

Horace Mann Reinsures \$2.9 Billion Legacy Annuity Block with RGA and Describes NTA Acquisition Financing

June 24, 2019



Safe Harbor Statement and Non-GAAP Measures

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The historical and forward-looking financial information contained in this presentation and related materials include measures (marked with *) that are not based on accounting principles generally accepted in the U.S. (non-GAAP) such as core earnings, core earnings per share, pretax reporting segment income excluding DAC unlocking, and book value per share excluding some components of accumulated other comprehensive income. A definition of these measures is included in the Appendix of this presentation. For a reconciliation of these measures to the most directly comparable measures prepared in accordance with accounting principles generally accepted in the U.S. (GAAP), see the Q1 2019 Investor Supplement available at investors.horacemann.com.

Financing plan sets the stage for accelerated profitable growth

Component	Benefit
1. Reinsuring \$2.9 billion legacy annuity block	Reduces ongoing interest rate risk; releases \$200 million of capital
2. New \$225 million revolving line of credit replaces prior facility on substantially the same terms	Enhances financial flexibility while maintaining reasonable leverage for current ratings
3. NTA transaction on track to close in early July; Texas approved, New York pending	Expands product offerings to include high-return supplemental insurance products and adds points of distribution supported by strong infrastructure

Reflecting benefits of transactions, core EPS* expected to increase at least 10% in 2020; 2019 EPS guidance remains unchanged as transactions offset in short-term⁽¹⁾

National Teachers Associates acquisition



NTA transaction to accelerate profitable growth

- Supplemental insurance provider offering heart, cancer, accident and limited supplemental disability coverages
- Serving educator market for nearly 50 years
- Will remain in Dallas under current leadership; operate as separate division
- Diversifies business mix with higher-margin products

Aligned with "PDI" Growth Strategy in Education Market

Products

- Adds complementary supplemental insurance products designed to meet educators' needs and cover their financial risk

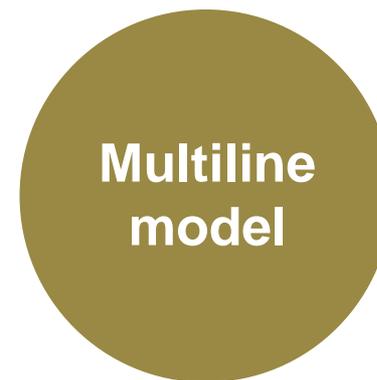
Distribution

- Brings trusted, knowledgeable agent network with extensive worksite marketing experience with limited geographic overlap

Infrastructure

- Strong management team focused on delivering great educator customer experiences, supported by modern and scalable infrastructure

