

Fourth Quarter 2018 Investor Supplement

December 31, 2018



Horace Mann

HORACE MANN EDUCATORS CORPORATION

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Note: The information contained in this document includes measures which are based on methodologies other than accounting principles generally accepted in the United States ("GAAP"). Reconciliations of non-GAAP measures to the closest GAAP measures are contained in the supplemental numerical pages of HMEC's quarterly earnings releases (and related Form 8-K filings), and additional descriptions of the non-GAAP measures are contained in the Glossary of Selected Terms included as an exhibit to HMEC's SEC filings.

HORACE MANN EDUCATORS CORPORATION

CONSOLIDATED FINANCIAL HIGHLIGHTS

For Period Ended

(\$ in millions, except per share data)

Earned premiums
Net investment income
Net investment gains (losses)
Other income
Total revenues

Net income (loss)
Core earnings (loss)*

At Period End

Total assets
Total policy liabilities
Debt
Shareholders' equity

Per Share and Shares Data (in millions)

Net income (loss) per share (basic)
Core earnings (loss) per share (basic)*

Net income (loss) per diluted share
Core earnings (loss) per diluted share*

Weighted average common shares (basic)
Dilutive effect of stock equivalents
Weighted average diluted shares

Book value per share
Per share impact of net unrealized investment gains (losses) on securities
Book value per share excluding net unrealized investment gains (losses) on securities
Dividends paid per share

Financial Ratios

Net Income ROE
Net Income ROE excluding net unrealized investment gains on securities and re-measurement of deferred tax liability (DTL)*
Core ROE
Core ROE excluding net unrealized investment gains on securities and re-measurement of DTL*
Debt to total capitalization
Debt to total capitalization excluding net unrealized investment gains (losses) on securities
Annualized investment yield, after tax

Three Months Ended

	Dec. 31, 2018	Sept. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
	\$ 201.9	\$ 206.8	\$ 205.6	\$ 203.0	\$ 204.3	\$ 817.3	\$ 794.7
	88.4	99.1	97.1	91.9	98.6	376.5	373.6
	(14.4)	2.9	0.7	(1.7)	(1.7)	(12.5)	(3.4)
	2.6	2.6	2.8	2.3	1.8	10.3	6.6
	\$ 278.5	\$ 311.4	\$ 306.2	\$ 295.5	\$ 303.0	\$ 1,191.6	\$ 1,171.5
	\$ (20.3)	\$ 12.5	\$ 5.9	\$ 20.2	\$ 125.3	\$ 18.3	\$ 169.4
	(8.7)	10.3	5.3	21.5	27.2	28.4	72.1
	\$ 11,031.9	\$ 11,280.8	\$ 11,156.2	\$ 11,068.6	\$ 11,198.3	\$ 11,031.9	\$ 11,198.3
	6,384.1	6,349.4	6,274.1	6,211.4	6,182.0	6,384.1	6,182.0
	297.7	297.7	297.6	297.5	297.5	297.7	297.5
	1,290.6	1,304.3	1,350.4	1,404.7	1,501.6	1,290.6	1,501.6
	\$ (0.49)	\$ 0.30	\$ 0.14	\$ 0.49	\$ 3.03	\$ 0.44	\$ 4.10
	(0.21)	0.25	0.13	0.52	0.66	0.68	1.75
	\$ (0.49)	\$ 0.30	\$ 0.14	\$ 0.48	\$ 3.00	\$ 0.44	\$ 4.08
	(0.21)	0.25	0.13	0.51	0.65	0.68	1.74
	41.6	41.7	41.6	41.5	41.4	41.6	41.4
	0.3	0.2	0.1	0.2	0.3	0.3	0.2
	41.9	41.9	41.7	41.7	41.7	41.9	41.6
	\$ 31.50	\$ 31.78	\$ 32.93	\$ 34.35	\$ 36.88	\$ 31.50	\$ 36.88
	2.37	1.85	3.06	4.35	7.37	2.37	7.37
	\$ 29.13	\$ 29.93	\$ 29.87	\$ 30.00	\$ 29.51	\$ 29.13	\$ 29.51
	\$ 0.285	\$ 0.285	\$ 0.285	\$ 0.285	\$ 0.275	\$ 1.140	\$ 1.100
	1.3%	11.8%	12.7%	12.5%	12.3%	1.3%	12.3%
	1.5%	5.4%	6.7%	6.5%	6.3%	1.5%	6.3%
	2.1%	4.6%	5.9%	5.6%	5.3%	2.1%	5.3%
	2.3%	5.3%	7.0%	6.7%	6.4%	2.3%	6.4%
	18.7%	18.6%	18.1%	17.5%	16.5%	18.7%	16.5%
	20.0%	19.5%	19.5%	19.5%	19.8%	20.0%	19.8%
	4.08%	4.14%	4.10%	3.98%	3.44%	4.08%	3.44%

*Refer to non-GAAP measures in the Appendix of this document.

HORACE MANN EDUCATORS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended					Year Ended	
	Dec. 31, 2018	Sept. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
For Period Ended							
<i>(\$ in millions)</i>							
Revenues							
Insurance premiums and contract charges earned	\$ 201.9	\$ 206.8	\$ 205.6	\$ 203.0	\$ 204.3	\$ 817.3	\$ 794.7
Net investment income	88.4	99.1	97.1	91.9	98.6	376.5	373.6
Net investment gains (losses)	(14.4)	2.9	0.7	(1.7)	(1.7)	(12.5)	(3.4)
Other income	2.6	2.6	2.8	2.3	1.8	10.3	6.6
Total revenues	278.5	311.4	306.2	295.5	303.0	1,191.6	1,171.5
Benefits, losses and expenses							
Benefits, claims and settlement expenses	163.9	161.8	168.3	143.6	137.4	637.6	582.3
Interest credited	53.0	52.1	51.1	50.0	50.4	206.2	198.6
DAC amortization expense, excluding unlocking	26.6	26.4	26.3	26.4	27.2	105.7	101.3
DAC unlocking	3.9	(0.2)	0.2	0.3	1.1	4.2	0.9
Operating expenses	56.0	51.0	50.2	48.2	48.7	205.4	187.8
Interest expense	3.3	3.2	3.3	3.2	3.0	13.0	11.9
Total benefits, losses and expenses	306.7	294.3	299.4	271.7	267.8	1,172.1	1,082.8
Income (loss) before income taxes	(28.2)	17.1	6.8	23.8	35.2	19.5	88.7
Income tax expense (benefit)	(7.9)	4.6	0.9	3.6	(90.1)	1.2	(80.7)
Net income (loss)	\$ (20.3)	\$ 12.5	\$ 5.9	\$ 20.2	\$ 125.3	\$ 18.3	\$ 169.4
Other Statistics							
Effective tax rate on net investment income	20.1%	20.3%	19.8%	20.8%	33.6%	20.2%	33.5%
Net investment income, after tax	\$ 70.6	\$ 79.0	\$ 77.9	\$ 72.8	\$ 65.5	\$ 300.3	\$ 248.3
Catastrophe costs, net of reinsurance, pretax	45.3	32.2	26.8	9.8	3.6	114.1	61.8
Catastrophe costs, net of reinsurance, after tax	35.8	25.4	21.2	7.7	2.4	90.1	40.2
Other-than-temporary impairment losses on securities [1]	(0.1)	(0.1)	(1.2)	(0.1)	(0.1)	(1.5)	(12.6)
Exclusive Distributors [2]	732	672	656	675	694	732	694

[1] Included in pretax net investment gains (losses).

[2] Represents licensed agents and employed licensed producers.

