

Fourth Quarter 2019 Investor Supplement

December 31, 2019



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 ("non-GAAP") and are marked with an asterisk (*) within this document. 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 SEC filings), and additional descriptions of 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)

	Three Months Ended					Year Ended	
	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Insurance premiums and contract charges earned	\$ 240.4	\$ 239.7	\$ 208.1	\$ 209.8	\$ 201.9	\$ 898.0	\$ 817.3
Net investment income	85.8	93.0	93.5	92.8	88.4	365.1	376.5
Net investment gains (losses)	1.7	(2.1)	146.3	7.4	(14.4)	153.3	(12.5)
Other income	3.5	3.8	3.6	3.2	2.6	14.1	10.3
Total revenues	\$ 331.4	\$ 334.4	\$ 451.5	\$ 313.2	\$ 278.5	\$ 1,430.5	\$ 1,191.6
Net income (loss)	\$ 33.0	\$ 25.4	\$ 93.8	\$ 32.2	\$ (20.3)	\$ 184.4	\$ 18.3
Core earnings (loss)*	31.7	27.0	7.1	26.4	(8.7)	92.2	28.4

At Period End

Total assets	\$ 12,478.7	\$ 12,332.5	\$ 11,779.4	\$ 11,561.1	\$ 11,031.9	\$ 12,478.7	\$ 11,031.9
Total policy liabilities	6,956.5	6,905.4	6,445.3	6,408.7	6,384.1	6,956.5	6,384.1
Debt	433.0	433.0	297.9	297.8	297.7	433.0	297.7
Shareholders' equity	1,567.3	1,578.6	1,499.7	1,423.7	1,290.6	1,567.3	1,290.6

Per Share and Shares Data (in millions)

Net income (loss) per share (basic)	\$ 0.79	\$ 0.61	\$ 2.25	\$ 0.77	\$ (0.49)	\$ 4.42	\$ 0.44
Core earnings (loss) per share (basic)*	0.76	0.65	0.17	0.63	(0.21)	2.21	0.68
Net income (loss) per diluted share	0.78	0.60	2.24	0.77	(0.49)	4.40	0.44
Core earnings (loss) per diluted share*	0.75	0.64	0.17	0.63	(0.21)	2.20	0.68
Weighted average common shares (basic)	41.8	41.8	41.8	41.6	41.6	41.7	41.6
Dilutive effect of stock equivalents	0.3	0.2	0.1	0.2	0.3	0.2	0.3
Weighted average diluted shares	42.1	42.0	41.9	41.8	41.9	41.9	41.9
Book value per share	\$ 38.01	\$ 38.30	\$ 36.41	\$ 34.60	\$ 31.50	\$ 38.01	\$ 31.50
Per share impact of net unrealized investment gains on fixed maturity securities	5.59	6.46	4.93	5.13	2.37	5.59	2.37
Book value per share excluding net unrealized investment gains on fixed maturity securities*	\$ 32.42	\$ 31.84	\$ 31.48	\$ 29.47	\$ 29.13	\$ 32.42	\$ 29.13
Dividends paid per share	\$ 0.2875	\$ 0.2875	\$ 0.2875	\$ 0.2875	\$ 0.285	\$ 1.15	\$ 1.14

Financial Ratios

Net Income ROE - LTM ⁽¹⁾	12.5%	9.2%	8.6%	2.2%	1.3 %	12.5%	1.3%
Net Income ROE - Annualized	8.4%	6.6%	25.7%	9.5%	(6.3)%	12.9%	1.3%
Core ROE - LTM*	7.3%	4.1%	2.9%	2.7%	2.3 %	7.3%	2.3%
Core ROE - Annualized*	9.6%	8.3%	2.3%	8.8%	(2.9)%	7.3%	2.4%
Debt to total capitalization excluding net unrealized investment gains on fixed maturity securities*	24.5%	24.8%	18.7%	19.7%	20.0 %	24.5%	20.0%
Investment yield, after tax - Annualized	3.41%	3.85%	4.11%	4.01%	4.00 %	3.83%	4.08%