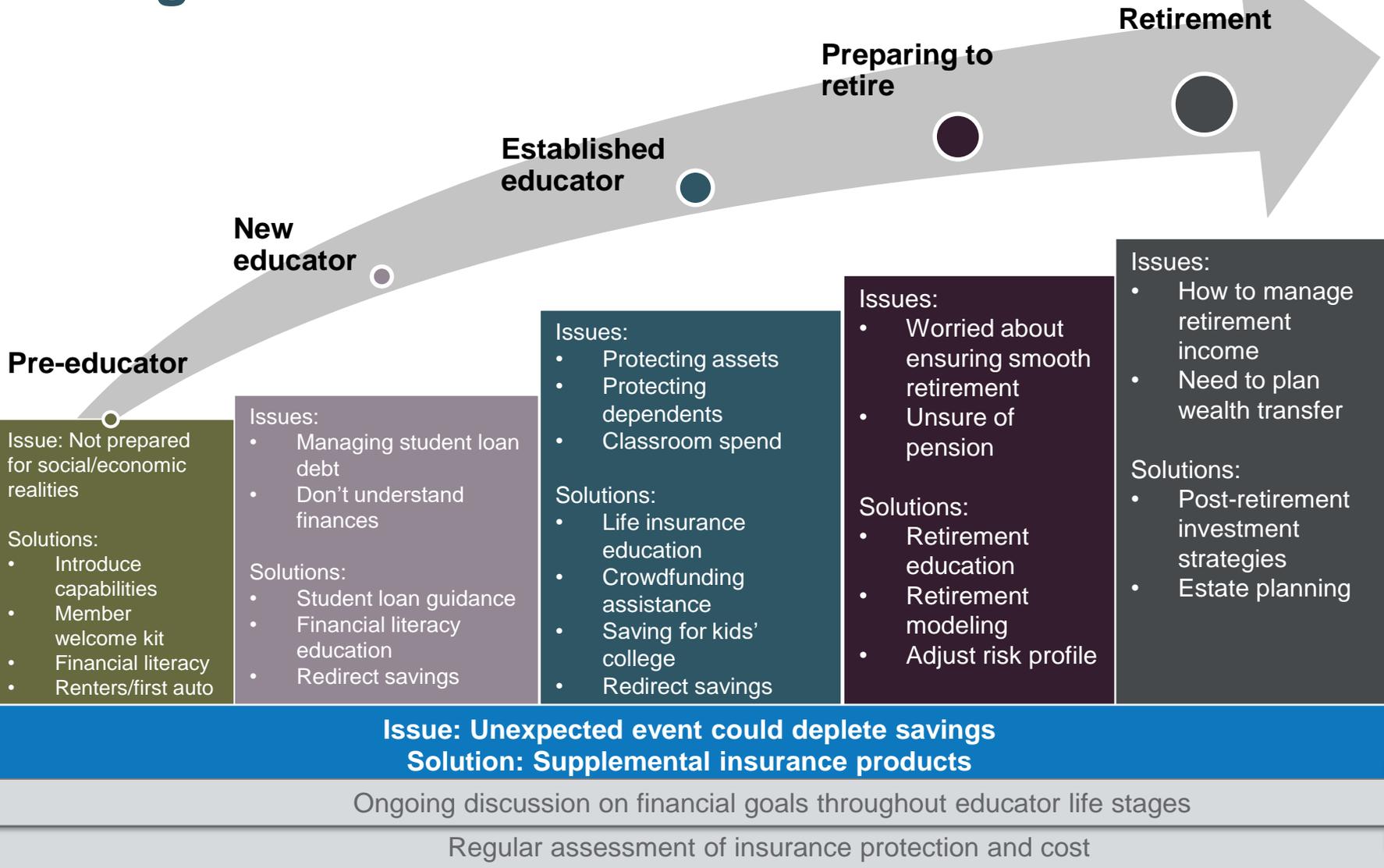
NTA acquisition strengthens Horace Mann's long-term strategy



HORACE MANN	<ul style="list-style-type: none"> • Founded by Educators for Educators® in 1945 • Offering 403(b) tax-qualified annuities since 1961 • NYSE listed (HMN) since 1991 	<ul style="list-style-type: none"> • \$11.6B in assets⁽¹⁾ • \$1.2B in 2018 premiums and contract deposits • \$1.4B market capitalization⁽¹⁾ • Highly rated by all four major rating agencies 	<ul style="list-style-type: none"> • Educators have preferred risk profile • Homogenous customer set • Serving nearly 4,000 school districts nationwide • BCG focus on small- to mid-size employer market 	<ul style="list-style-type: none"> • Revenues balanced between P&C and L&R • Retirement recordkeeping and administration capabilities • Provides earnings diversification • Ability to provide total household solutions
NTA	<ul style="list-style-type: none"> • Serving the education market for nearly 50 years 	<ul style="list-style-type: none"> • A- (Excellent) rating from A.M. Best • \$710M in assets⁽¹⁾⁽²⁾ • \$131M in 2018 premiums 	<ul style="list-style-type: none"> • 80% educator customers • Strong association relationships • Serving about 1,000 school districts nationwide 	<ul style="list-style-type: none"> • Supplemental Insurance products include cancer, heart, accident and limited supplemental disability

