

Second Quarter 2015 Investor Presentation

June 30, 2015

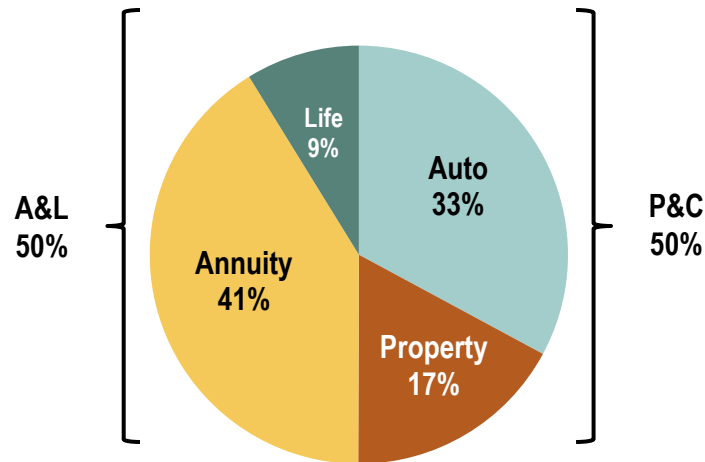
Safe Harbor Statement and Non-GAAP Financial Measures

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

2014 Premium & Contract Deposits
(\$1,168mm)



Exchange / Ticker	NYSE: HMN
Share price (6/30/15)	\$36.38
3-year TSR	195% ⁽¹⁾
Shares outstanding	41.2 million ⁽²⁾
Market Capitalization	\$1.5 billion
Annualized dividend per share	\$1.00
Dividend yield per share	2.7%
Book value per share ex 115	\$26.30

- 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) 42.4 million weighted average diluted shares for Q2 2015

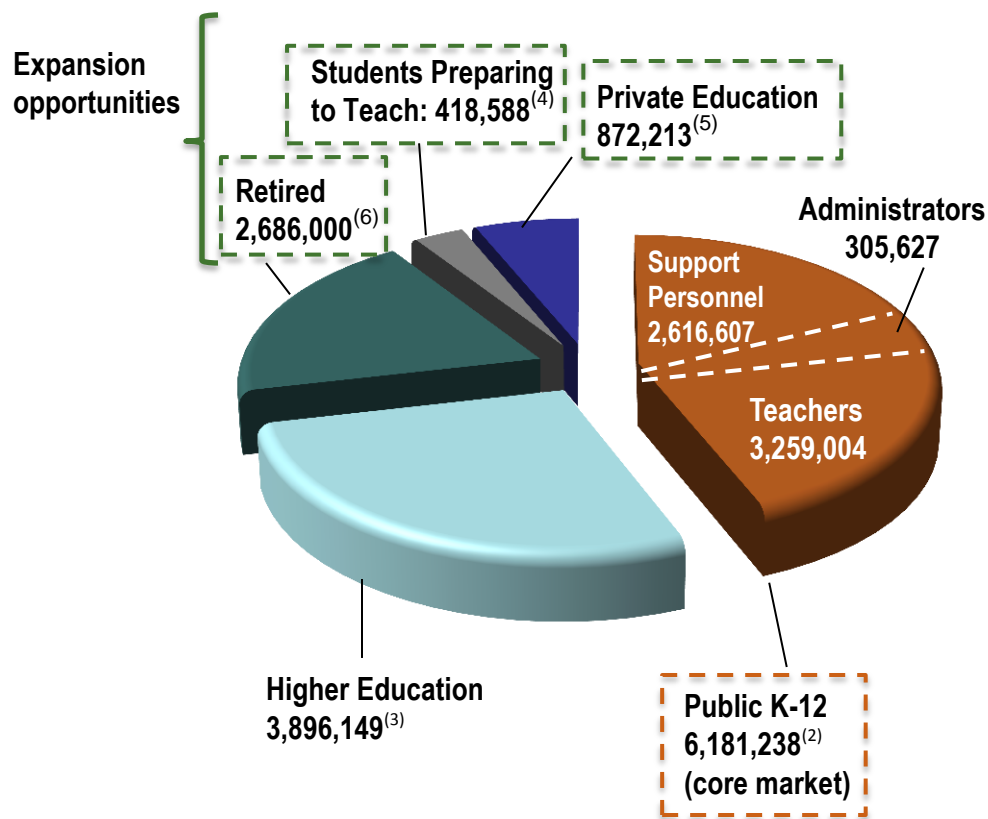
Where we are today: A solid, stable, conservative company with excess capital earmarked for growth

- Unique and compelling value proposition for educators
- P&C combined ratios outperforming industry averages
- Traditional Annuity and Life product suite with growing AUM
- Distribution largely through a loyal captive agency force with complementary direct support
- Industry leading retention, persistency and cross-sell ratios

All of which has resulted in an 11% average annual book value⁽¹⁾ and accumulated dividend growth per share over the past five years

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

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% between 2010 to 2021⁽¹⁾
- Distribution is primarily through a captive agent force that personally meets with educators
 - Supplemented by independent agents that offer Annuity products in certain markets
 - Complementary home office direct support
- 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, *Projections of Education Statistics to 2021*, January 2013

(2) U.S. Dept. of Education, National Center for Education Statistics, *Digest of Education Statistics*, October 2014

(3) U.S. Dept. of Education, National Center for Education Statistics, *Digest of Education Statistics*, February 2015

(4) U.S. Dept. of Education, National Center for Education Statistics, *Higher Education General Information Survey*, August 2014 (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* (Conservative estimate of Public K-12 retirees receiving benefits)

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 ...