⁽¹⁾ LTM = Last twelve months

HORACE MANN EDUCATORS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

<u>For Period Ended</u> (\$ in millions)	Three Months Ended					Year Ended	
	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Revenues							
Insurance premiums and contract charges earned	\$ 240.4	\$ 239.7	\$ 208.1	\$ 209.8	\$ 201.9	\$ 898.0	\$ 817.3
Net investment income	85.8	93.0	93.5	92.8	88.4	365.1	376.5
Net investment gains (losses)	1.7	(2.1)	146.3	7.4	(14.4)	153.3	(12.5)
Other income	3.5	3.8	3.6	3.2	2.6	14.1	10.3
Total revenues	331.4	334.4	451.5	313.2	278.5	1,430.5	1,191.6
Benefits, losses and expenses							
Benefits, claims and settlement expenses	138.8	154.2	152.7	139.4	163.9	585.1	637.6
Interest credited	52.7	53.6	53.6	52.9	53.0	212.8	206.2
Operating expenses	65.0	61.4	54.2	54.0	56.0	234.6	205.4
DAC amortization expense, excluding DAC unlocking	26.6	26.3	26.1	27.0	26.6	106.0	105.7
DAC unlocking	(0.3)	—	5.5	(2.0)	3.9	3.2	4.2
Intangible asset amortization expense	3.9	3.8	1.1	—	—	8.8	—
Interest expense	4.4	4.6	3.3	3.3	3.3	15.6	13.0
Other expense - goodwill impairment	—	—	28.0	—	—	28.0	—
Total benefits, losses and expenses	291.1	303.9	324.5	274.6	306.7	1,194.1	1,172.1
Income (loss) before income taxes	40.3	30.5	127.0	38.6	(28.2)	236.4	19.5
Income tax expense (benefit)	7.3	5.1	33.2	6.4	(7.9)	52.0	1.2
Net income (loss)	\$ 33.0	\$ 25.4	\$ 93.8	\$ 32.2	\$ (20.3)	\$ 184.4	\$ 18.3
Other Statistics							
Effective tax rate on net investment income	20.3%	20.3%	20.1%	20.3%	20.1%	20.3%	20.2%
Net investment income, after tax	\$ 68.3	\$ 74.1	\$ 74.5	\$ 74.0	\$ 70.6	\$ 290.9	\$ 300.3
Catastrophe costs, net of reinsurance, pretax	4.4	14.7	22.1	10.8	45.3	52.0	114.1
Catastrophe costs, net of reinsurance, after tax	3.5	11.6	17.5	8.5	35.8	41.1	90.1
Other-than-temporary impairment losses on securities ⁽¹⁾	(1.1)	—	(0.1)	(0.2)	(0.1)	(1.4)	(1.5)
⁽¹⁾ Included in pretax net investment gains (losses).							

HORACE MANN EDUCATORS CORPORATION

CONSOLIDATED BALANCE SHEETS

(\$ in millions, except per share data)

	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sept. 30, 2018
ASSETS						
Investments						
Fixed maturity securities, available for sale, at fair value	\$ 5,791.7	\$ 5,839.5	\$ 5,534.3	\$ 7,798.0	\$ 7,515.3	\$ 7,529.1
Equity securities, at fair value	101.9	105.5	100.1	105.5	111.8	133.2
Limited partnership interests	383.7	354.6	351.5	330.4	328.5	326.9
Short-term and other investments	361.9	433.4	433.7	323.9	295.1	252.8
Total investments	6,639.2	6,733.0	6,419.6	8,557.8	8,250.7	8,242.0
Cash	25.5	39.4	7.6	7.3	11.9	6.4
Deferred policy acquisition costs	276.7	269.2	279.0	275.4	298.7	305.4
Deposit asset on reinsurance	2,346.2	2,342.3	2,315.3	—	—	—
Intangible assets	177.2	181.1	15.1	15.6	—	—
Goodwill	49.1	48.7	29.5	57.5	47.4	47.4
Other assets	474.3	410.7	402.4	423.4	422.1	387.1
Separate account assets	2,490.5	2,308.1	2,310.9	2,224.1	2,001.1	2,292.5
Total assets	\$ 12,478.7	\$ 12,332.5	\$ 11,779.4	\$ 11,561.1	\$ 11,031.9	\$ 11,280.8
LIABILITIES AND SHAREHOLDERS' EQUITY						
Policy liabilities						
Investment contract and life policy reserves	\$ 6,234.4	\$ 6,207.9	\$ 5,776.8	\$ 5,748.1	\$ 5,711.2	\$ 5,690.7
Unpaid claims and claim expenses	442.9	412.3	398.3	393.6	396.7	384.6
Unearned premiums	279.2	285.2	270.2	267.0	276.2	274.1
Total policy liabilities	6,956.5	6,905.4	6,445.3	6,408.7	6,384.1	6,349.4
Other policyholder funds	647.3	672.8	821.9	821.8	768.0	722.4
Other liabilities	384.1	434.6	403.7	385.0	290.4	314.5
Short-term debt	135.0	135.0	—	—	—	—
Long-term debt	298.0	298.0	297.9	297.8	297.7	297.7
Separate account liabilities	2,490.5	2,308.1	2,310.9	2,224.1	2,001.1	2,292.5
Total liabilities	10,911.4	10,753.9	10,279.7	10,137.4	9,741.3	9,976.5
Common stock, \$0.001 par value	0.1	0.1	0.1	0.1	0.1	0.1
Additional paid-in capital	481.0	478.6	476.3	474.3	475.1	473.6
Retained earnings	1,352.5	1,331.6	1,318.3	1,236.6	1,216.6	1,248.8
Accumulated other comprehensive income, net of taxes:						
Net unrealized investment gains on fixed maturity securities	230.4	266.4	203.1	210.8	96.9	76.0
Net funded status of benefit plans	(10.8)	(12.2)	(12.2)	(12.2)	(12.2)	(13.2)
Treasury stock, at cost	(485.9)	(485.9)	(485.9)	(485.9)	(485.9)	(481.0)
Total shareholders' equity	1,567.3	1,578.6	1,499.7	1,423.7	1,290.6	1,304.3
Total liabilities and shareholders' equity	\$ 12,478.7	\$ 12,332.5	\$ 11,779.4	\$ 11,561.1	\$ 11,031.9	\$ 11,280.8

