of business and they tend to retain at a pretty strong rate. We have a preferred risk approach profile with these folks we've talked about those attributes before. 35% of our existing customers have their P&C coverage outside of Horace Mann. So although our penetration is strong, we see some pretty strong opportunity there. These retention numbers, I talked about earlier, are auto retention when its model line is in the 84 range and you can see that builds as we cross-sell products.

All the way up to when we have all four lines of business, we see 11% increase in that auto retention rate. And so you can see the opportunity there. We like the 20% cross-sell rate, nearly 20% that we have, but we also, know we have a lot of opportunity as we continue to cross-sell that and the auto becomes incredibly sticky, those are some pretty strong numbers.

The quality of the P&C book is also very strong, consistently outperforming the industry by some five points and there if you look at the auto loss ratio, the home owners loss ratio also very strong and this is a group of people that if you think about it, teach kids, not to drink and drive, not to text and drive, teach kids about responsibility. It would be unusual for them to go out and then have risky behavior behind the wheel. So I think some of it has to deal with, the nature of educators to begin with. And then also as we improve our pricing sophistication and bring more data and the analytics to bear, that also does help on both the auto and homeowners side. They tend to take care of their property and be very, very responsible homeowners, as well. And I think that clearly comes through, comes through in the numbers.

And from a life perspective, we have a relatively small book of life business, that's been growing at a nice clip, but started at a relatively small base. So we really see this as a very large opportunity for the company as we cross-sell our P&C clients and we cross-sell our annuity clients. We typically will start a relationship with the mono line auto, where start relationship with 403(b) and sales so the idea to go in and cross-sell our life book is something that we're very focused on. We will introduce an indexed universal life product end of this year, beginning of next year and we know that it's going to have some good benefit for us from what we're being told by our customers and our agents who support our book.

The Life Segment is a profitable in-force book for us it is very sticky, as you can see in the persistency rates that we talked about before it is growing nicely. The mortality that we have patterned on the book is within our actuarial range and does perform in a pretty tight path there, as you can see on the charts. So a good book, a conservative book, relatively low face values and some pretty good cross-sale opportunities for us across the book. This multi-line model, as I said has really, historically done well from an operating earnings perspective. And our operating earnings per share have grown to 11% on a compounded basis. And so the results are clearly there on the book. The ROE for the book is also performing well and we're on our path for that high double digit ROE that, I am sorry, low double digit ROE that we've been projecting.

Solid financial results top quartile book value growth with the compelling dividend yield, on the chart there you can see $26.30 book value per share, that's up 7% from a year ago. On an annualized basis 2015, shareholder dividend of $1.00 and obviously taking advantage of some opportunity to buy back our shares there. So we're pleased with the results that we have been able to provide, not only for educators, clients, but certainly for our shareholders.

We'll remain focused on this product distribution and infrastructure strategy that we've talked about. First from a product perspective on the Life and Annuity side, I mentioned our FIA book and the successful rollout of our fixed indexed annuity products and the universal life product that will roll out at the end of this year. From a property and casualty perspective, a lot of work on an individual state basis of pricing, product improvements and really improving our competitive position as we bring more analytics and we are pricing sophistication to the book.

We have also added some third-party products, we manufacture the auto, the home, the umbrella, but we do have many clients who need products and who would normally come to an independent agent for products such as small commercial products, we might have a teacher who over the summer makes cupcakes or and art teacher who has a ceramic studio rather than turning that customer to an independent agent. We have a relationship with a BOP provider and we will get a small fee for placing that business, but we don't have to take on a risk profile that isn't typically our profile.

One of the largest third-party relationships we have is with Progressive. If we have a non-standard auto either exposure or customer we can place that educator with Progressive and when this non-standard situation usually a 16 or 17-year old driver with a speeding ticket and when that matures, we certainly can take that policy back to Horace Mann. So we will manufacture where we have scale, where we understand the risk profile, but yet we can use good, trusted third-party relationships when it is in our risk profile that way we keep the teacher in the Horace Mann family, but we don't have to take on the risk.

From a distribution perspective we talked about a very solution-based orientation, our educators know the individual states, I'm sorry, distributors know the individual states and which they work, the pension plan changes that they are faced with and the needs that the educators in their particular state. We have bought third-party data bases that contain much of the information needed to really understand the educators in a given state, the needs of those educators very often, their names, their addresses the demographics of the household that helps us to push marketing, in addition to the distributors that we have out in the marketplace. We've been spending an awful lot of time and you've heard us talk about improving the quality and the productivity of our agency plant, and really driving a common experience from agent to agent, from geography to geography. So an educator can come to understand and expect a similar brand experience, regardless of the agent that they are dealing with and that's been quite successful for us.