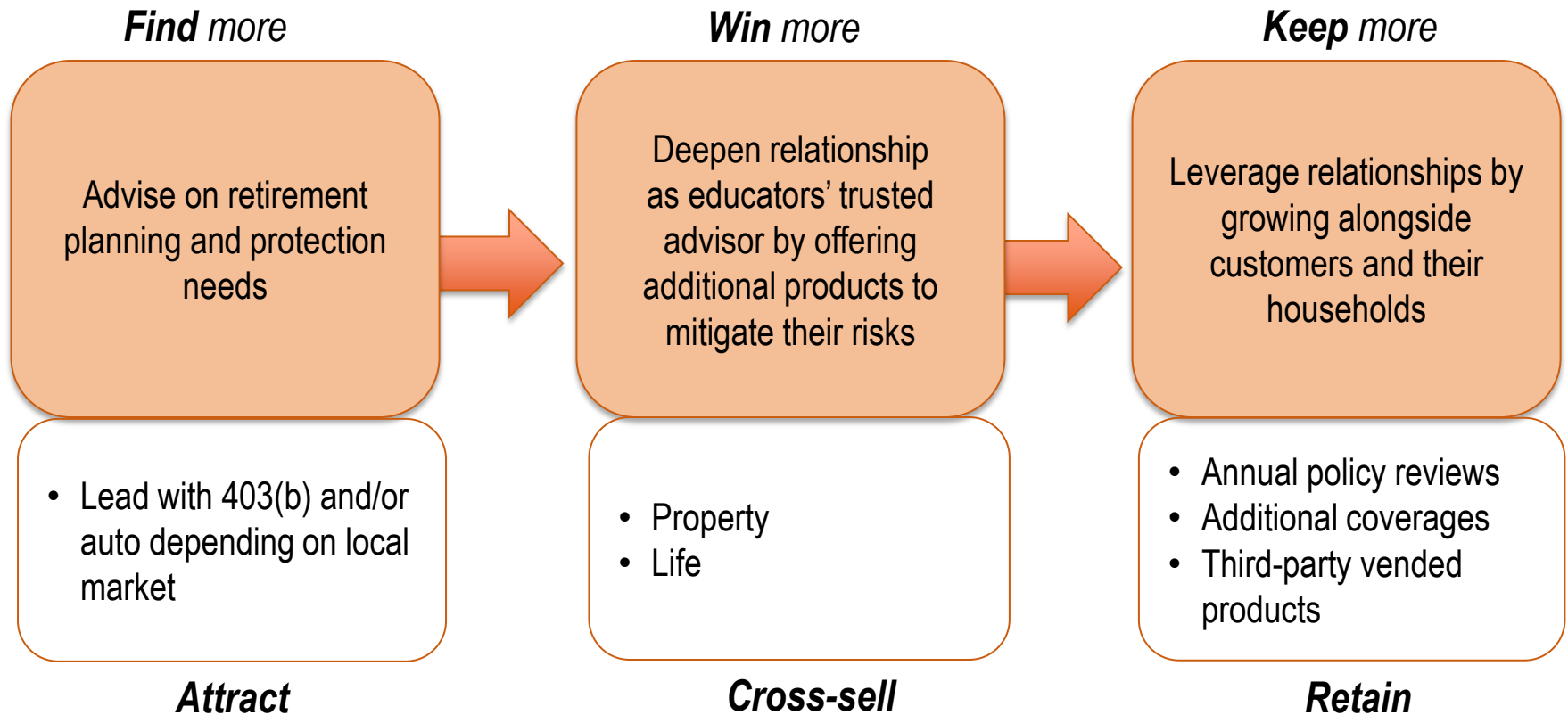
Tailored Product designed to meet educators' needs and cover their risks

Trusted, knowledgeable Distribution tailored to educator needs and preferences

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

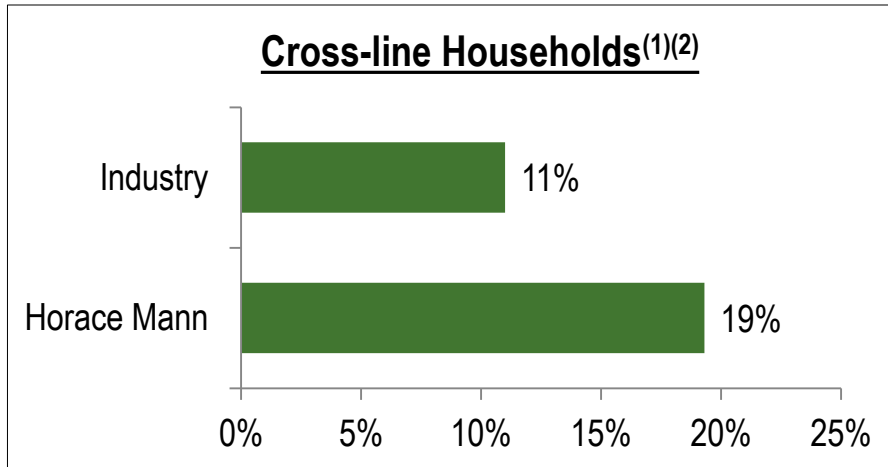
... while providing shareholders with a compelling return through various market cycles

Our Strategy: As trusted advisors to educators, we're focused on finding, winning and keeping more educator households



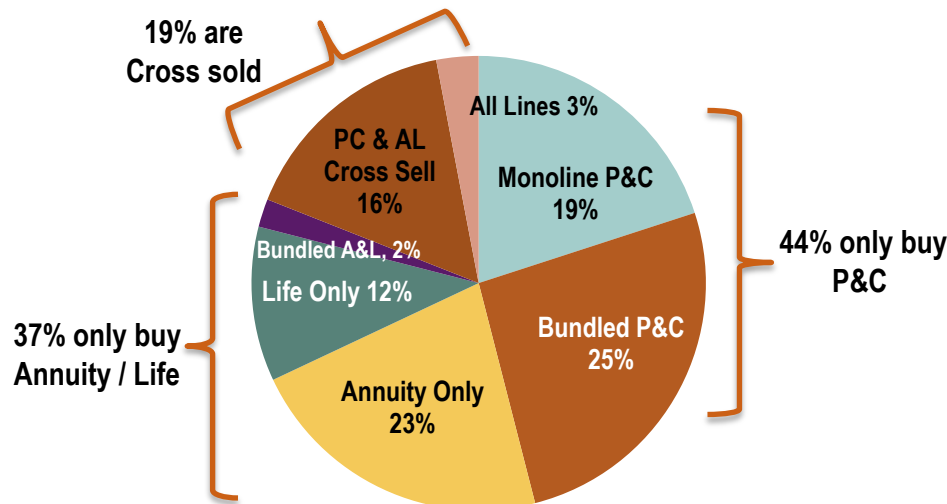
The objective is to acquire an educator household, and then penetrate the household with multiple products and services – ***Find more, win more, keep more!***

In addition to finding more educator households, we are focused on expanding our cross-line penetration



- Cross-line penetration significantly exceeds industry
 - Majority of P&C policyholders purchase both auto and homeowner products
- Significant additional cross sell opportunities within our existing customer base of ~360,000 educator households
 - 44% of educator households are only buying P&C products
 - 37% of educator households are only buying Annuity / Life products
- Targeted marketing efforts underway to drive more cross-line sales