HORACE MANN EDUCATORS CORPORATION

CAPITAL METRICS

For Period Ended

(\$ in millions, except per share data)

	Three Months Ended					Year Ended	
	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
<u>Debt and Total Capitalization</u>							
Short term debt due under revolving credit agreement ⁽¹⁾	\$ 135.0	\$ 135.0	\$ —	\$ —	\$ —	\$ 135.0	\$ —
Senior Debt:							
4.50% Senior notes due December 1, 2025	248.0	248.0	247.9	247.8	247.7	248.0	247.7
FHLB Borrowing	50.0	50.0	50.0	50.0	50.0	50.0	50.0
Total debt	433.0	433.0	297.9	297.8	297.7	433.0	297.7
Shareholders' equity	1,567.3	1,578.6	1,499.7	1,423.7	1,290.6	1,567.3	1,290.6
Total capitalization	\$ 2,000.3	\$ 2,011.6	\$ 1,797.6	\$ 1,721.5	\$ 1,588.3	\$ 2,000.3	\$ 1,588.3
Debt to shareholders' equity	27.6%	27.4%	19.9%	20.9%	23.1%	27.6%	23.1%
Debt to total capitalization	21.6%	21.5%	16.6%	17.3%	18.7%	21.6%	18.7%
Debt to total capitalization excluding net unrealized investment gains (losses) on fixed maturity securities	24.5%	24.8%	18.7%	19.7%	20.0%	24.5%	20.0%

Capital Returned to Shareholders

Common stock repurchased ⁽²⁾	\$ —	\$ —	\$ —	\$ —	\$ 5.0	\$ —	\$ 5.0
Cash dividends paid	11.8	11.9	11.8	11.8	11.7	47.3	46.7
Total capital returned to shareholders	\$ 11.8	\$ 11.9	\$ 11.8	\$ 11.8	\$ 16.7	\$ 47.3	\$ 51.7

⁽¹⁾ Amount available for borrowing is \$90.0 million; At LIBOR +115 bps; Expires on June 21, 2024.

⁽²⁾ As of December 31, 2019, 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

(\$ in millions)