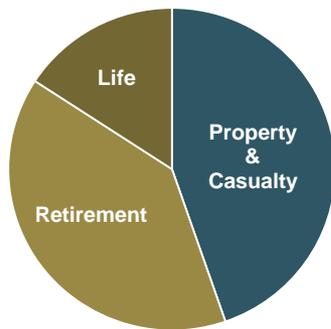
Proud to be the largest multiline financial services company focused on America's educators

NTA products enhance Horace Mann's already strong solutions orientation

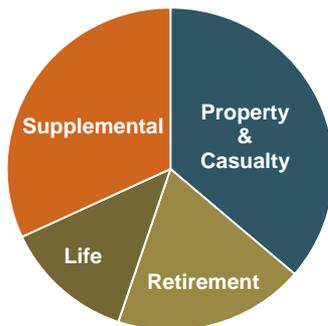


Reinsurance transaction builds on advantages of NTA by reducing exposure to interest-sensitive business

Pre-transactions: Retirement business at 40% of earnings⁽¹⁾



Post-transactions: Earnings distributed evenly between three business areas, Retirement business less than 20%⁽¹⁾



NTA:

- ✓ Adds geographies
- ✓ Supplemental insurance unaffected by weather volatility
- ✓ Morbidity not strongly correlated to mortality risk in Life business
- ✓ More attractive return profile than existing product lines
- ✓ Lower capital profile required

Reinsurance transaction:

- ✓ Reduces exposure to interest-sensitive products
- ✓ Alleviates spread compression on annuity block
- ✓ Improves ROE

Transaction summary

Transaction	<ul style="list-style-type: none">• Horace Mann to acquire 100% of NTA in an all-cash transaction
Deal Value	<ul style="list-style-type: none">• Stated purchase price of \$405 million• Funding:<ul style="list-style-type: none">– \$185 million of \$200 million in capital released from reinsurance transaction– \$85 million NTA excess capital – approved by Texas regulators– Remainder on revolving line of credit while maintaining debt-to-cap ratio below 25⁽¹⁾%
Approvals and Timeline	<ul style="list-style-type: none">• Customary regulatory and shareholder approvals• Texas Department of Insurance approved; New York Department of Financial Services approval pending• Expected close in early July
Other	<ul style="list-style-type: none">• Leverage NTA brand within the Horace Mann organization• Maintain NTA presence in Dallas, TX• Signed retention arrangements with key NTA employees

Reinsuring Legacy Annuity Block



Timing is right for the reinsurance transaction

Transaction Objectives

Eliminate exposure to high guaranteed crediting rate policies

Reduce proportion of earnings from interest sensitive business

Improve investment spreads on remaining annuities

Improve balance of spread and non-spread earnings on retained business

Strategic Rationale

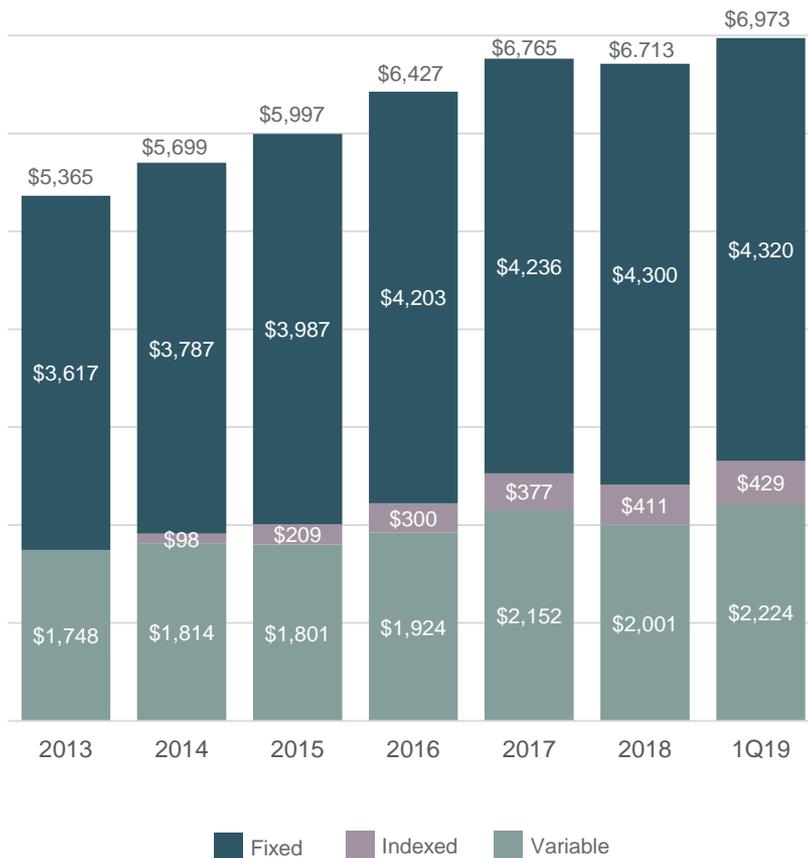
Long term portfolio modeling indicated this block of business unlikely to achieve target pricing spreads / ROE