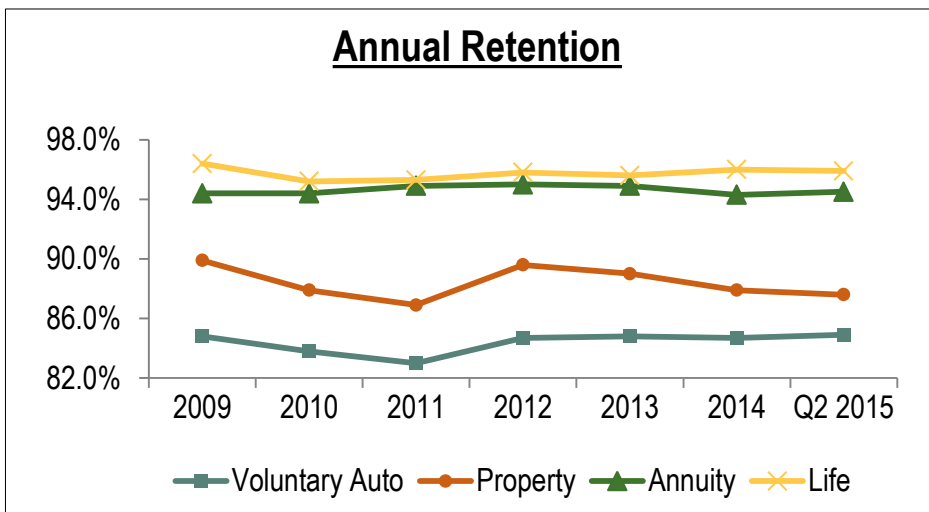
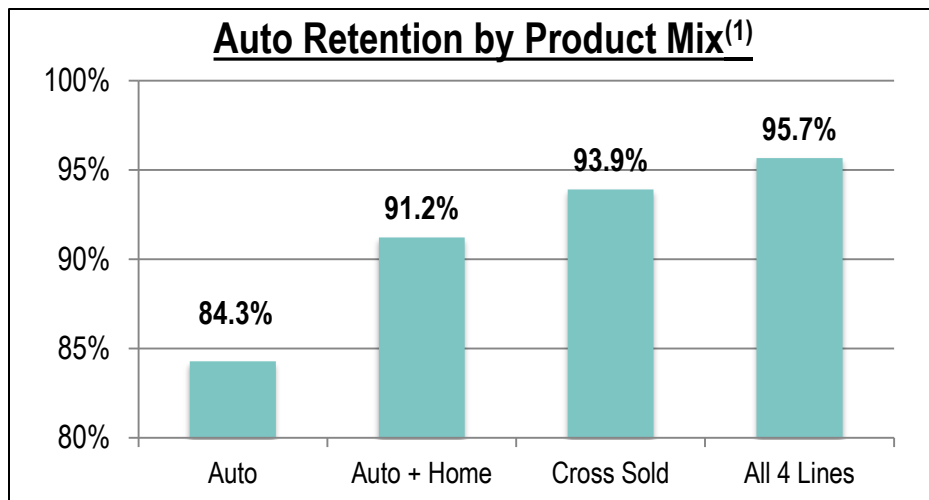
Educator Household Distribution by Product⁽¹⁾



(1) HMN data: ~360,000 educator households as of June 30, 2015; Cross-line households defined as Auto and/or Property plus Annuity, Life and/or Group

(2) Industry data per LIMRA, 2011 multiline exclusive agent average

Our solid retention ratios reflect the loyalty of our educator customer base, in addition to the power of cross selling

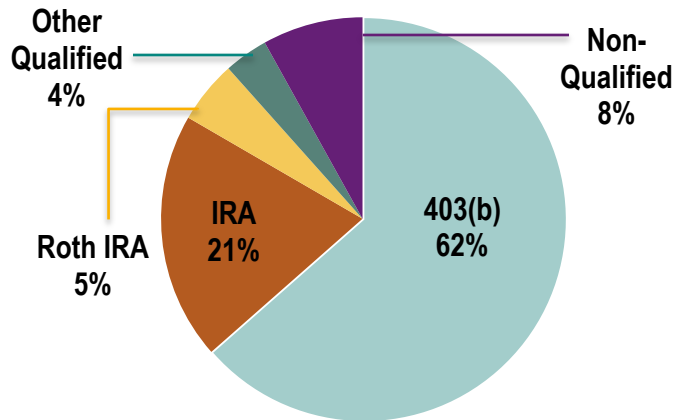


- Auto retention increases with each additional household product
 - Monoline Auto ~ 84%
 - Increases almost 7 points by bundling with Property
 - Increases more than 9 points by cross selling
- In addition, we see modest persistency benefits in Annuity and Life for cross sold business
- P&C retention ratios have been relatively stable despite rate and underwriting actions
 - Loyal customer base
 - Increasing share of Payroll / EFT policies
- Targeted marketing programs to drive higher retention and cross-line sales
 - State teacher retirement system seminars
 - Financial literacy seminars
 - DonorsChoose.org relationship
 - Payroll deduct capability for auto, annuity and life products

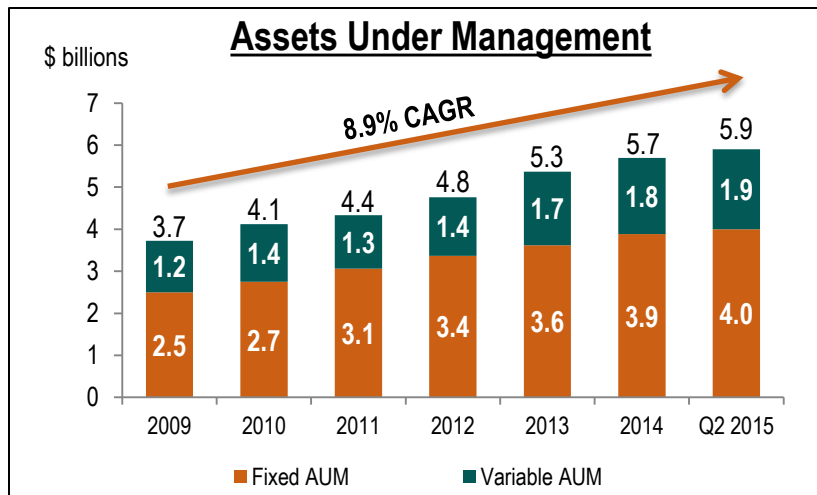
(1) HMN data: ~360,000 educator households as of June 30, 2015; Cross-line households defined as Auto and Property plus Annuity and/or Life