HORACE MANN EDUCATORS CORPORATION

CONSOLIDATED BALANCE SHEETS

	Dec. 31, 2018	Sept. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sept. 30, 2017
(\$ in millions, except per share data)						
ASSETS						
Investments						
Fixed maturity securities, available for sale, at fair value	\$ 7,515.3	\$ 7,529.1	\$ 7,475.5	\$ 7,634.7	\$ 7,724.1	\$ 7,630.6
Equity securities, at fair value	111.8	133.2	130.8	131.0	135.5	159.3
Limited partnership interests	328.5	326.9	273.8	257.4	247.2	259.2
Short-term and other investments	295.1	252.8	352.7	201.6	245.5	288.0
Total investments	8,250.7	8,242.0	8,232.8	8,224.7	8,352.3	8,337.1
Cash	11.9	6.4	8.2	24.0	7.6	6.7
Deferred policy acquisition costs	298.7	305.4	292.6	280.2	257.8	257.2
Goodwill	47.4	47.4	47.4	47.4	47.4	47.4
Other assets	422.1	387.1	379.3	352.7	381.2	344.4
Separate account assets	2,001.1	2,292.5	2,195.9	2,139.6	2,152.0	2,051.5
Total assets	\$ 11,031.9	\$ 11,280.8	\$ 11,156.2	\$ 11,068.6	\$ 11,198.3	\$ 11,044.3
LIABILITIES AND SHAREHOLDERS' EQUITY						
Policy liabilities						
Investment contract and life policy reserves	\$ 5,711.2	\$ 5,690.7	\$ 5,634.2	\$ 5,598.7	\$ 5,573.7	\$ 5,540.0
Unpaid claims and claim expenses	396.7	384.6	379.8	358.3	347.8	341.8
Unearned premiums	276.2	274.1	260.1	254.4	260.5	262.0
Total policy liabilities	6,384.1	6,349.4	6,274.1	6,211.4	6,182.0	6,143.8
Other policyholder funds	768.0	722.4	718.5	720.5	724.3	717.4
Other liabilities	290.4	314.5	319.7	294.9	340.9	493.8
Long-term debt	297.7	297.7	297.6	297.5	297.5	247.4
Separate account liabilities	2,001.1	2,292.5	2,195.9	2,139.6	2,152.0	2,051.5
Total liabilities	9,741.3	9,976.5	9,805.8	9,663.9	9,696.7	9,653.9
Common stock, \$0.001 par value	0.1	0.1	0.1	0.1	0.1	0.1
Additional paid-in capital	475.1	473.6	470.6	466.3	464.3	462.1
Retained earnings	1,216.6	1,248.8	1,248.3	1,254.4	1,231.2	1,165.2
Accumulated other comprehensive income, net of taxes:						
Net unrealized investment gains on securities	96.9	76.0	125.6	178.0	300.1	255.7
Net funded status of benefit plans	(12.2)	(13.2)	(13.2)	(13.2)	(13.2)	(11.8)
Treasury stock, at cost	(485.9)	(481.0)	(481.0)	(480.9)	(480.9)	(480.9)
Total shareholders' equity	1,290.6	1,304.3	1,350.4	1,404.7	1,501.6	1,390.4
Total liabilities and shareholders' equity	\$ 11,031.9	\$ 11,280.8	\$ 11,156.2	\$ 11,068.6	\$ 11,198.3	\$ 11,044.3

HORACE MANN EDUCATORS CORPORATION

CAPITAL METRICS

<u>For Period Ended</u>	<u>Three Months Ended</u>					<u>Year Ended</u>	
	<u>Dec. 31,</u> <u>2018</u>	<u>Sept. 30,</u> <u>2018</u>	<u>Jun. 30,</u> <u>2018</u>	<u>Mar. 31,</u> <u>2018</u>	<u>Dec. 31,</u> <u>2017</u>	<u>Dec. 31,</u> <u>2018</u>	<u>Dec. 31,</u> <u>2017</u>
<i>(\$ in millions, except per share data)</i>							
<u>Debt and Total Capitalization</u>							
Short term debt due under revolving credit agreement [1]	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Senior Debt:							
4.50% Senior notes due December 1, 2025	247.7	247.7	247.6	247.5	247.5	247.7	247.5
FHLB Borrowing	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Total debt	297.7	297.7	297.6	297.5	297.5	297.7	297.5
Shareholders' equity	1,290.6	1,304.3	1,350.4	1,404.7	1,501.6	1,290.6	1,501.6
Total capitalization	\$ 1,588.3	\$ 1,602.0	\$ 1,648.0	\$ 1,702.2	\$ 1,799.1	\$ 1,588.3	\$ 1,799.1
Ratio of debt to shareholders' equity	23.1%	22.8%	22.0%	21.2%	19.8%	23.1%	19.8%
Ratio of debt to total capitalization	18.7%	18.6%	18.1%	17.5%	16.5%	18.7%	16.5%
<u>Capital Returned to Shareholders</u>							
Common stock repurchased [2]	\$ 5.0	\$ —	\$ —	\$ —	\$ —	\$ 5.0	\$ 1.7
Cash dividends paid	11.7	11.7	11.7	11.6	11.2	46.7	44.7
Total capital returned to shareholders	\$ 16.7	\$ 11.7	\$ 11.7	\$ 11.6	\$ 11.2	\$ 51.7	\$ 46.4

[1] Amount available for borrowing is \$150.0 million; At LIBOR +115 bps; Expires on June 27, 2023.

[2] As of December 31, 2018, the Company's program had a remaining authorization of \$22.8 million.

HORACE MANN EDUCATORS CORPORATION
PROPERTY and CASUALTY SEGMENT
STATEMENTS OF OPERATIONS

For Period Ended <i>(\$ in millions)</i>	Three Months Ended					Year Ended	
	Dec. 31,	Sept. 30,	Jun. 30,	Mar. 31,	Dec. 31,	Dec. 31,	Dec. 31,
	2018	2018	2018	2018	2017	2018	2017
UNDERWRITING RESULTS							
Written premiums							
Automobile	\$ 119.9	\$ 120.5	\$ 114.6	\$ 114.9	\$ 113.7	\$ 469.9	\$ 450.7
Property and other	46.5	62.2	58.4	44.5	51.1	211.6	212.1
Total written premiums	166.4	182.7	173.0	159.4	164.8	681.5	662.8
Earned premiums							
Automobile	\$ 115.7	\$ 115.0	\$ 114.2	\$ 112.6	\$ 112.2	\$ 457.5	\$ 438.0
Property and other	48.6	53.6	53.1	52.9	54.1	208.2	210.3
Total earned premiums	164.3	168.6	167.3	165.5	166.3	665.7	648.3
Losses and loss adjustment expenses							
Current accident year before catastrophes	101.5	107.8	120.2	111.2	108.4	440.7	437.2
Current accident year catastrophes	38.5	32.2	26.8	9.8	3.6	107.3	61.8
Prior years' reserve development [1]	—	—	—	(0.3)	(0.6)	(0.3)	(2.7)
Total losses and loss adjustment expenses	140.0	140.0	147.0	120.7	111.4	547.7	496.3
Operating expenses, including DAC amortization expense	46.1	45.8	44.8	43.1	44.9	179.8	173.4
Underwriting gain (loss)	(21.8)	(17.2)	(24.5)	1.7	10.0	(61.8)	(21.4)
Net investment income	7.9	12.4	10.3	9.5	9.7	40.1	36.2
Other income (expense)	0.5	0.4	0.8	0.2	(0.2)	1.9	(0.2)
Interest expense	0.3	0.3	0.3	0.2	0.1	1.1	0.1
Income (loss) before income taxes	(13.7)	(4.7)	(13.7)	11.2	19.4	(20.9)	14.5
Income tax expense (benefit)	(3.8)	(1.5)	(2.8)	1.5	3.8	(6.6)	(3.3)
Net income (loss) [2]	\$ (9.9)	\$ (3.2)	\$ (10.9)	\$ 9.7	\$ 15.6	\$ (14.3)	\$ 17.8

[1] (Favorable) unfavorable.