Ability to redeploy capital to support higher ROE products, like supplemental insurance

Market conditions are favorable

Annuity assets under management pre-transaction

Total Annuity AUM (\$ in millions)

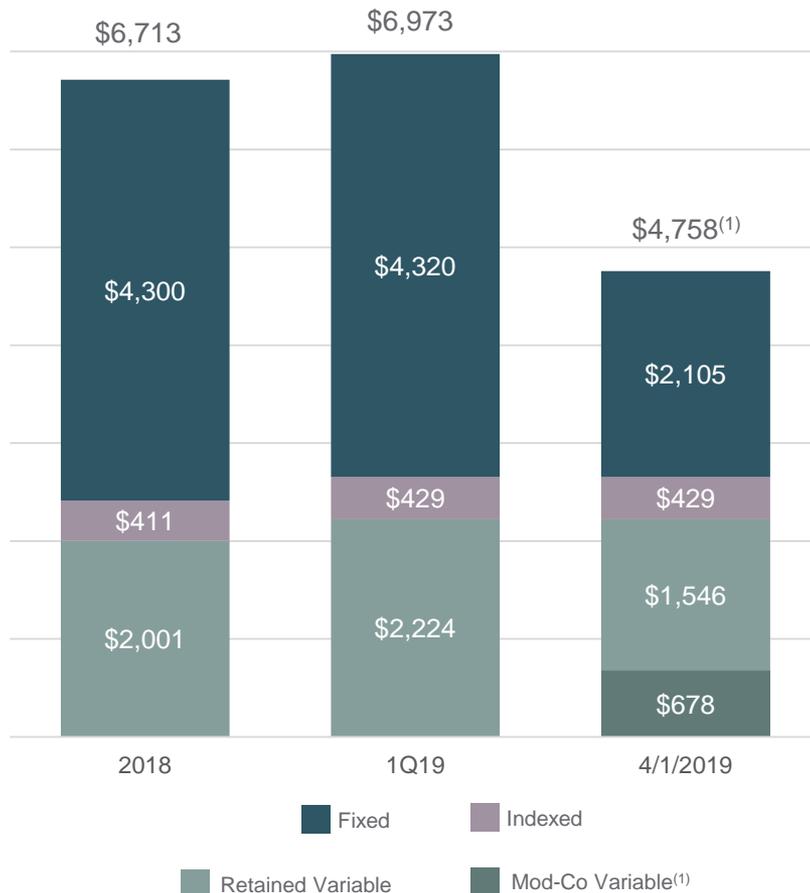


\$7.0 Billion Annuity Portfolio⁽¹⁾

- Straightforward product design meets educator needs
 - No guaranteed living or withdrawal benefits
 - Minimal GMDB exposure
 - Product design limits exposure and risk during volatile economic conditions
- Annuity persistency remains strong
 - Account values continue to grow due to market performance and sales momentum
- ~87% of the fixed annuity block at minimum guaranteed interest rate
 - ~53% of fixed annuity asset value had minimum crediting rate of 4.5% (sold 2002 and prior)
 - Layering on new business did offset spread compression on legacy fixed annuity block
 - Crediting rates actively managed to balance achieving desired spreads and competitiveness