We've also have had some success with what we call here complementary distribution, but in our call center, our reps are qualified to ask a single line client, potentially about another line, typically someone is calling to add a vehicle to their auto policy, the demographics around a screen, the cost call center rep can see it and they can simply ask a question, when was the last time someone reviewed your life insurance needs? And we have gotten an awful lot of referrals for our agents to then call back that client and it works the other way, as well. So our direct sales complement has been helpful for us, as well.

From an infrastructure standpoint we have modernized our Life and Annuity systems over the last three years, we're in the final phases of that modernization its worked very well for us, we've taken the organization from a relatively manual organization to one that I would say is pretty seamless, pretty straight through, I'm pleased with what I'm seeing on the Life and Annuity side, we've spent a lot of time on due diligence on the P&C side and we will soon be putting through a multiyear project to modernize our P&C systems, but I think our educators and our agents would say the experience at Horace Mann is a pretty strong experience.

Despite all of that and our strategy we still think we have a pretty significant opportunity to grow the company. When you look at the demographics of educators we have good penetration, we've got good cross-sell percentages that we have pointed out, but we also have a pretty big opportunity when you look at the size of the population of K-12 public educators. What's interesting about this data is you know when someone retires we keep them as a customer, when someone has been an educator for a long period of time, leaves the profession and goes somewhere else, we keep them as a client. So not only do we have existing K-12 educators, past K-12 educators, we also have the replacements. And demographically, the numbers are pretty pleasing. We have a new crop of educators coming in as they replace the baby boomers. We also have a segment of the population that is predicted to grow by another 15% over the next 10 years or so.

So the demographics certainly are in our favor when we look to grow. We don't have to look to grow outside of the educational segment there's plenty of room to grow within the educational segment.

I mentioned briefly the use of big data, because these are K-12 public educators, it is amazing what you can and what we do know about this segment, we know where they work, we know who they are, we know what they need, based on the data that we have in front of us, which allows us to tailor and target our sales work and be efficient in how we go after these customers and I think you see that in our growth numbers. We are growing in all three lines of business at a pretty healthy rate and I think a lot of that comes from bringing into data and using the data on a very targeted basis. These tools are going to help us accelerate the profitable growth as we look to grow our educator segment and improve our already industry-leading cross-sell percentages as an organization.

And that's what I had prepared. And we have Dwayne Hallman, our CFO; Matt Sharpe, who runs our Life and Annuity business. And Bill Caldwell, who runs our P&C business up here to answer any questions that you might have.

Q&A

<A – Dwayne D. Hallman>: Yes sir.

<Q>: Why don't you pass the mic?

<A – Dwayne D. Hallman>: Wait for your microphone.

<Q>: Thanks very much. It's very helpful. One issue that, I'm just looking for your perspective on, is you talked about the loyalty of your customer base, it's also for better, for worse not the best paid professional environment in the world, can you contrast the price sensitivity that you see within your target segment with what we see broadly.

<A – Marita Zuraitis >: I can let Bill and Matt comment as well. But when you say they are not the best pay, they make a decent professional salary, it's a consistent salary. When you look at the demographics, many of them a good percentage of them, come from dual income families. So we don't get just the educator assets, we're also looking at the total household assets. Typically in the past you chose the educator profession because you were the one with the pension and that steady income coming in at retirement, you were the one with the good benefits and we have certainly that in our demographic. We see that changing, which provide some opportunity for us to supplement that. But a pretty – good professional income, I wouldn't call it when you look at it at the big bad world you probably put them at about the middle of the pack. And I don't know what you want to talk about sensitivity.

<A – William J. Caldwell>: Yes, so we study it, we understand it. That's what I've seen other companies in terms of elasticity on the renewal book. You have to remember to that our value proposition includes less in annuity, so it's not just the auto price scheme, our agents are in the schools very frequently, that's a relationship with agent. Cross-sell heavily into Matt's business. It's interesting for me coming from P&C backgrounds have access to that annuity product because that's actually our strongest retention line, when I marry an auto with an annuity and as Marita said when you talk about responsibility that's really what drivers auto performance. That's really a sign of responsibility, that somebody interested in the retirement that's where I see the strongest retention numbers, so similar to the broad market but again the value proposition is different.