[2] Net investment gains (losses) are not allocated by segment. Refer to Appendix for Segment Net Income (Loss) excluding the effect of the DTL re-measurement.

HORACE MANN EDUCATORS CORPORATION
PROPERTY and CASUALTY SEGMENT
UNDERWRITING RESULTS AND SUPPLEMENTAL DATA

<u>For Period Ended</u>	<u>Three Months Ended</u>					<u>Year Ended</u>	
	<u>Dec. 31,</u> <u>2018</u>	<u>Sept. 30,</u> <u>2018</u>	<u>Jun. 30,</u> <u>2018</u>	<u>Mar. 31,</u> <u>2018</u>	<u>Dec. 31,</u> <u>2017</u>	<u>Dec. 31,</u> <u>2018</u>	<u>Dec. 31,</u> <u>2017</u>
UNDERWRITING RATIOS (%)							
Losses and loss adjustment expenses							
Current accident year before catastrophes	58.2	63.9	71.9	67.2	65.2	65.2	67.5
Current accident year catastrophes	27.0	19.1	16.0	5.9	2.2	17.1	9.5
Prior years' reserve development [1]	—	—	—	(0.2)	(0.4)	—	(0.4)
Total losses and loss adjustment expenses	85.2	83.0	87.9	72.9	67.0	82.3	76.6
Expense Ratio	28.1	27.1	26.8	26.0	27.0	27.0	26.7
Combined ratio	113.3	110.1	114.7	98.9	94.0	109.3	103.3
Combined ratio before catastrophes	86.3	91.0	98.7	93.0	91.8	92.2	93.8
Combined ratio before catastrophes and prior years' reserve development*	86.3	91.0	98.7	93.2	92.2	92.2	94.2
PRODUCT (%)							
Automobile							
Loss and loss adjustment expense ratio	75.0	72.1	82.0	76.1	77.5	76.3	79.4
Expense ratio	27.2	27.4	26.9	25.7	27.2	26.8	26.9
Combined ratio	102.2	99.5	108.9	101.8	104.7	103.1	106.3
Prior years' reserve development [1]	0.0	0.0	0.0	0.0	(0.3)	0.0	(0.1)
Catastrophes	2.2	0.7	3.3	0.6	0.2	1.7	2.3
Combined ratio before catastrophes and prior years' reserve development*	100.0	98.8	105.6	101.2	104.8	101.4	104.1
Property							
Loss and loss adjustment expense ratio	109.4	106.6	100.4	66.2	45.4	95.4	70.5
Expense ratio	30.4	26.7	26.7	27.1	26.8	27.7	26.5
Combined ratio	139.8	133.3	127.1	93.3	72.2	123.1	97.0
Prior years' reserve development [1]	0.0	0.0	0.0	(0.6)	(0.6)	(0.1)	(1.2)
Catastrophes	82.4	58.6	43.3	17.2	6.2	50.2	24.5
Combined ratio before catastrophes and prior years' development*	57.4	74.7	83.8	76.7	66.6	73.0	73.7
SUPPLEMENTAL DATA							
Policy Count Retention (12 month)							
Automobile	81.9%	82.5%	82.6%	82.9%	83.0%	81.9%	83.0%
Property	88.0%	87.9%	88.0%	87.9%	87.6%	88.0%	87.6%
Sales (12-month annualized premium, in millions) [2]							
Automobile	\$ 20.4	\$ 24.2	\$ 21.9	\$ 21.6	\$ 22.0	\$ 88.1	\$ 93.5
Property	4.9	5.4	4.8	4.2	4.7	19.3	18.8
Total sales	\$ 25.3	\$ 29.6	\$ 26.7	\$ 25.8	\$ 26.7	\$ 107.4	\$ 112.3
Policies in force (in thousands)							
Automobile	463	466	471	475	479	463	479
Property	201	202	203	204	205	201	205
Total policies in force	664	668	674	679	684	664	684

[1] (Favorable) unfavorable.

[2] HM products.

* Refer to non-GAAP measures in the Appendix of this document.

HORACE MANN EDUCATORS CORPORATION

RETIREMENT SEGMENT

STATEMENTS OF OPERATIONS AND SUPPLEMENTAL DATA

For Period Ended <i>(\$ in millions)</i>	Three Months Ended					Year Ended	
	Dec. 31, 2018	Sept. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Contract deposits	\$ 113.1	\$ 127.0	\$ 100.2	\$ 98.8	\$ 104.2	\$ 439.1	\$ 453.1
Revenues							
Contract charges earned	\$ 7.3	\$ 8.0	\$ 7.9	\$ 8.0	\$ 7.2	\$ 31.2	\$ 28.0
Net investment income	62.9	67.7	67.8	64.2	69.1	262.6	262.0
Other income	1.7	1.8	1.7	1.8	1.8	7.0	5.9
Total revenues	71.9	77.5	77.4	74.0	78.1	300.8	295.9
Benefits and Expenses							
Interest credited	41.7	40.8	39.9	38.7	39.1	161.1	153.5
Mortality loss and other reserve changes	2.8	1.5	1.4	1.9	1.8	7.6	5.8
DAC amortization expense, excluding unlocking	4.9	4.7	4.8	4.8	5.6	19.2	16.7
DAC unlocking	3.8	(0.3)	0.2	0.2	1.2	3.9	1.1
Operating expenses	15.0	14.0	13.9	14.4	12.7	57.3	49.8
Total benefits and expenses	68.2	60.7	60.2	60.0	60.4	249.1	226.9
Income before income taxes	3.7	16.8	17.2	14.0	17.7	51.7	69.0
Income tax expense (benefit)	(0.4)	4.7	3.1	2.6	(33.8)	10.0	(19.4)
Net income [1]	\$ 4.1	\$ 12.1	\$ 14.1	\$ 11.4	\$ 51.5	\$ 41.7	\$ 88.4
Less: DAC unlocking, after tax	(3.0)	0.2	(0.1)	(0.2)	(0.7)	(3.1)	(0.7)
Net income excluding DAC unlocking	\$ 7.1	\$ 11.9	\$ 14.2	\$ 11.6	\$ 52.2	\$ 44.8	\$ 89.1
Return on Assets (Before-tax basis points)							
ROA (12 month) [2]	82	98	101	102	106	82	106
Interest Spread [3]	171	182	181	170	194	171	194
SUPPLEMENTAL DATA							
Total AUM including Mutual Funds	\$ 6,843	\$ 7,121	\$ 6,951	\$ 6,846	\$ 6,832	\$ 6,843	\$ 6,832
Annuity Contracts in force (in thousands)	226	224	224	223	223	226	223
Persistency (12 month)							
Fixed annuities	94.0%	94.2%	94.4%	94.4%	94.5%	94.0%	94.5%
Variable annuities	94.4%	94.5%	94.6%	94.6%	94.8%	94.4%	94.8%
Sales Deposits*							
Spread based - Fixed annuities	\$ 58.6	\$ 73.2	\$ 49.5	\$ 52.0	\$ 58.0	\$ 233.3	\$ 277.8
Fee based - Variable annuities	54.5	53.8	50.7	46.8	46.2	205.8	169.3
Fee based - Mutual Funds	22.0	24.9	18.6	14.1	15.7	79.6	44.7
Total sales deposits	\$ 135.1	\$ 151.9	\$ 118.8	\$ 112.9	\$ 119.9	\$ 518.7	\$ 491.8

[1] Net investment gains (losses) are not allocated by segment. Refer to Appendix for Segment Net Income (Loss) excluding the effect of the DTL re-measurement.