RGA to reinsure \$2.9B block, Horace Mann retains \$2.1B fixed annuity portfolio

Total Annuity AUM (\$ in millions)

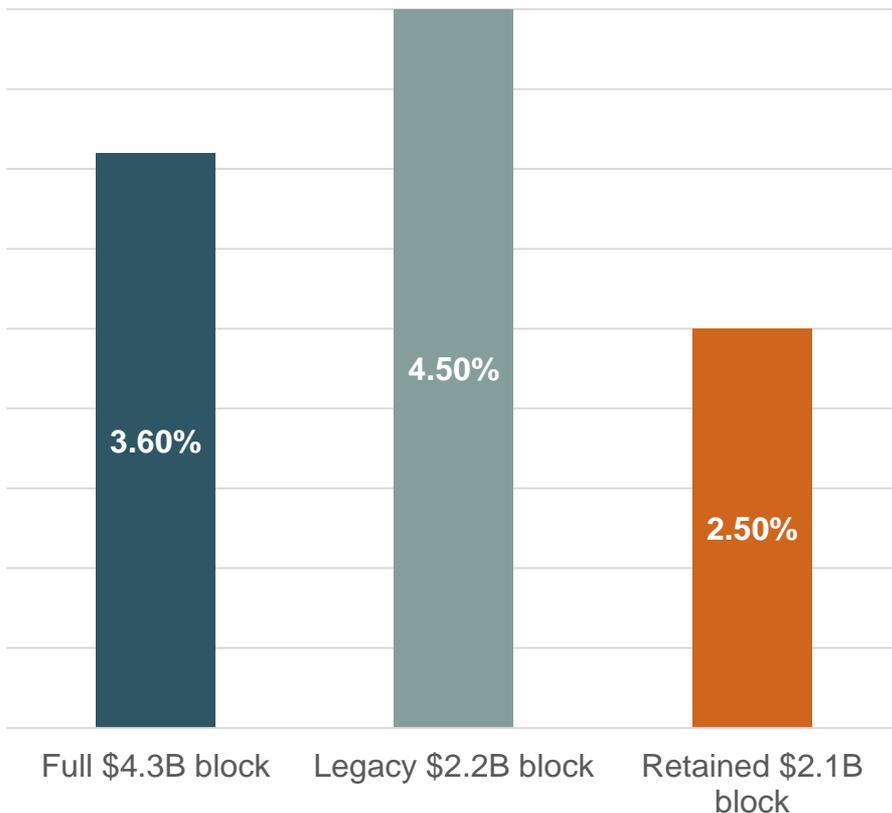


\$2.9B Legacy Block Transaction

- RGA reinsuring \$2.9B legacy block
 - \$2.2 of fixed annuities through coinsurance structure
 - \$0.7 of variable annuities through Mod-Co structure
- Reinsured through RGA Reinsurance Company, rated AA- by S&P
 - Strong partner
 - U.S. domestic reinsurer
 - Publicly traded
 - Extensive reinsurance experience
 - Disciplined deal team process
- Effective date April 1, 2019
- Transfer \$2.3 billion of investments to dedicated trust

Smaller fixed annuity portfolio to generate higher profit margin due to improved net investment spread

Average Crediting Rate on Fixed Annuities at 3/31/19



Horace Mann Retains \$2.1 Billion in Fixed Annuities

- Net investment spread of ~215 bps anticipated for second half of 2019 vs. prior guidance of mid-140s for full year
- Average fixed annuity crediting rate declines to 2.5%, down from 3.6% at 1Q19
 - 52% of retained portfolio has crediting rates under 2%; improved from 26%
- Portfolio backing retained business maintains investment approach and will be appropriately duration-matched against liabilities