<A – Marita Zuraitis>: Another thing that's important too is how much of our book premium is paid in some electronic means, so good portion of the book is payroll deducted so whether it's an auto payroll slot or it's a 403(b) or 457(b) program these

premiums are deducted from paychecks, which we all know make it very sticky and less likely to change and when they are not through payroll deduction very often they are still through electronic transfer. And you see it – you see it in the numbers, I mean our retention numbers are much higher than the industry.

So that they tend to be sticky, they tend to be less inelastic or elastic I always do that. So that they move – they move a lot less as a population. We have the ability to increase rates, you saw that with the rate increases that we pushed through the book last year continuing to push mid single-digit rate increases and it hasn't significantly affected our retention.

I think our game and we talk about it a lot is find more, win more, keep more it's finding the educators, its getting them to come to Horace Mann and then its cross selling them and that's focused in the organization has been a big part of the growth that we've seen over the last couple of years. Yes, sir.

<Q>: [Question Inaudible]

<Q>: Your slide on the P&C segment you show the relative performance of your auto loss ratio for the industry and the homeowners loss ratio business why is that the auto loss ratio is so much better in the industry on a relative basis.

<A – Marita Zuraitis>: Yes, I mean, again, I'll let Bill comment, I think its starts with anybody who rates on occupation understands this is a very preferred segment of the population. So I think it starts with the fact that we're dealing with educators that already have a better loss ratio than a broader segmentation. And then secondly I think is when you have a homogenous auto book, and you are allowed to dice and slice your data and you know I laugh often and call Bill a geek. We tend to be a little nerdy both of us as it relates to we are insurance professionals, we both been in the P&C business for a long period of time we understand data analytics pricing sophistication taking that data and applying it only to a very small portion of the population you can – it make sense that your answers would be – would be better we're dealing with educators, our data is all educator data, and they happen to start with being a very preferred segment of the population.

<Q>: Maybe I didn't ask the question properly, the – I understand what you're telling from a longer-term point of view, but your auto loss ratio is about a five points better than the industry, your homeowners' loss ratio is point or whatever, why is that?

<A – Marita Zuraitis>: You're talking about the difference between home and auto? I mean a part of it is the auto book is a lot bigger than the homeowners' book.

<A>: I like that so, for the auto there is a piece of retention to, so we talked a lot about the new business penalty, but when you have a very big renewal book that helps with auto. On the homeowners' side, when we study it by-peril, so when you think about

wind, theft, water pipes breaking, educators aren't immune from wind, when wind is the biggest peril. So we don't have as big as an advantage on property because of the wind peril.

<Q>: Okay.

<A>: The wind blows, that's going to hit the houses.

<A – Matthew P. Sharpe>: And Jimmy, I would add also on that chart that you went back to, you can see where we're above the industry in the 2009-2010 timeframe, but we had a significant amount of Florida exposure but that was actually what I referred to is sinkhole alley. So we're significantly impacted during those years. We're rolling out of all of our policies in Florida. So after we exited that, fixed the sinkhole, you can see, we quickly came back to the industry number. And everybody was taking rate through that time period and we were getting our rate as well. So I think it's clearly looking back it's the blip and it's now kind of emerged.

<A – Marita Zuraitis>: You know, and I think, we also said this on an analyst call. We spent a lot of time on our analytics as it relates to auto, and made it very clear that we really feel that as we push those analytics into the property line as well, that we can improve that delta in homeowners, as well. But the overall homeowners loss ratio is pretty darn good, I mean the industries has been pretty darn good as well, and when you remove Florida from the equation it even helps the CAT component of that, as well.

<Q>: [Question Inaudible]

<A – Marita Zuraitis>: I'm sorry.

<Q>: [Question Inaudible]

<A – Marita Zuraitis>: The major cross-selling Florida would be the auto with the life and annuity products. Our agents do have access to third-party property products in Florida, so that they can still do from an agency perspective, that total sale. So the agent experience in Florida with an educator wouldn't be that different than in other state. And in Florida, people are very used to having a different carrier on the auto than home, very rarely as it bundled in Florida with all of the changes that all the different carriers have made in that State, so an educator used to having a mono-line homeowner's market but it doesn't feel mono-line because it's brought to them by a Horace Mann agent in the State. So it's a pretty similar experience there for them as well, because the agents have access to all the pieces. Yes.

<Q>: You said that you are working to retain the business of the retired educators, how do you do that when the businesses a lot of – or some of business does payroll deductions.