Annuity segment assets under management and sales continue to grow

Product Composition⁽¹⁾



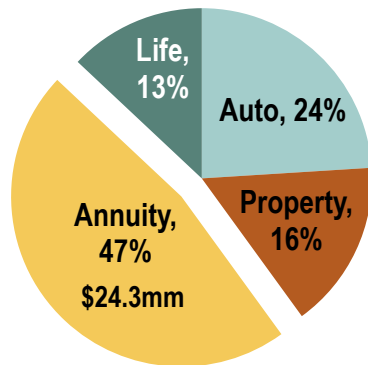
- 92% of Annuity assets under management are tax-qualified accounts
 - Consistent strong persistency ~94%
 - Roughly two-thirds of underlying assets are Fixed Annuities; remaining one-third are Variable Annuities with no living benefits
- Assets under management growing at steady pace
 - Introduction of Fixed Indexed Annuity product in 2014 continues to positively impact AUM growth
- Sales momentum for Annuity is strong
 - 14% increase in Annuity product sales over PYQ, supported by Fixed Indexed Annuity product
 - Expect 2015 sales to continue to trend upward from 2014 levels



(1) Based on Assets Under Management as of June 30, 2015

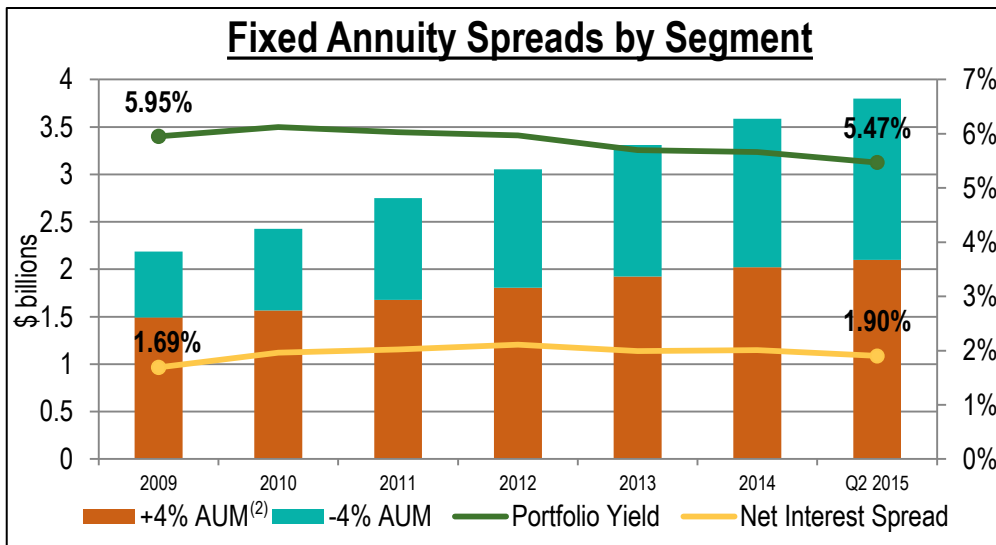
Maintained annuity segment margins in a low interest rate environment; well positioned for eventual rise in interest rates

Annuity YTD Earnings Contribution⁽¹⁾



- Strong 1H 2015 ex-DAC Annuity earnings of \$24.3 million, modestly up from PYH
 - Disciplined crediting rate actions and prudent investment management have resulted in favorable net interest spreads
 - Expect 2015 earnings to be modestly lower with spreads declining to mid 180s

Fixed Annuity Spreads by Segment



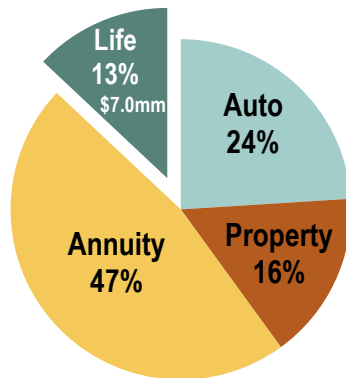
- Layering of new business at spreads above target levels has limited return pressure from the older fixed annuity block
 - New business spreads continue to exceed target
 - As rates rise, we expect the spread on older fixed annuity blocks to increase, lifting overall returns
- Business is priced to generate a low double-digit ROE at targeted spreads of 200 to 250 bps

(1) Based on YTD 2015 Operating Earnings by Segment, excluding Corporate and Other segment

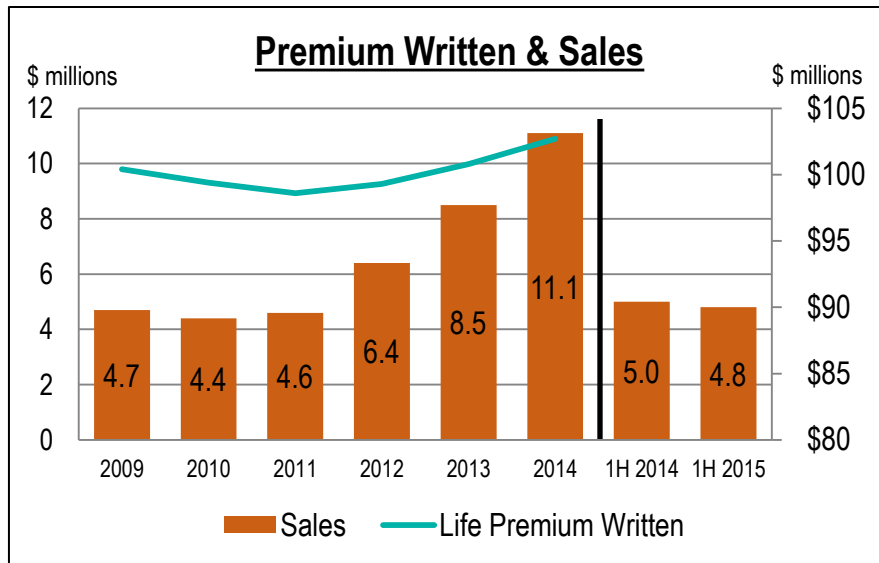
(2) Discontinued products with guaranteed crediting rates of 4% or higher

Reigniting growth in the profitable Life segment

Life YTD Earnings Contribution⁽¹⁾



- 1H 2015 ex-DAC life earnings of \$6.9 million, down 22% from PYH
 - Higher mortality losses over PYH
- Mature book of whole and term life products
 - About 200,000 policies in force with ~96% retention ratio

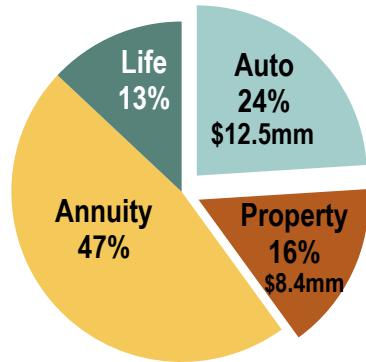


- Business is priced to generate a low double-digit ROE
- Life sales decreased from PY
 - Strategic focus to grow this segment of profitable business at a double-digit pace
 - Plan to launch new Indexed Universal Life product in late 2015