[2] Trailing 12 months adjusted earnings (income before income taxes adjusted to remove the impact of DAC unlocking and changes in guaranteed minimum death benefit reserves) divided by a 5-point average accumulated account value.

[3] Before tax basis points. Quarterly results reflect spread earned on an adjusted annualized year-to-date basis for the fixed and fixed indexed annuity blocks of business.

HORACE MANN EDUCATORS CORPORATION
RETIREMENT SEGMENT
ACCOUNT VALUE ROLLFORWARD

<u>For Period Ended</u> (\$ in millions)	Three Months Ended					
	Dec. 31, 2018	Sept. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Sept. 30, 2017
FIXED ACCOUNT ANNUITIES [1]						
Beginning balance	\$ 4,301.4	\$ 4,266.7	\$ 4,247.8	\$ 4,235.1	\$ 4,222.5	\$ 4,184.2
Deposits	44.5	59.3	37.7	41.5	46.4	59.2
Withdrawals	(92.2)	(73.2)	(67.8)	(76.5)	(78.9)	(63.7)
Net transfers	10.6	13.2	14.5	13.8	9.1	9.0
Interest credited	41.7	40.8	39.8	38.8	39.1	38.8
Other	(5.7)	(5.4)	(5.3)	(4.9)	(3.1)	(5.0)
Ending balance	\$ 4,300.3	\$ 4,301.4	\$ 4,266.7	\$ 4,247.8	\$ 4,235.1	\$ 4,222.5
FIXED INDEXED ACCOUNT ANNUITIES [2]						
Beginning balance	\$ 403.8	\$ 389.2	\$ 382.1	\$ 376.9	\$ 360.1	\$ 342.1
Deposits	14.1	13.8	11.8	10.5	11.6	16.9
Withdrawals	(3.6)	(3.8)	(3.8)	(3.8)	(3.0)	(2.8)
Net transfers	(0.6)	(0.8)	(0.8)	(1.0)	(0.7)	(0.9)
Index credits	1.5	5.7	4.7	3.6	3.4	3.9
Other	(3.3)	(0.3)	(4.8)	(4.1)	5.5	0.9
Ending balance	\$ 411.9	\$ 403.8	\$ 389.2	\$ 382.1	\$ 376.9	\$ 360.1
VARIABLE ACCOUNT ANNUITIES [3]						
Beginning balance	\$ 2,292.5	\$ 2,195.9	\$ 2,139.6	\$ 2,152.0	\$ 2,051.5	\$ 1,976.2
Deposits	54.5	53.8	50.7	46.8	46.2	38.6
Withdrawals	(33.2)	(34.4)	(29.8)	(30.5)	(30.0)	(27.3)
Net transfers	(10.0)	(12.5)	(13.7)	(12.8)	(8.4)	(8.1)
Fees and charges	(8.6)	(8.9)	(8.6)	(8.6)	(8.4)	(8.2)
Market appreciation	(294.1)	98.6	57.7	(7.3)	101.1	80.3
Other	—	—	—	—	—	—
Ending balance	\$ 2,001.1	\$ 2,292.5	\$ 2,195.9	\$ 2,139.6	\$ 2,152.0	\$ 2,051.5

[1] Represents account balances having a guarantee of principal and a guaranteed minimum rate of return.

[2] Represents account balances with a contingent return linked to the Standard & Poor's 500 Index and/or the Dow Jones Industrial Average.

[3] Represents account balances invested in various mutual funds at the direction of the contractholders who bear the investment risk.

HORACE MANN EDUCATORS CORPORATION
LIFE SEGMENT
STATEMENTS OF OPERATIONS AND SUPPLEMENTAL DATA

<u>For Period Ended</u> (\$ in millions)	Three Months Ended					Year Ended	
	Dec. 31, 2018	Sept. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Premiums and contract deposits	\$ 31.7	\$ 28.4	\$ 28.5	\$ 25.8	\$ 31.4	\$ 114.4	\$ 111.2
Revenues							
Premiums and contract charges earned	\$ 30.3	\$ 30.2	\$ 30.4	\$ 29.5	\$ 30.8	\$ 120.4	\$ 118.4
Net investment income	17.8	19.1	19.2	18.3	20.0	74.4	76.2
Other income	0.1	0.1	—	0.1	0.1	0.3	0.4
Total revenues	48.2	49.4	49.6	47.9	50.9	195.1	195.0
Benefits and Expenses							
Death benefits / mortality cost [1]	9.2	8.7	7.7	9.5	11.9	35.1	36.1
Interest credited	11.3	11.3	11.2	11.3	11.3	45.1	45.1
Change in reserves	11.9	11.6	12.2	11.5	12.3	47.2	44.1
DAC amortization expense, excluding unlocking	1.8	1.8	1.9	1.8	2.0	7.3	7.7
DAC unlocking	0.1	0.1	—	0.1	—	0.3	(0.2)
Operating expenses	9.2	8.9	9.3	9.0	9.2	36.4	36.5
Total benefits and expenses	43.5	42.4	42.3	43.2	46.7	171.4	169.3
Income before income taxes	4.7	7.0	7.3	4.7	4.2	23.7	25.7
Income tax expense (benefit)	0.9	1.7	1.4	0.9	(59.1)	4.9	(51.9)
Net income [2]	\$ 3.8	\$ 5.3	\$ 5.9	\$ 3.8	\$ 63.3	\$ 18.8	\$ 77.6
Less: DAC unlocking, after tax	—	(0.1)	—	(0.1)	—	(0.2)	0.2
Net income excluding DAC unlocking	\$ 3.8	\$ 5.4	\$ 5.9	\$ 3.9	\$ 63.3	\$ 19.0	\$ 77.4
Earnings margin (before tax)							
Return on premium (12 month) [3]	20.2%	19.3%	19.9%	21.4%	21.5%	20.2%	21.5%
SUPPLEMENTAL DATA							
Lapse ratio (12 month) [4]	4.6%	4.8%	4.9%	4.9%	4.9%	4.6%	4.9%
Sales (12-month premium, \$ in millions) [5]							
Recurring	\$ 3.0	\$ 2.3	\$ 2.5	\$ 1.9	\$ 2.6	\$ 9.7	\$ 7.8
Single premium	3.1	3.0	3.0	2.4	3.5	11.5	9.9
Total sales	\$ 6.1	\$ 5.3	\$ 5.5	\$ 4.3	\$ 6.1	\$ 21.2	\$ 17.7
Insurance in force (\$ in millions)	\$ 18,278	\$ 18,054	\$ 17,862	\$ 17,665	\$ 17,564	\$ 18,278	\$ 17,564
Policies in force (in thousands)	199	198	198	198	198	199	198

[1] Ordinary life insurance.

[2] Net investment gains (losses) are not allocated by segment. Refer to Appendix for Segment Net Income (Loss) excluding the effect of the DTL re-measurement.

[3] Trailing 12 months adjusted earnings (income before income taxes adjusted to remove the impact of DAC unlocking) divided by trailing 12 months premiums and contract charges earned.

[4] Based on ordinary life insurance in force.

[5] HM products.