<A – Marita Zuraitis>: Great. I mean at that point, the assets have gotten to a point where they've accumulated the agent has a pretty strong relationship with that educator. They tend to have the auto and home with us, because you can imagine as that like life cycle progressive – so progresses, so just the cross sell and the retention with that client. So they've been with that agent for a very long period of time. At that point, we see very good persistency even on to the later years within the life cycle.

<Q>: You have a lot of irons in the fire I mean what are the – maybe one or two things you are most excited about going forward. And then secondly, and as we look forward maybe at the end of this year, at the end of next year, we have some of the metrics that we can, we should look for to show progress on…

<A – Marita Zuraitis>: That's a good question. I'm most excited about the talent that we've been able to attract to this value proposition the people that you see at the front of the stage or about as good as it gets. And then the folks that surround us even beyond the stage. We have been able to attract both high level senior people to the organization as well as the next level down and the next level down beyond that. So we have the talent we need. I think focus is key. Focusing in on the data that we now have available to us is very specific segment of the business I get encouraged by the early results that we've seen in the growth that we have in every line of business.

I get encouraged about the profitability that's coming through on that line of business. And I'm excited about finding more, winning more and keeping more. And we have a War Room concept, if you will, where we use this data. And we say to ourselves there is two kinds of educators. Horace Mann clients and future Horace Mann clients, and it's just a matter of exposing as many educators as we can to the solutions that we bring to the table. And then the product comes with it, I'm encouraged by every single time. We hold the retirement seminar. We get great leads from that and clients come. Every time we put donors choose funding in the marketplace, we get new clients and new clients come.

Every time we push student loan understanding, financial literacy with educators, educators come. So I'm encouraged by what we're doing is the right thing and I think it is finding more educators, winning more educators, and keeping more educators. From a metric standpoint, I think it is you saw in the presentation we have 360,000 educator households. I think that was the right number, if I remember my own slide. I think it is how many educator households we have. I think it is the growth that we are seeing continuing to look at that growth and I think it's the profitability, the cross sell, the retention, I think those are the metrics you should be looking at. I think it is finding more educator households and keeping them. I really do.

<Q>: And then as quickly on the P&C expense ratio, I just thinking about the initiatives going forward there. How do you think about expense ratio and maybe earn back on infrastructure.

<A – Marita Zuraitis>: Yes, I can let Dwayne get specific, but we have said that we increased the expense ratio to a run rate that we are comfortable with today. And you see

it already in the expense ratio that we are making investments in the business. But if there is anything you want to add to that?

<A – Dwayne D. Hallman>: Yes, if you would look at I don't think you will see much of an increase in all on the expense ratio lot of the new initiatives we are looking at in P&C for the loan administration, billing the claim systems. It is going to work out quite nice for us, because about the time some of the investments we have made several years ago start to depreciate it all. We will be investing new systems and putting those into production that will be coming on. So we modeled about the expense ratio and stay relatively flat moving forward.

<A – Marita Zuraitis>: And you have an example to look at. I mean look what we did on the life and annuity side, as we built out and improved our infrastructure there. You didn't see a significant change. In the expense ratio, so we will do it over an extended period of time and we will do it well, just like we did on the life and annuity side. Are we done?

<Q>: I think we had for the one more question….

<Q>: [indiscernible] distribution agent recruiting and how that – is the new guys I am talking about new people and where they start. They still auto home annuities life how does that work?

<A – Marita Zuraitis>: Yes I would say historically typically, we would find someone who would lead with auto and then they would round out over time, their education and their penetration on the life and annuity side. Or we have someone start with life or annuity and then with education in time be able to round out their P&C experience today. It is a little bit different, today it's about that solution orientation starting with educating the educators about the retirement plan, about student loans, about money in the class room, about their total wallet and helping out educators understand money it is going out and how they can bring that money back in for their financial well being and their financial future. So that does require a holistic approach from an agency perspective. And so improving our training, improving the way we onboard agents and bring them on, has been a big focus for us and we are seeing some early success with the training and the solution orientation with some of the newer agents that we brought on. We have a couple of agents that are within their first couple of years. With us, and they are some of our strongest agents out there.

<<Analyst, Keefe, Bruyette & Woods>>

Okay.

<<Marita Zuraitis, Director, President, Chief Executive Officer & Director>>

Yes, thank you very much. Appreciate your time.

<<Analyst, Keefe, Bruyette & Woods>>

Thank you.