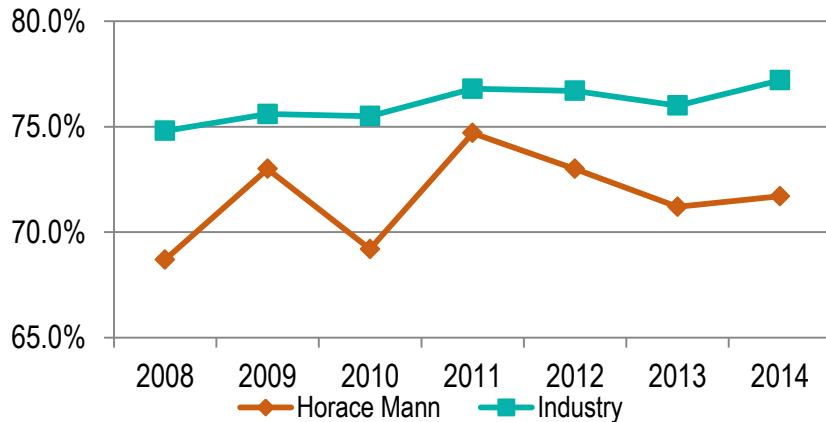
(1) Based on YTD 2015 Operating Earnings by Segment, excluding Corporate and Other segment

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

P&C YTD Earnings Contribution⁽¹⁾



Auto Loss Ratio vs Industry



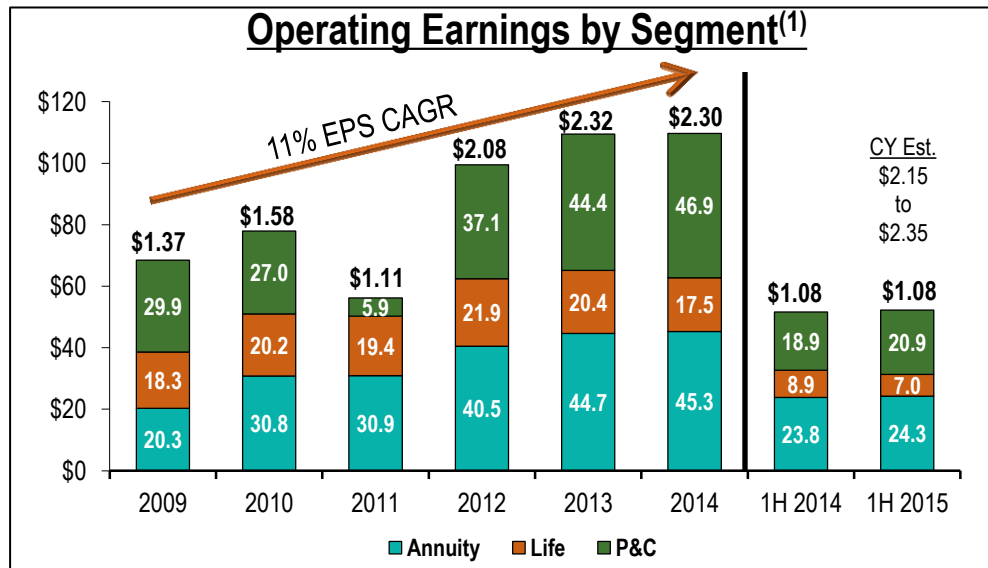
	2008	2009	2010	2011	2012	2013	2014	'08-'14
Horace Mann	68.7%	73.0%	69.2%	74.7%	73.0%	71.2%	71.7%	71.6%
Industry ⁽²⁾	74.8%	75.6%	75.5%	76.8%	76.7%	76.0%	77.2%	76.1%
HM vs. Industry	-6.1%	-2.6%	-6.3%	-2.1%	-3.7%	-4.8%	-5.5%	-4.5%

- 1H 2015 improved over 1H 2014
 - 1H 2015 P&C net income up 10.6% over 1H 2014
 - 1H 2015 combined ratio improved 1.2 points over PY
 - 1H 2015 underlying combined ratio improved 1.6 points over PY
- Strategic pricing and underwriting actions drive margin improvement
 - Completed defensive action to exit FL homeowners, reducing volatility
 - Rate increases ahead of loss cost trends
- 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
- Mid-90s reported combined ratio would generate a 12% ROE at 1.5x underwriting leverage
 - 2015 guidance assumes mid-90s combined ratio with continued top line growth to move us closer to this goal

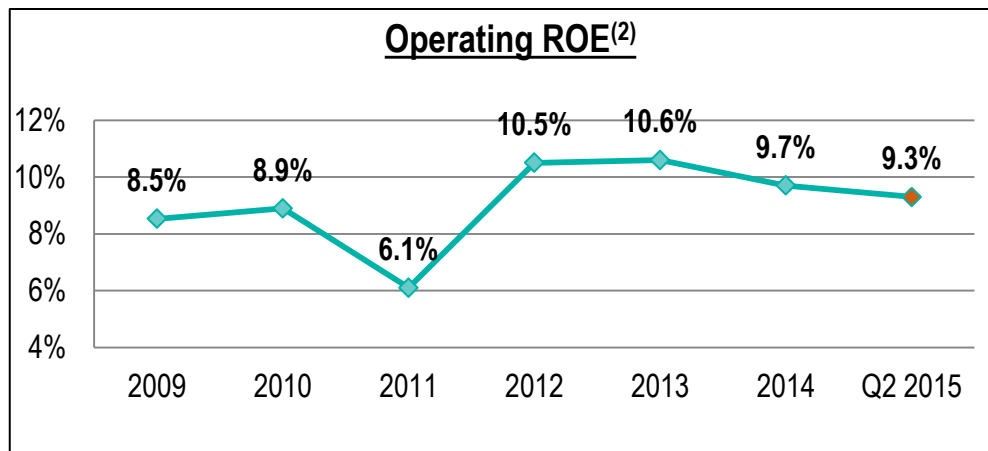
(1) Based on YTD 2015 Operating Earnings by Segment, excluding Corporate and Other segment

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

Multiline business model has generated steady, growing operating earnings



- Operating earnings per share⁽¹⁾ have grown 11% on a compound average annual basis, led by Annuity and P&C
 - Strong Annuity sales and assets under management growth have generated 17+% earnings growth CAGR
 - Continued P&C profitability improvement
 - Life earnings reflect the maturity of in force block