HORACE MANN EDUCATORS CORPORATION
CORPORATE and OTHER SEGMENT
STATEMENTS OF OPERATIONS
(Amounts are net of consolidating eliminations)

<u>For Period Ended</u> (\$ in millions)	<u>Three Months Ended</u>					<u>Year Ended</u>	
	<u>Dec. 31,</u> <u>2018</u>	<u>Sept. 30,</u> <u>2018</u>	<u>Jun. 30,</u> <u>2018</u>	<u>Mar. 31,</u> <u>2018</u>	<u>Dec. 31,</u> <u>2017</u>	<u>Dec. 31,</u> <u>2018</u>	<u>Dec. 31,</u> <u>2017</u>
Revenues							
Net investment income	\$ (0.2)	\$ (0.1)	\$ (0.2)	\$ (0.1)	\$ (0.2)	\$ (0.6)	\$ (0.8)
Other income	0.3	0.3	0.3	0.2	0.1	1.1	0.5
Total revenues	0.1	0.2	0.1	0.1	(0.1)	0.5	(0.3)
Expenses							
Interest expense	3.0	2.9	3.0	3.0	2.9	11.9	11.8
Debt retirement costs	—	—	—	—	—	—	—
Other operating expenses	5.6	2.2	1.8	1.5	1.4	11.1	5.0
Total expenses	8.6	5.1	4.8	4.5	4.3	23.0	16.8
Loss before income taxes	(8.5)	(4.9)	(4.7)	(4.4)	(4.4)	(22.5)	(17.1)
Income tax benefit	(1.8)	(1.0)	(0.9)	(1.0)	(0.2)	(4.7)	(4.4)
Loss after tax	\$ (6.7)	\$ (3.9)	\$ (3.8)	\$ (3.4)	\$ (4.2)	\$ (17.8)	\$ (12.7)
Net investment gains (losses) pretax [1]	(14.4)	2.9	0.7	(1.7)	(1.7)	(12.5)	(3.4)
Tax on net investment gains (losses) [1]	(2.8)	0.7	0.1	(0.4)	(0.8)	(2.4)	(1.7)
Net investment gains (losses) after tax [1]	(11.6)	2.2	0.6	(1.3)	(0.9)	(10.1)	(1.7)
Net loss [2]	\$ (18.3)	\$ (1.7)	\$ (3.2)	\$ (4.7)	\$ (5.1)	\$ (27.9)	\$ (14.4)

[1] Corporate level transactions, such as net investment gains (losses), are not allocated to the operating segments consistent with how management evaluates the results of those segments.

[2] Refer to Appendix for Segment Net Income (Loss) excluding the effect of the DTL re-measurement.

HORACE MANN EDUCATORS CORPORATION
INVESTMENT EARNINGS BEFORE TAXES
CONSOLIDATED

For Period Ended (\$ in millions)	Three Months Ended					Year Ended	
	Dec. 31, 2018	Sept. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Net Investment Income							
Fixed maturity securities [1]							
Taxable	\$ 80.5	\$ 86.4	\$ 83.0	\$ 85.4	\$ 87.6	\$ 335.3	\$ 336.0
Tax-exempt	4.3	4.4	7.7	1.6	4.7	18.0	18.3
Total fixed maturity securities	84.8	90.8	90.7	87.0	92.3	353.3	354.3
Equity securities	1.6	1.6	1.5	1.3	1.7	6.0	6.4
Policy loans	2.4	2.3	2.3	2.2	2.3	9.2	8.8
Limited partnership interests	1.3	6.2	4.3	3.6	4.4	15.4	12.7
Short-term investments and other	0.8	1.0	0.7	0.3	0.4	2.8	1.2
Investment income	90.9	101.9	99.5	94.4	101.1	386.7	383.4
Investment expense	2.5	2.8	2.4	2.5	2.5	10.2	9.8
Total net investment income	\$ 88.4	\$ 99.1	\$ 97.1	\$ 91.9	\$ 98.6	\$ 376.5	\$ 373.6
Annualized investment yield, before tax [2]	5.11%	5.19%	5.14%	5.03%	5.17%	5.11%	5.17%
Annualized investment yield, after tax [2]	4.08%	4.14%	4.10%	3.98%	3.44%	4.08%	3.44%
Net Investment Income by Segment							
Property and Casualty	\$ 7.9	\$ 12.4	\$ 10.3	\$ 9.5	\$ 9.7	\$ 40.1	\$ 36.2
Retirement	62.9	67.7	67.8	64.2	69.1	262.6	262.0
Life	17.8	19.1	19.2	18.3	20.0	74.4	76.2
Corporate & Other, including intersegment eliminations	(0.2)	(0.1)	(0.2)	(0.1)	(0.2)	(0.6)	(0.8)
Total net investment income	\$ 88.4	\$ 99.1	\$ 97.1	\$ 91.9	\$ 98.6	\$ 376.5	\$ 373.6
Net Investment Gains (Losses)							
Gross realized gains	\$ 9.5	\$ 9.4	\$ 7.2	\$ 4.9	\$ 11.9	\$ 31.0	\$ 30.5
Gross realized losses, excluding impairment charges	(9.9)	(8.4)	(4.1)	(1.3)	(13.5)	(23.7)	(21.3)
Change in fair value of equity securities	(13.9)	2.0	(1.2)	(5.2)	—	(18.3)	—
Other-than-temporary impairment losses	(0.1)	(0.1)	(1.2)	(0.1)	(0.1)	(1.5)	(12.6)
Total net investment gains (losses)	\$ (14.4)	\$ 2.9	\$ 0.7	\$ (1.7)	\$ (1.7)	\$ (12.5)	\$ (3.4)

[1] Includes income on short-term bonds.

[2] Yields calculated by annualizing the result of year-to-date net investment income divided by the average period-end and beginning of year invested assets at cost, amortized cost, or adjusted carrying value, as applicable.