	Three Months Ended					Year Ended	
	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
UNDERWRITING RESULTS							
Written premiums*							
Automobile	\$ 111.5	\$ 118.8	\$ 114.6	\$ 116.8	\$ 119.9	\$ 461.7	\$ 469.9
Property and other	53.1	63.7	59.7	44.9	46.5	221.4	211.6
Total written premiums	164.6	182.5	174.3	161.7	166.4	683.1	681.5
Earned premiums							
Automobile	\$ 114.4	\$ 115.7	\$ 117.1	\$ 116.9	\$ 115.7	\$ 464.1	\$ 457.5
Property and other	56.5	54.8	54.2	53.9	48.6	219.4	208.2
Total earned premiums	170.9	170.5	171.3	170.8	164.3	683.5	665.7
Losses and loss adjustment expenses							
Current accident year before catastrophes	103.0	107.8	112.3	108.0	101.5	431.1	440.7
Current accident year catastrophes	4.4	14.7	22.1	10.8	38.5	52.0	107.3
Prior years' reserve development ⁽¹⁾	—	(3.5)	(2.0)	(2.0)	—	(7.5)	(0.3)
Total losses and loss adjustment expenses	107.4	119.0	132.4	116.8	140.0	475.6	547.7
Operating expenses, including DAC amortization expense	46.7	45.0	45.4	46.5	46.1	183.6	179.8
Underwriting gain (loss)	16.8	6.5	(6.5)	7.5	(21.8)	24.3	(61.8)
Net investment income	8.1	10.7	12.7	10.2	7.9	41.7	40.1
Other income (expense)	0.3	0.5	0.8	0.4	0.5	2.0	1.9
Interest expense	0.3	0.3	0.4	0.3	0.3	1.3	1.1
Income (loss) before income taxes	24.9	17.4	6.6	17.8	(13.7)	66.7	(20.9)
Income tax expense (benefit)	4.9	3.2	1.5	2.8	(3.8)	12.4	(6.6)
Net income (loss) ⁽²⁾	\$ 20.0	\$ 14.2	\$ 5.1	\$ 15.0	\$ (9.9)	\$ 54.3	\$ (14.3)

⁽¹⁾ (Favorable) unfavorable.

⁽²⁾ Net investment gains (losses) are not allocated by segment.

HORACE MANN EDUCATORS CORPORATION

PROPERTY and CASUALTY SEGMENT

UNDERWRITING RESULTS AND INFORMATIONAL DATA

For Period Ended

	Three Months Ended					Year Ended	
	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
UNDERWRITING RATIOS (%)							
Losses and loss adjustment expenses							
Current accident year before catastrophes and PYD	60.3	63.3	65.6	63.3	58.2	63.1	65.2
Current accident year catastrophes	2.6	8.6	12.9	6.2	27.0	7.6	17.1
Prior years' reserve development ⁽¹⁾	—	(2.1)	(1.2)	(1.2)	—	(1.1)	—
Total losses and loss adjustment expenses	62.9	69.8	77.3	68.3	85.2	69.6	82.3
Expense Ratio	27.4	26.4	26.5	27.2	28.1	26.9	27.0
Combined ratio	90.3	96.2	103.8	95.5	113.3	96.5	109.3
Combined ratio before catastrophes	87.7	87.6	90.9	89.3	86.3	88.9	92.2
Combined ratio before catastrophes and prior years' reserve development*	87.7	89.7	92.1	90.5	86.3	90.0	92.2
PRODUCT (%)							
Automobile							
Loss and loss adjustment expense ratio	72.0	65.8	73.8	70.8	75.0	70.6	76.3
Expense ratio	27.7	26.6	26.6	27.2	27.2	27.0	26.8
Combined ratio	99.7	92.4	100.4	98.0	102.2	97.6	103.1
Prior years' reserve development ⁽¹⁾	0.0	(3.0)	(0.9)	(0.9)	0.0	(1.2)	0.0
Catastrophes	0.1	2.1	1.9	0.8	2.2	1.2	1.7
Combined ratio before catastrophes and prior years' reserve development*	99.6	93.3	99.4	98.1	100.0	97.6	101.4
Property							
Loss and loss adjustment expense ratio	44.5	78.2	84.8	62.9	109.4	67.4	95.4
Expense ratio	27.0	26.1	26.6	27.6	30.4	26.8	27.7
Combined ratio	71.5	104.3	111.4	90.5	139.8	94.2	123.1
Prior years' reserve development ⁽¹⁾	0.0	0.0	(1.8)	(1.9)	0.0	(0.9)	(0.1)
Catastrophes	7.4	22.6	36.8	18.3	82.4	21.1	50.2
Combined ratio before catastrophes and prior years' development*	64.1	81.7	76.4	74.1	57.4	74.0	73.0
INFORMATIONAL DATA							
Policy Count Retention - LTM							
Automobile	81.1%	80.9%	81.3%	81.5%	81.9%	81.1%	81.9%
Property	87.1%	87.3%	87.7%	87.8%	88.0%	87.1%	88.0%
Sales (LTM annualized premium, in millions) ⁽²⁾							
Automobile	\$ 17.6	\$ 20.1	\$ 18.9	\$ 19.4	\$ 20.4	\$ 76.0	\$ 88.1
Property	4.6	5.3	4.7	3.8	4.9	18.4	19.3
Total sales	\$ 22.2	\$ 25.4	\$ 23.6	\$ 23.2	\$ 25.3	\$ 94.4	\$ 107.4
Policies in force (in thousands)							
Automobile ⁽³⁾	433	441	448	454	463	433	463
Property	194	196	198	200	201	194	201
Total policies in force	627	637	646	654	664	627	664

⁽¹⁾ (Favorable) unfavorable.