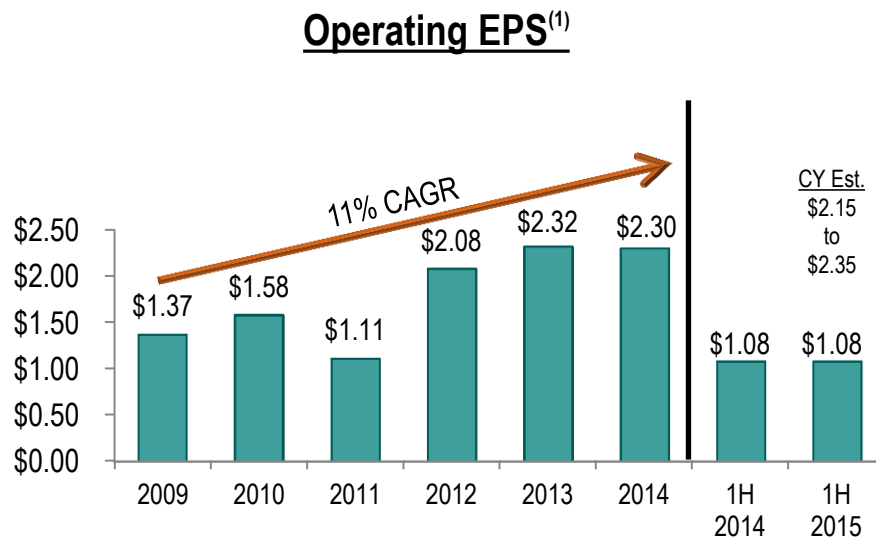


- Investing in all three business segments to accelerate Operating EPS growth and improve ROE over time

(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

2015 Operating Earnings guidance of \$2.15 to \$2.35 per share

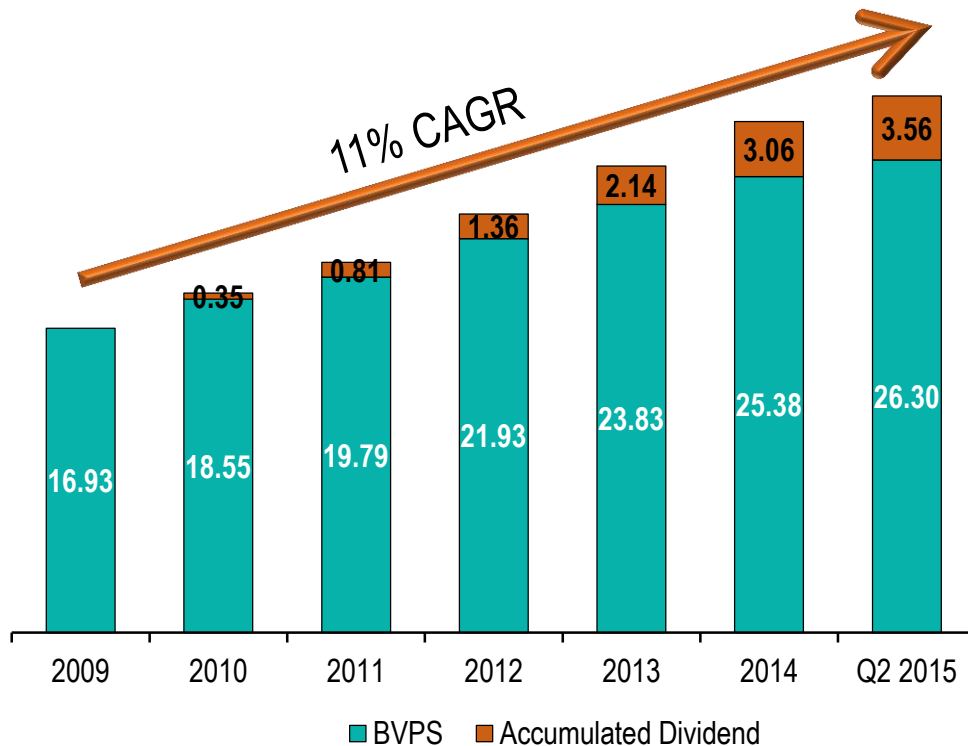


- For 2015, expect continued growth in normalized operating income
 - Modest earnings pressure in Annuity on lower net interest spread
 - Continued improvement in P&C profitability
 - Modest favorable prior years' reserve development
 - 6.5 point catastrophe load
 - Life mortality in line with actuarial models and \$1-\$2 million of infrastructure reinvestments

(1) Net income excluding realized investment gains and losses

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

Book Value Plus Accumulated Dividends⁽¹⁾



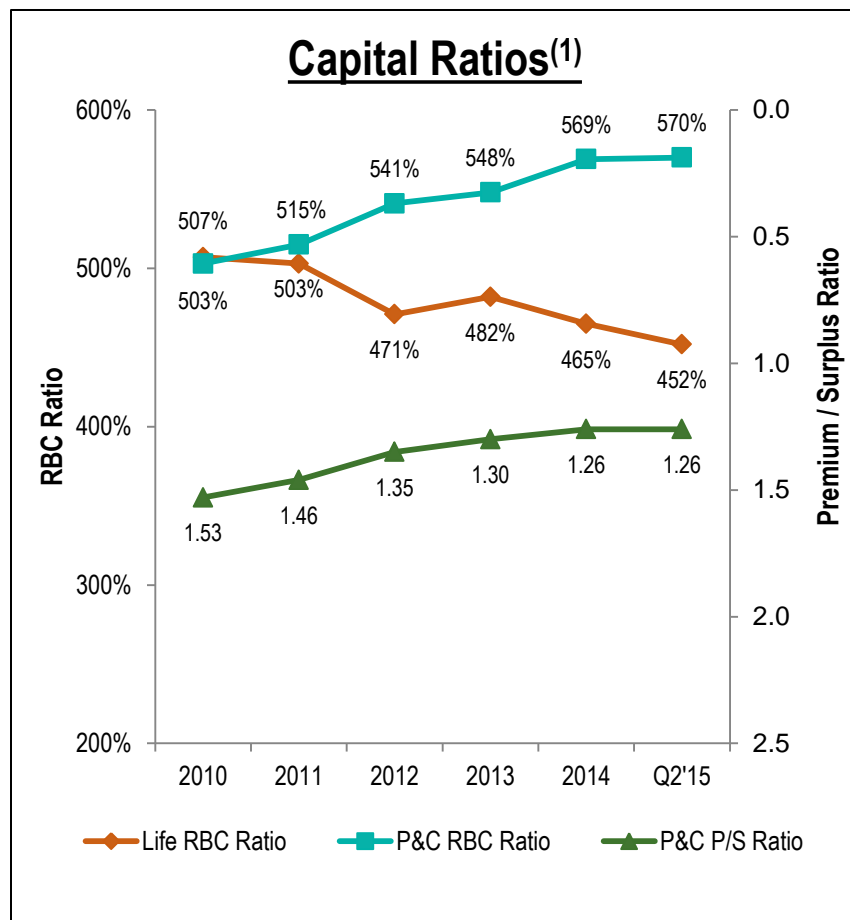
- \$26.30 book value per share excluding FAS 115 as of Q2 2015, up 7% from a year ago
- Annualized 2015 shareholder dividend of \$1.00
 - Dividend yield of 2.7%⁽²⁾
 - Reflects ~40% payout ratio
- Opportunistic share buyback program
 - Repurchases of \$27.8 million since December 2011 at an average price of \$19.04 versus VWAP of \$24.98⁽³⁾
 - \$22.2 million remaining under authorization