HORACE MANN EDUCATORS CORPORATION

COMPOSITION OF INVESTED ASSETS

CONSOLIDATED

<u>For Period Ended</u> (\$ in millions)	December 31, 2018		September 30, 2018		June 30, 2018		March 31, 2018		December 31, 2017		September 30, 2017	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Fixed maturity securities, at fair value [1]	\$ 7,515.3	91.0%	\$ 7,529.1	91.3%	\$ 7,475.5	90.8%	\$ 7,634.7	92.8%	\$ 7,724.1	92.5%	\$ 7,630.6	91.5%
Equity securities, at fair value	111.8	1.4%	133.2	1.6%	130.7	1.6%	131.0	1.6%	135.5	1.6%	159.3	1.9%
Policy loans, at outstanding balance	154.0	1.9%	153.6	1.9%	152.8	1.9%	152.8	1.9%	153.6	1.9%	153.6	1.9%
Limited partnership interests and other investments	347.4	4.2%	351.5	4.3%	297.2	3.6%	284.0	3.4%	276.5	3.3%	282.1	3.4%
Short-term investments	122.2	1.5%	74.6	0.9%	176.6	2.1%	22.2	0.3%	62.6	0.7%	111.5	1.3%
Total investments	\$ 8,250.7	100.0%	\$ 8,242.0	100.0%	\$ 8,232.8	100.0%	\$ 8,224.7	100.0%	\$ 8,352.3	100.0%	\$ 8,337.1	100.0%
Asset-backed securities	\$ 621.9	8.3%	\$ 617.5	8.2%	\$ 649.0	8.7%	\$ 656.4	8.6%	\$ 651.9	8.5%	\$ 647.5	8.5%
Collateralized debt/loan obligations	692.4	9.2%	655.0	8.7%	591.2	7.8%	646.0	8.4%	649.7	8.4%	522.4	6.9%
Commercial mortgage-backed securities	663.7	8.8%	638.6	8.5%	627.4	8.4%	612.7	8.0%	582.0	7.5%	535.1	7.0%
Corporate	2,164.4	28.8%	2,430.5	32.3%	2,493.3	33.4%	2,580.3	33.8%	2,681.7	34.7%	2,921.9	38.3%
Municipal	2,004.0	26.7%	1,883.7	25.0%	1,827.5	24.4%	1,861.3	24.4%	1,893.3	24.5%	1,842.2	24.1%
Residential mortgage-backed securities	535.4	7.1%	521.2	6.9%	504.9	6.8%	516.0	6.8%	530.1	6.9%	490.5	6.4%
U.S. Treasuries and government agencies	833.5	11.1%	782.6	10.4%	782.2	10.5%	762.0	10.0%	735.4	9.5%	671.0	8.8%
Total fixed maturity securities	\$ 7,515.3	100.0%	\$ 7,529.1	100.0%	\$ 7,475.5	100.0%	\$ 7,634.7	100.0%	\$ 7,724.1	100.0%	\$ 7,630.6	100.0%
U.S. government/government agencies	\$ 1,643.1	21.9%	\$ 1,550.9	20.6%	\$ 1,503.1	20.1%	\$ 1,486.7	19.5%	\$ 1,443.8	18.7%	\$ 1,316.4	17.3%
AAA	673.8	9.0%	645.2	8.6%	569.8	7.6%	581.7	7.6%	560.7	7.3%	551.6	7.2%
AA	1,789.1	23.8%	1,683.4	22.4%	1,680.2	22.5%	1,737.3	22.8%	1,770.5	22.9%	1,621.0	21.2%
A	1,614.0	21.5%	1,703.6	22.6%	1,707.1	22.8%	1,712.1	22.4%	1,765.1	22.8%	1,770.5	23.2%
BBB	1,588.1	21.1%	1,701.6	22.6%	1,746.6	23.4%	1,850.3	24.2%	1,907.0	24.7%	2,063.7	27.1%
BB and below, includes securities not rated	207.2	2.7%	244.4	3.2%	268.7	3.6%	266.6	3.5%	277.0	3.6%	307.4	4.0%
Total fixed maturity securities	\$ 7,515.3	100.0%	\$ 7,529.1	100.0%	\$ 7,475.5	100.0%	\$ 7,634.7	100.0%	\$ 7,724.1	100.0%	\$ 7,630.6	100.0%
<u>INVESTMENTS BY SEGMENT</u>												
Property and Casualty	\$ 950.8	11.5%	\$ 1,001.3	12.2%	\$ 996.3	12.1%	\$ 977.5	11.9%	\$ 996.8	11.9%	\$ 939.9	11.3%
Retirement and Life	7,294.5	88.4%	7,229.2	87.7%	7,226.8	87.8%	7,244.6	88.1%	7,348.7	88.0%	7,382.5	88.5%
Corporate [2]	5.4	0.1%	11.5	0.1%	9.7	0.1%	2.6	—%	6.8	0.1%	14.7	0.2%
Total investments	\$ 8,250.7	100.0%	\$ 8,242.0	100.0%	\$ 8,232.8	100.0%	\$ 8,224.7	100.0%	\$ 8,352.3	100.0%	\$ 8,337.1	100.0%

[1] Amortized Cost of \$7,373.9, \$7,419.5, \$7,292.1, \$7,373.5, \$7,302.9, and \$7,194.4, at December 31, 2018, September 30, 2018, June 30, 2018, March 31, 2018, December 31, 2017 and September 30, 2017, respectively.

[2] Corporate segment assets are comprised entirely of short-term investments.

Appendix

HORACE MANN EDUCATORS CORPORATION RECONCILIATIONS OF GAAP MEASURES TO NON-GAAP MEASURES

The following measures are used by the Company's management to evaluate financial performance against historical results and establish targets on a consolidated basis. A number of these measures are components of net income or the balance sheet but, in some cases, are not based on accounting principles generally accepted in the U.S. (non-GAAP) under applicable SEC rules because they are not displayed as separate line items in the Consolidated Statements of Operations or the Consolidated Balance Sheets or are not required to be disclosed in the Notes to the Consolidated Financial Statements or, in some cases, there is inclusion or exclusion of certain items not ordinarily included or excluded in accordance with accounting principles generally accepted in the U.S. (GAAP). Reconciliations of these measures to the most comparable GAAP measures also follow.

In the opinion of the Company's management, a discussion of these measures provides investors, financial analysts, rating agencies and other financial statement users with a better understanding of the significant factors that compromise the Company's periodic results of operations and how management evaluates the Company's financial performance. Internally, the Company's management uses these measures to evaluate performance against historical results, to establish financial targets on a consolidated basis and for other reasons, which are discussed below.

Some of these measures exclude net investment gains (losses), net of tax, and/or net unrealized investment gains on securities, net of tax, which can be significantly impacted by both discretionary and other economic factors and are not necessarily indicative of operating trends. Other measures exclude the effect of the DTL re-measurement that occurred on December 31, 2017.

Other companies may calculate these measures differently, and, therefore, their measures may not be comparable to those used by the Company's management.

HORACE MANN EDUCATORS CORPORATION
RECONCILIATIONS OF GAAP MEASURES TO NON-GAAP MEASURES

<u>For Period Ended</u>	<u>Three Months Ended</u>					<u>Year Ended</u>	
	<u>Dec. 31,</u> <u>2018</u>	<u>Sept. 30,</u> <u>2018</u>	<u>Jun. 30,</u> <u>2018</u>	<u>Mar. 31,</u> <u>2018</u>	<u>Dec. 31,</u> <u>2017</u>	<u>Dec. 31,</u> <u>2018</u>	<u>Dec. 31,</u> <u>2017</u>
<i>(\$ in millions after tax)</i>							
Reconciliation of Net Income to Core Earnings							
Net income	\$ (20.3)	\$ 12.5	\$ 5.9	\$ 20.2	\$ 125.3	\$ 18.3	\$ 169.4
Less: Net investment gains (losses)	(11.6)	2.2	0.6	(1.3)	(0.9)	(10.1)	(1.7)
Re-measurement of DTL	—	—	—	—	99.0	—	99.0
Core earnings (loss)*	<u>\$ (8.7)</u>	<u>\$ 10.3</u>	<u>\$ 5.3</u>	<u>\$ 21.5</u>	<u>\$ 27.2</u>	<u>\$ 28.4</u>	<u>\$ 72.1</u>
Pretax net income	\$ (28.2)	\$ 17.1	\$ 6.8	\$ 23.8	\$ 35.2	\$ 19.5	\$ 88.7
Less: Pretax net investment gains (losses)	(14.4)	2.9	0.7	(1.7)	(1.7)	(12.5)	(3.4)
Pretax core earnings (loss)*	<u>\$ (13.8)</u>	<u>\$ 14.2</u>	<u>\$ 6.1</u>	<u>\$ 25.5</u>	<u>\$ 36.9</u>	<u>\$ 32.0</u>	<u>\$ 92.1</u>
Reconciliation of Net Income per Share to Core Earnings per Share on a Basic and Diluted Basis							
Net income (loss) per share (basic)	\$ (0.49)	\$ 0.30	\$ 0.14	\$ 0.49	\$ 3.03	\$ 0.44	\$ 4.10
Less: Net investment gains (losses)	(0.28)	0.05	0.01	(0.03)	(0.02)	(0.24)	(0.04)
Re-measurement of DTL	—	—	—	—	2.39	—	2.39
Core earnings (loss) per share (basic)*	<u>\$ (0.21)</u>	<u>\$ 0.25</u>	<u>\$ 0.13</u>	<u>\$ 0.52</u>	<u>\$ 0.66</u>	<u>\$ 0.68</u>	<u>\$ 1.75</u>
Net income (loss) per diluted share	\$ (0.49)	\$ 0.30	\$ 0.14	\$ 0.48	\$ 3.00	\$ 0.44	\$ 4.08
Less: Net investment gains (losses)	(0.28)	0.05	0.01	(0.03)	(0.02)	(0.24)	(0.04)
Re-measurement of DTL	—	—	—	—	2.37	—	2.38
Core earnings (loss) per diluted share*	<u>\$ (0.21)</u>	<u>\$ 0.25</u>	<u>\$ 0.13</u>	<u>\$ 0.51</u>	<u>\$ 0.65</u>	<u>\$ 0.68</u>	<u>\$ 1.74</u>