Revolving Line of Credit



Summary of Terms & Conditions

Joint Lead Arrangers:	PNC Capital Markets LLC, JPMorgan Chase Bank, N.A.
Group:	The Northern Trust Company, U.S. Bank National Association, KeyBank National Association, Comerica Bank and Illinois National Bank
Facility:	\$225 million revolving credit facility
Letter of Credit Sublimit:	\$50 million
Security:	Senior Unsecured
Term:	Five years
Use of Proceeds:	Fund NTA acquisition; ongoing working capital, capital expenditures and general corporate purposes
Financial Covenants:	<ul style="list-style-type: none">• Maximum debt-to-cap: 35%• Minimum RBC: 300% (tested separately at Life and P&C groups)
Initial pricing:	<ul style="list-style-type: none">• Undrawn: 15.0 bps• Drawn: LIBOR + 115 bps

Financial impact



Guidance updates based on financing plan and adding NTA

Accelerates progress toward double-digit ROE while reducing earnings volatility

2019

Core EPS guidance unchanged at \$2.00 to \$2.20

- NTA should add about \$0.30
- Reinsurance transaction reduces contribution from Retirement business by about \$0.30, including \$0.05 one-time write down of related DAC balance
- Capital redeployment lowers Retirement net investment income by about \$0.07