(1) Book value per share excluding unrealized investment gains/losses (ex. FAS 115). 2009-2011 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 6/30/15 stock price of \$36.38

(3) Repurchase activity through 6/30/15

Capital ratios reflect more than adequate capital to grow our businesses



- 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
- Q2'15 debt-to-capital ratio⁽²⁾ of 18.0%
- Excess capital deployed for organic growth will result in modest ROE expansion

(1) 2015 RBC results are estimates

(2) Excluding unrealized gains/losses on investments

Focused on our strategy to *Find More, Win More and Keep More Educators*

Enhanced product offerings

- More sophisticated P&C pricing segmentation
- Introduction of an IUL product

Strengthening the distribution model

- Dedicated focus on exclusive agency channel
- Continued focus on agent productivity standards
- Complementary direct support through customer contact center



Modernizing the infrastructure

- Systems implementations
- Focused efforts on enhanced ease of doing business and customer experience

Expected Results

- ✓ **More Educator Households**
- ✓ **Sales momentum across all business lines**
- ✓ **Higher operating earnings**
- ✓ **Continued book value per share growth**

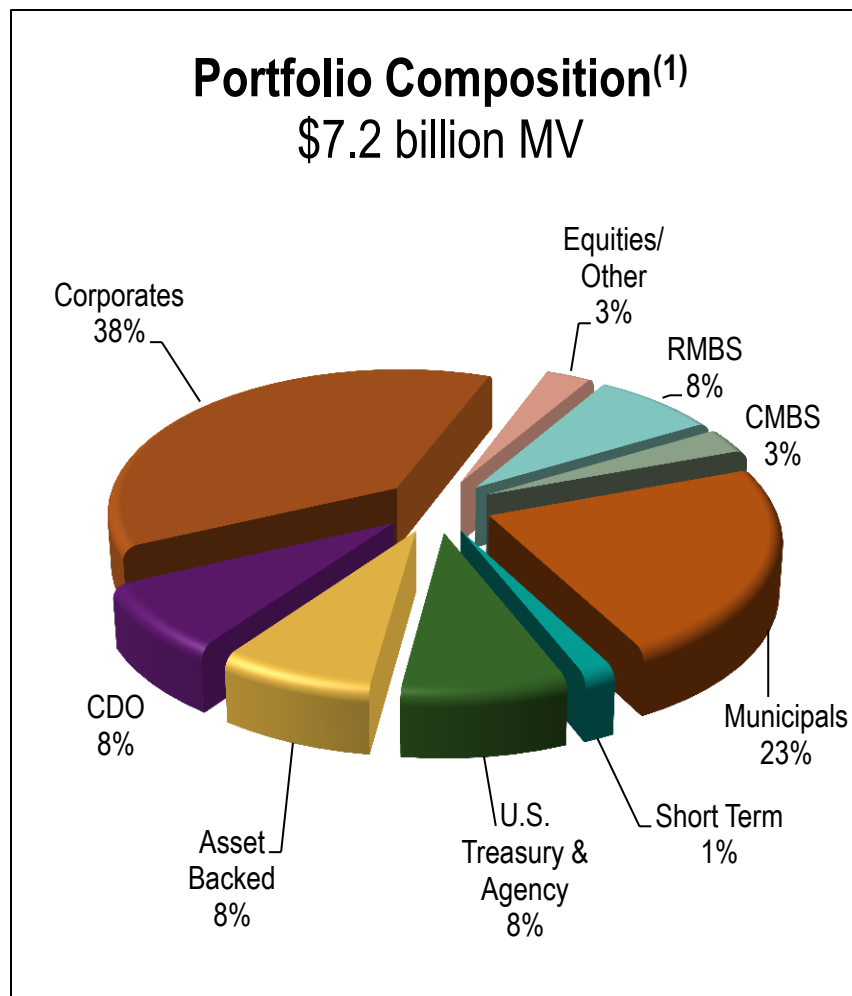
Appendix

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

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

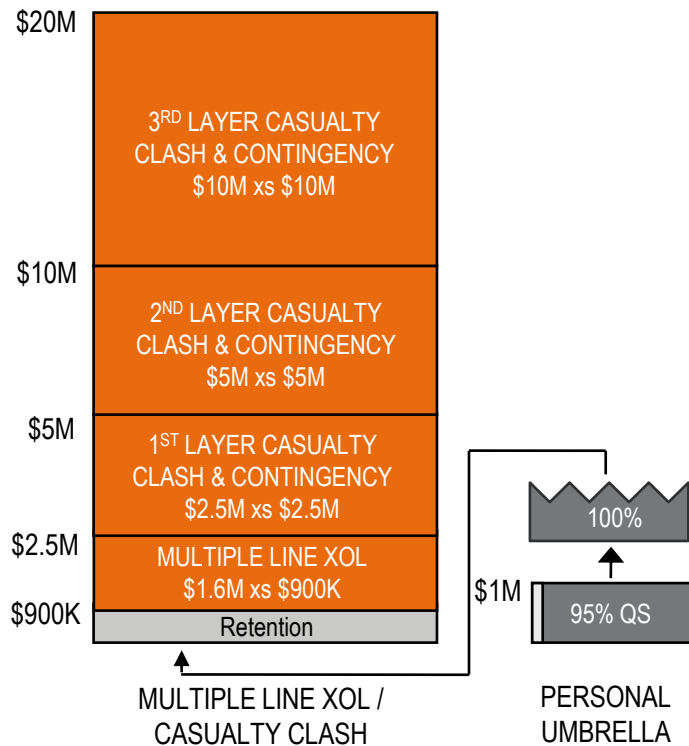


- High quality, well diversified portfolio across fixed income sectors
 - Weighted average quality: A
 - Average duration 5.9
- Focused on risk and asset liability management
 - \$6.3 billion MV portfolio supports long dated Annuity & Life liabilities
 - \$0.9 billion MV portfolio supports P&C
 - \$397 million net unrealized gain; majority in Annuity & Life portfolios
- New purchases focused on maintaining portfolio quality and yield
 - 2015 reinvestment rate assumption of 3.75% included in EPS guidance
 - Q2'15 new money rate of 4.14%
 - YTD new money rate of 4.04%