HORACE MANN EDUCATORS CORPORATION

RECONCILIATIONS OF GAAP MEASURES TO NON-GAAP MEASURES

<u>For Period Ended</u> (\$ in millions)	Twelve Months Ended				
	Dec. 31, 2018	Sept. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017
Reconciliation of Return on Equity					
5 Quarter Average Shareholders' Equity					
Shareholders' equity	\$ 1,290.6	\$ 1,304.3	\$ 1,350.4	\$ 1,404.7	\$ 1,501.6
Net unrealized investment gains on securities	96.9	76.0	125.6	178.0	300.1
DTL Re-measurement	—	—	—	—	99.0
5 quarter average shareholders' equity	1,370.3	1,390.3	1,401.8	1,396.1	1,374.0
5 quarter average shareholders' equity excluding re-measurement of DTL	n/a	1,390.3	1,401.8	1,396.1	1,354.2
5 quarter average shareholders' equity excluding net unrealized investment gains on securities and re-measurement of DTL	1,215.0	1,203.2	1,181.3	1,161.0	1,119.5
Net Income Return on Equity					
Numerator: Trailing 12 months net income	\$ 18.3	\$ 163.9	\$ 177.9	\$ 174.3	\$ 169.4
Denominator: 5 quarter average shareholders' equity	1,370.3	1,390.3	1,401.8	1,396.1	1,374.0
Net income ROE	1.3%	11.8%	12.7%	12.5%	12.3%
Net Income Return on Equity excluding net unrealized investment gains on securities and re-measurement of DTL					
Numerator: Trailing 12 months net income	\$ 18.3	\$ 163.9	\$ 177.9	\$ 174.3	\$ 169.4
Less: Re-measurement of DTL	—	99.0	99.0	99.0	99.0
Denominator: 5 quarter average shareholders' equity excluding net unrealized investment gains on securities and re-measurement of DTL	1,215.0	1,203.2	1,181.3	1,161.0	1,119.5
Net Income ROE excluding net unrealized investment gains on securities and re-measurement of DTL	1.5%	5.4%	6.7%	6.5%	6.3%
Core Return on Equity					
Numerator: Trailing 12 months net income	\$ 18.3	\$ 163.9	\$ 177.9	\$ 174.3	\$ 169.4
Less: Net investment gains (losses) after tax	(10.1)	0.6	(3.8)	(2.9)	(1.7)
Re-measurement of DTL	—	99.0	99.0	99.0	99.0
Trailing 12 months core earnings	28.4	64.3	82.7	78.2	72.1
Denominator: 5 quarter average shareholders' equity excluding re-measurement of DTL	1,370.3	1,390.3	1,401.8	1,396.1	1,354.2
Core Return on Equity	2.1%	4.6%	5.9%	5.6%	5.3%
Core Return on Equity excluding net unrealized investment gains on securities and re-measurement of DTL					
Numerator: Trailing 12 months core earnings	\$ 28.4	\$ 64.3	\$ 82.7	\$ 78.2	\$ 72.1
Denominator: 5 quarter average shareholders' equity excluding net unrealized investment gains on securities and re-measurement of DTL	1,215.0	1,203.2	1,181.3	1,161.0	1,119.5
Core ROE excluding net unrealized investment gains on securities and re-measurement of DTL	2.3%	5.3%	7.0%	6.7%	6.4%

HORACE MANN EDUCATORS CORPORATION

RECONCILIATIONS OF GAAP MEASURES TO NON-GAAP MEASURES

<u>For Period Ended</u> (\$ in millions)	Twelve Months Ended				
	Dec. 31, 2018	Sept. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017
Reconciliation of Book Value per Common Share to Book Value per Common Share, Excluding Net Unrealized Investment Gains on Securities					
Book value per common share					
Numerator: Common shareholders' equity	\$ 1,290.6	\$ 1,304.3	\$ 1,350.4	\$ 1,404.7	\$ 1,501.6
Denominator:					
Common shares outstanding	41.0	41.0	41.0	40.9	40.7
Book value per common share	\$ 31.50	\$ 31.78	\$ 32.93	\$ 34.35	\$ 36.88
Book value per common share, excluding net unrealized investment gains on securities*					
Numerator: Common Shareholders' equity	\$ 1,290.6	\$ 1,304.3	\$ 1,350.4	\$ 1,404.7	\$ 1,501.6
Less: Net unrealized investment gains on securities	96.9	76.0	125.6	178.0	300.1
Adjusted common shareholders' equity	1,193.7	1,228.3	1,224.8	1,226.7	1,201.5
Denominator:					
Common Shares outstanding	41.0	41.0	41.0	40.9	40.7
Book value per common share, excluding net unrealized investment gains on securities*	\$ 29.13	\$ 29.93	\$ 29.87	\$ 30.00	\$ 29.51

HORACE MANN EDUCATORS CORPORATION
RECONCILIATIONS OF GAAP MEASURES TO NON-GAAP MEASURES
OPERATING RATIOS - PROPERTY AND CASUALTY

<u>For Period Ended</u>	<u>Three Months Ended</u>					<u>Year Ended</u>	
	<u>Dec. 31,</u> <u>2018</u>	<u>Sept. 30,</u> <u>2018</u>	<u>Jun. 30,</u> <u>2018</u>	<u>Mar. 31,</u> <u>2018</u>	<u>Dec. 31,</u> <u>2017</u>	<u>Dec. 31,</u> <u>2018</u>	<u>Dec. 31,</u> <u>2017</u>
Property and Casualty							
Claims and claims expense ("loss") ratio	85.2	83.0	87.9	72.9	67.0	82.3	76.6
Expense ratio	28.1	27.1	26.8	26.0	27.0	27.0	26.7
Combined ratio	113.3	110.1	114.7	98.9	94.0	109.3	103.3
Loss ratio	85.2	83.0	87.9	72.9	67.0	82.3	76.6
Less: effect of catastrophe losses	25.9	19.1	16.0	5.9	2.2	16.8	9.5
effect of prior years' reserve development	—	—	—	(0.2)	(0.4)	—	(0.4)
Underlying loss ratio*	59.3	63.9	71.9	67.2	65.2	65.5	67.5
Reconciliation of combined ratio to underlying combined ratio							
Combined ratio	113.3	110.1	114.7	98.9	94.0	109.3	103.3
Effect of catastrophe costs	27.0	19.1	16.0	5.9	2.2	17.1	9.5
Effect of prior years' reserve development	—	—	—	(0.2)	(0.4)	—	(0.4)
Underlying combined ratio*	86.3	91.0	98.7	93.2	92.2	92.2	94.2
Auto							
Claims and claims expense ("loss") ratio	75.0	72.1	82.0	76.1	77.5	76.3	79.4
Expense ratio	27.2	27.4	26.9	25.7	27.2	26.8	26.9
Combined ratio	102.2	99.5	108.9	101.8	104.7	103.1	106.3
Loss ratio	75.0	72.1	82.0	76.1	77.5	76.3	79.4
Less: effect of catastrophe losses	2.2	0.7	3.3	0.6	0.2	1.7	2.3
effect of prior years' reserve development	—	—	—	—	(0.3)	—	(0.1)
Underlying loss ratio*	72.8	71.4	78.7	75.5	77.6	74.6	77.2
Reconciliation of combined ratio to underlying combined ratio							
Combined ratio	102.2	99.5	108.9	101.8	104.7	103.1	106.3
Effect of catastrophe costs	2.2	0.7	3.3	0.6	0.2	1.7	2.3
Effect of prior years' reserve development	—	—	—	—	(0.3)	—	(0.1)
Underlying combined ratio*	100.0	98.8	105.6	101.2	104.8	101.4	104.1

HORACE MANN EDUCATORS CORPORATION
RECONCILIATIONS OF GAAP MEASURES TO NON-GAAP MEASURES
OPERATING RATIOS - PROPERTY AND CASUALTY (Cont.)