Book value excluding net unrealized gains/losses* up 8%

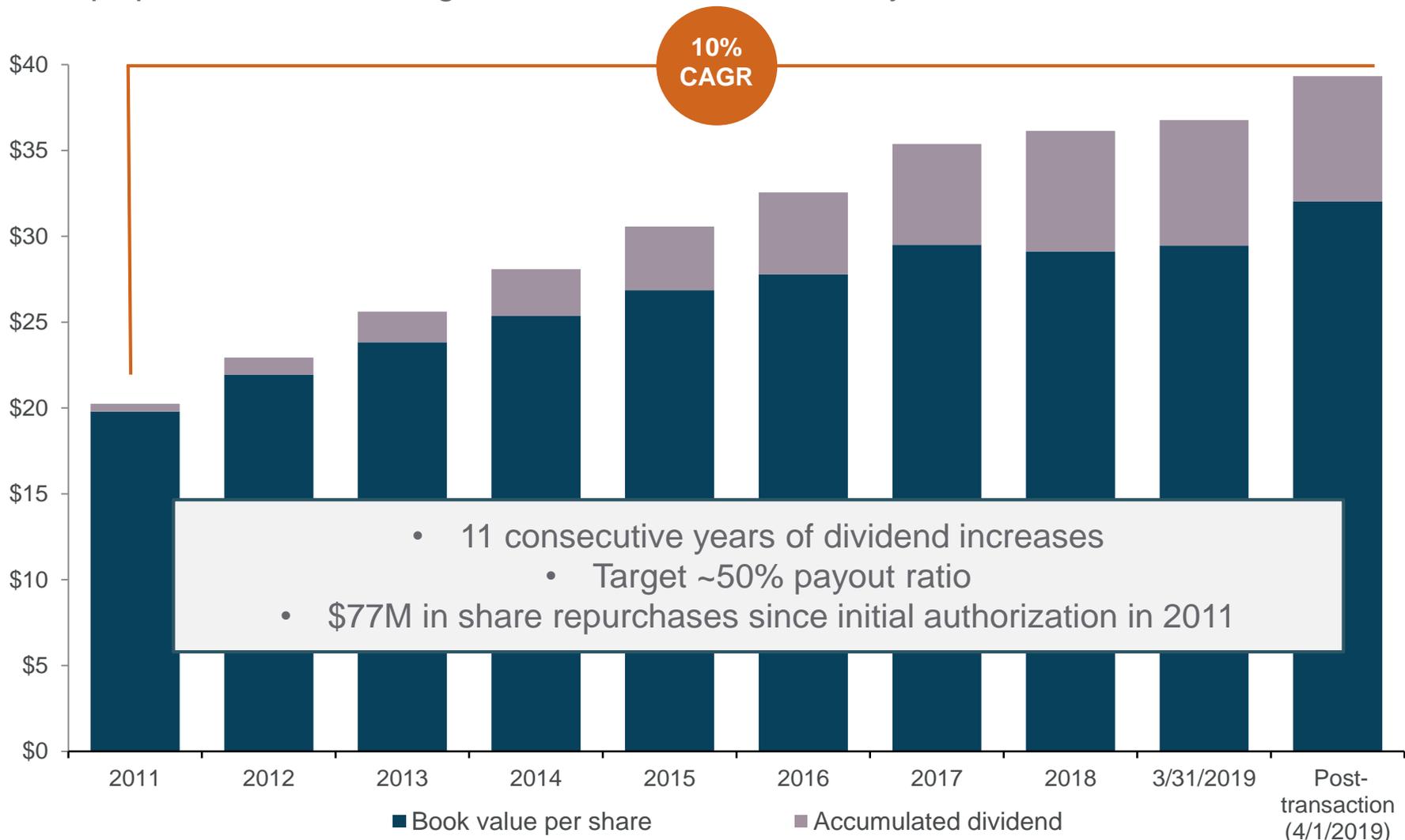
2020

Core EPS expected to be up at least 10% over 2019

- NTA should add about \$0.65
- Retirement business contribution reduced by about \$0.30, net investment income reduced by about \$0.15

Reinsurance transaction adds about 8% to book value,⁽¹⁾ which enhances long-term shareholder value

Top-quartile book value growth⁽¹⁾ and 2.8% dividend yield⁽²⁾



(1) Book value per share excluding net unrealized gains/losses.* 2011 numbers restated to include retrospective application of new accounting guidelines for deferred policy acquisition costs. Top quartile ranking includes large, mid- and small-cap personal lines and insurance companies.

(2) Based on 4/21/2019 closing stock price of \$41.54.

Appendix



Glossary of Selected Terms

- **Book value per share excluding the fair value adjustment for investments** - The result of dividing total shareholders' equity excluding after tax net unrealized investment gains and losses on securities, including the related effect on certain deferred policy acquisition costs, by ending shares outstanding. Book value per share is the most directly comparable GAAP measure. Management believes it is useful to consider the trend in book value per share excluding net unrealized investment gains and losses on securities in conjunction with book value per share to identify and analyze the change in net worth. Management also believes the non-GAAP measure is useful to investors because it eliminates the effect of items that can fluctuate significantly from period to period and are generally driven by economic developments, primarily financial market conditions, the magnitude and timing of which are generally not influenced by the Company's underlying insurance operations.
- **Core earnings (loss)** - Consolidated net income (loss) excluding the after-tax impact of net investment gains (losses), discontinued operations, the effect of a change in tax laws and tax rates at enactment date, and cumulative effect of changes in accounting principles when applicable. Net income is the most comparable GAAP measure.
 - **Pretax core earnings (loss)** - Pretax net income (loss) excluding pretax impact of net investment gains (losses), discontinued operations, and cumulative effect of changes in accounting principles when applicable. Income before income taxes is the most comparable GAAP measure.
 - **Segment core earnings** - Determined in the same manner as core earnings on a consolidated basis. Management uses segment core earnings to analyze each segment's performance and as a tool in making business decisions. Financial statement users also consider core earnings when analyzing the results and trends of insurance companies.
- **Core earnings (loss) per share** - Core earnings on a per common share basis. Earnings per share is the most comparable GAAP measure.
- **Net income return on equity:** The ratio of (1) trailing 12 month net income to (2) the average of ending shareholders' equity for the current quarter end and the preceding four quarter ends - referred to as 5 quarter average shareholder's equity.
 - **Core return on equity:** The ratio of (1) trailing 12 month core earnings to (2) 5 quarter average shareholders' equity excluding net unrealized investment gains and losses on securities and the effect of a change in tax laws and tax rates at enactment date.

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