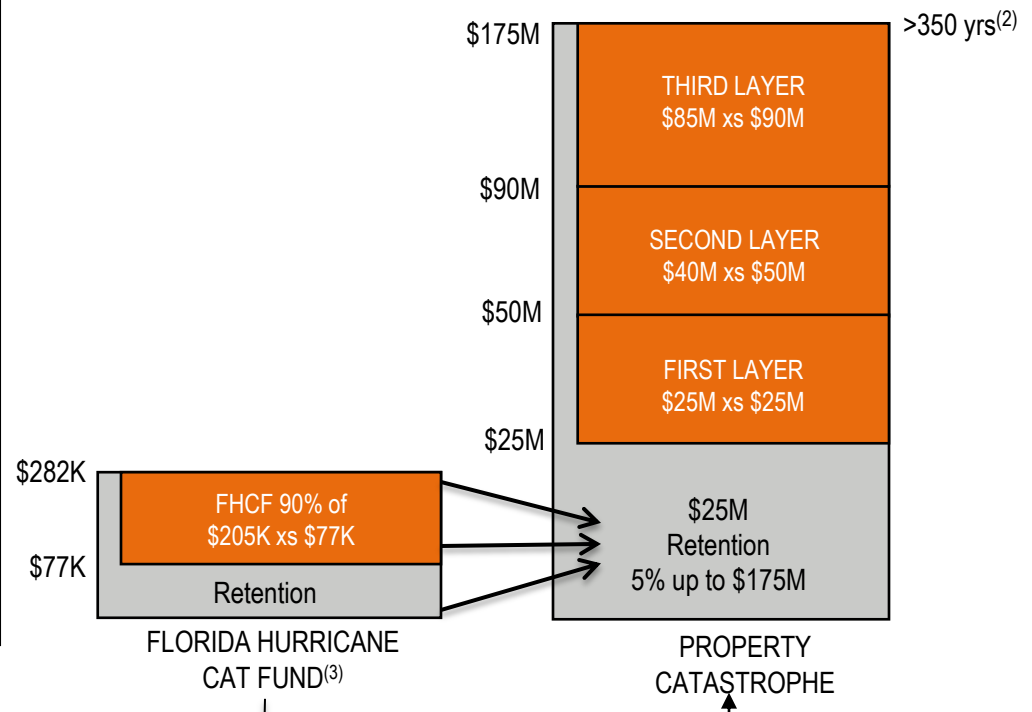
(1) As of June 30, 2015; excludes policy loans

Current single-event catastrophe reinsurance provides PML coverage of more than 350 years

Multiple Line XOL / Casualty⁽¹⁾



Property⁽¹⁾



(1) 2015 Catastrophe Reinsurance Program

(2) Based on the current AIR model (TS v2.0, June 2014 data)

(3) Most current FHCf estimate of contract beginning June 1, 2015 is 90% of \$205,275 xs \$76,790

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>
2014	\$227.8	\$274.5	\$267.4
2013	\$218.0	\$266.2	\$261.7
2012	\$217.6	\$265.4	\$260.8

Highly rated by all rating agencies: educator market focus, earnings diversification and capital strength

Recent Ratings Upgrades

- In Q2'15, Moody's upgraded our Life outlook to Positive from Stable
- 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..."
- "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 - Life - P&C	A3 A3 (6/15/15)	Positive Stable
AM Best - Life - P&C	A A- (2/5/15)	Stable Positive
Fitch	A (10/29/14)	Stable

Consolidated GAAP Income Statement

(\$ in Millions, except EPS and BV)

	2011	2012	2013	2014	1H'15
Written Prem. & Contract Deposits	\$ 1,078.4	\$ 1,067.7	\$ 1,094.2	\$ 1,167.7	\$ 625.1
Earned Prem. & Contract Charges	\$ 667.1	\$ 670.5	\$ 690.9	\$ 715.8	\$ 362.1
Investment Income	288.3	306.0	313.6	329.8	167.3
Other Income	5.2	7.0	4.5	4.2	1.7
Benefits, Claims, & Settlement Exp.	657.3	611.8	618.2	644.5	336.9
Total Other Expenses & Taxes	257.2	285.4	294.3	308.0	148.5
Income Before Realized Gains/Losses	\$ 46.1	\$ 86.3	\$ 96.5	\$ 97.3	\$ 45.7
Operating EPS	\$ 1.11	\$ 2.08	\$ 2.32	\$ 2.30	\$ 1.08
Operating ROE (ex. FAS 115)	6.1%	10.5%	10.6%	9.7%	9.3%
Realized Inv. Gains, After Tax	24.4	17.6	14.4	6.9	4.8
Net Income	\$ 70.5	\$ 103.9	\$ 110.9	\$ 104.2	\$ 50.5
BV / Share (ex. FAS 115)	\$ 19.79	\$ 21.93	\$ 23.83	\$ 25.38	\$ 26.30
BV / Share	\$ 26.53	\$ 31.65	\$ 27.14	\$ 32.65	\$ 31.73

Consolidated GAAP Balance Sheet

(\$ in Millions)

	2011	2012	2013	2014	1H'15
Assets					
Investments	\$ 5,677.5	\$ 6,292.1	\$ 6,539.5	\$ 7,403.5	\$ 7,385.1
Cash	7.5	15.2	18.2	11.7	46.0
Separate Account Assets	1,273.8	1,398.3	1,748.0	1,813.6	1,905.3
DAC	216.5	196.9	245.3	215.1	236.2
Goodwill	47.4	47.4	47.4	47.4	47.4
Other Assets	212.5	217.8	228.3	277.2	349.5
Total Assets	\$ 7,435.2	\$ 8,167.7	\$ 8,826.7	\$ 9,768.5	\$ 9,969.5
Liabilities					
Policy Liabilities & Other					
Policyholder Funds	\$ 4,515.5	\$ 4,839.9	\$ 5,375.5	\$ 5,958.2	\$ 6,140.4
Separate Account Liabilities	1,273.8	1,398.3	1,748.0	1,813.6	1,905.3
Long Term Debt	199.7	199.8	199.9	199.9	125.0
Short Term Debt	38.0	38.0	38.0	38.0	113.0
Other Liabilities	352.8	445.9	366.0	422.3	379.1
Total Liabilities	6,379.8	6,921.9	7,727.4	8,432.0	8,662.8
Shareholders' Equity	1,055.4	1,245.8	1,099.3	1,336.5	1,306.7
Total Liabilities & Equity	\$ 7,435.2	\$ 8,167.7	\$ 8,826.7	\$ 9,768.5	\$ 9,969.5

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