<u>For Period Ended</u>	<u>Three Months Ended</u>					<u>Year Ended</u>	
	<u>Dec. 31,</u> <u>2018</u>	<u>Sept. 30,</u> <u>2018</u>	<u>Jun. 30,</u> <u>2018</u>	<u>Mar. 31,</u> <u>2018</u>	<u>Dec. 31,</u> <u>2017</u>	<u>Dec. 31,</u> <u>2018</u>	<u>Dec. 31,</u> <u>2017</u>
Property							
Claims and claims expense ("loss") ratio	109.4	106.6	100.4	66.2	45.4	95.4	70.5
Expense Ratio	30.4	26.7	26.7	27.1	26.8	27.7	26.5
Combined Ratio	139.8	133.3	127.1	93.3	72.2	123.1	97.0
Loss ratio	109.4	106.6	100.4	66.2	45.4	95.4	70.5
Less: effect of catastrophe losses	78.7	58.6	43.3	17.2	6.2	49.3	24.5
effect of prior years' reserve development	—	—	—	(0.6)	(0.6)	(0.1)	(1.2)
Underlying loss ratio*	30.7	48.0	57.1	49.6	39.8	46.2	47.2
Reconciliation of combined ratio to underlying combined ratio							
Combined ratio	139.8	133.3	127.1	93.3	72.2	123.1	97.0
Effect of catastrophe costs	82.4	58.6	43.3	17.2	6.2	50.2	24.5
Effect of prior years' reserve development	—	—	—	(0.6)	(0.6)	(0.1)	(1.2)
Underlying combined ratio*	57.4	74.7	83.8	76.7	66.6	73.0	73.7

HORACE MANN EDUCATORS CORPORATION
RECONCILIATIONS OF GAAP MEASURES TO NON-GAAP MEASURES
IMPACT OF ONE-TIME TAX BENEFIT FROM TAX CUTS AND JOBS ACT OF 2017

<u>For Period Ended</u> (\$ in millions)	Three Months Ended					Year Ended	
	Dec. 31, 2018	Sept. 30, 2018	Jun. 30, 2018	Mar. 31, 2018	Dec. 31, 2017	Dec. 31, 2018	Dec. 31, 2017
Property and Casualty							
Income (loss) before income taxes	\$ (13.7)	\$ (4.7)	\$ (13.7)	\$ 11.2	\$ 19.4	\$ (20.9)	\$ 14.5
Tax on operations	(3.8)	(1.5)	(2.8)	1.5	4.4	(6.6)	(2.7)
Segment core earnings (loss)*	(9.9)	(3.2)	(10.9)	9.7	15.0	(14.3)	17.2
DTL re-measurement	—	—	—	—	0.6	—	0.6
Net income (loss)	\$ (9.9)	\$ (3.2)	\$ (10.9)	\$ 9.7	\$ 15.6	\$ (14.3)	\$ 17.8
Retirement							
Income before income taxes	\$ 3.7	\$ 16.8	\$ 17.2	\$ 14.0	\$ 17.7	\$ 51.7	\$ 69.0
Tax on operations	(0.4)	4.7	3.1	2.6	5.7	10.0	20.1
Segment core earnings*	4.1	12.1	14.1	11.4	12.0	41.7	48.9
DTL re-measurement	—	—	—	—	39.5	—	39.5
Net income	\$ 4.1	\$ 12.1	\$ 14.1	\$ 11.4	\$ 51.5	\$ 41.7	\$ 88.4
Life							
Income before income taxes	\$ 4.7	\$ 7.0	\$ 7.3	\$ 4.7	\$ 4.2	\$ 23.7	\$ 25.7
Tax on operations	0.9	1.7	1.4	0.9	1.2	4.9	8.4
Segment core earnings*	3.8	5.3	5.9	3.8	3.0	18.8	17.3
DTL re-measurement	—	—	—	—	60.3	—	60.3
Net income	\$ 3.8	\$ 5.3	\$ 5.9	\$ 3.8	\$ 63.3	\$ 18.8	\$ 77.6
Corporate and other							
Loss before income taxes	\$ (8.5)	\$ (4.9)	\$ (4.7)	\$ (4.4)	\$ (4.4)	\$ (22.5)	\$ (17.1)
Tax on operations	(1.8)	(1.0)	(0.9)	(1.0)	(1.6)	(4.7)	(5.8)
Segment core earnings (loss)*	(6.7)	(3.9)	(3.8)	(3.4)	(2.8)	(17.8)	(11.3)
Net investment gains (losses) after tax	(11.6)	2.2	0.6	(1.3)	(0.9)	(10.1)	(1.7)
DTL re-measurement	—	—	—	—	(1.4)	—	(1.4)
Net loss	\$ (18.3)	\$ (1.7)	\$ (3.2)	\$ (4.7)	\$ (5.1)	\$ (27.9)	\$ (14.4)
Consolidated							
Income (loss) before income taxes	\$ (13.8)	\$ 14.2	\$ 6.1	\$ 25.5	\$ 36.9	\$ 32.0	\$ 92.1
Tax on operations	(5.1)	3.9	0.8	4.0	9.7	3.6	20.0
Core earnings (loss)*	(8.7)	10.3	5.3	21.5	27.2	28.4	72.1
Net investment gains (losses) after tax	(11.6)	2.2	0.6	(1.3)	(0.9)	(10.1)	(1.7)
DTL re-measurement	—	—	—	—	99.0	—	99.0
Net income (loss)	\$ (20.3)	\$ 12.5	\$ 5.9	\$ 20.2	\$ 125.3	\$ 18.3	\$ 169.4

HORACE MANN EDUCATORS CORPORATION

RATINGS AND CONTACT INFORMATION

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As of December 31, 2018

	A.M. Best	Standard & Poor's	Moody's	Fitch
Financial Strength Ratings:				
Horace Mann Life Insurance Company	A	A	A2	A
Horace Mann Property & Casualty Insurance Company	A	A	A2	A
Horace Mann Insurance Company	A	A	A2	A
Teachers Insurance Company	A	A	A2	A
Horace Mann Lloyds	A	NR	NR	A
Other Ratings:				
Horace Mann Educators Corporation:				
Senior debt	bbb	BBB	Baa2	BBB

NR - not rated

TRANSFER AGENT

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Brooklyn, NY 11219

Phone: 800-937-5449

E-mail: info@amstock.com

Corporate Website: www.amstock.com/shareholder/sh_general_info.asp

COMMON STOCK

Common stock of Horace Mann Educators Corporation is traded on the New York Stock Exchange under the symbol "HMN".

This report is for information purposes only. It should be read in conjunction with documents filed by Horace Mann Educators Corporation with the U.S. Securities and Exchange Commission, including the most recent Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K.