⁽²⁾ HM products.

⁽³⁾ Includes assumed policies in force of 4.

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

<u>For Period Ended</u>	<u>Three Months Ended</u>		<u>Year Ended</u>
<i>(\$ in millions)</i>	<u>Dec. 31,</u>	<u>Sept. 30,</u>	<u>Dec. 31,</u>
	<u>2019</u>	<u>2019</u>	<u>2019</u>
Revenues			
Premiums and contract charges earned	\$ 32.9	\$ 32.9	\$ 65.8
Net investment income	3.8	3.7	7.5
Other income	0.8	0.6	1.4
Total revenues	37.5	37.2	74.7
Benefits and Expenses			
Benefits	10.6	11.1	21.7
Change in reserves	(0.6)	3.6	3.0
Operating expenses (includes DAC unlocking and amortization expense)	9.9	10.5	20.4
Intangible asset amortization expense	3.4	3.2	6.6
Total benefits and expenses	23.3	28.4	51.7
Income before income taxes	14.2	8.8	23.0
Income tax expense	3.1	1.9	5.0
Net income ⁽¹⁾	\$ 11.1	\$ 6.9	\$ 18.0
INFORMATIONAL DATA			
Total Sales	\$ 4.6	\$ 3.6	\$ 8.2
Benefits ratio ⁽²⁾	30.4%	44.7%	37.5%
Operating expense ratio ⁽³⁾	26.4%	28.2%	27.3%
Pretax profit margin ⁽⁴⁾	37.9%	23.7%	30.8%
Premium persistency (rolling 12 months)	89.3%	88.9%	89.3%
Policies in force (in thousands)	297	297	297
⁽¹⁾ Net investment gains (losses) are not allocated by segment.			
⁽²⁾ Ratio of benefits plus change in reserves to earned premium.			
⁽³⁾ Ratio of operating expenses to total revenues.			
⁽⁴⁾ Ratio of income before taxes to total revenues.			

HORACE MANN EDUCATORS CORPORATION

RETIREMENT SEGMENT

STATEMENTS OF OPERATIONS AND INFORMATIONAL DATA

For Period Ended

(\$ in millions)

	Three Months Ended					Year Ended	
	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Annuity contract deposits*	\$ 117.9	\$ 128.3	\$ 109.0	\$ 107.3	\$ 113.1	\$ 462.5	\$ 439.1
Revenues							
Contract charges earned	\$ 7.0	\$ 6.6	\$ 6.9	\$ 8.6	\$ 7.3	\$ 29.1	\$ 31.2
Net investment income	33.5	37.0	39.5	64.7	62.9	174.7	262.6
Investment income - Deposit asset on reinsurance	23.8	23.8	23.2	—	—	70.8	—
Other income	1.8	2.3	2.4	2.4	1.7	8.9	7.0
Total revenues	66.1	69.7	72.0	75.7	71.9	283.5	300.8
Benefits and Expenses							
Interest credited	16.4	17.5	18.0	41.7	41.7	93.6	161.1
Interest credited - Reinsured block	25.0	24.9	24.3	—	—	74.2	—
Mortality loss and other reserve changes	2.6	0.9	1.2	0.6	2.8	5.3	7.6
Operating expenses	15.8	14.5	14.3	15.9	15.0	60.5	57.3
DAC amortization expense, excluding DAC unlocking	4.5	4.3	4.3	4.9	4.9	18.0	19.2
DAC unlocking	(0.1)	—	5.6	(2.0)	3.8	3.5	3.9
Intangible asset amortization expense	0.5	0.6	1.1	—	—	2.2	—
Other expense - goodwill impairment	—	—	28.0	—	—	28.0	—
Total benefits and expenses	64.7	62.7	96.8	61.1	68.2	285.3	249.1
Income before income taxes	1.4	7.0	(24.8)	14.6	3.7	(1.8)	51.7
Income tax expense (benefit)	(0.7)	1.1	0.2	2.4	(0.4)	3.0	10.0
Net income ⁽¹⁾	\$ 2.1	\$ 5.9	\$ (25.0)	\$ 12.2	\$ 4.1	\$ (4.8)	\$ 41.7
Core earnings	2.1	5.9	3.0	12.2	4.1	23.2	41.7
Less: DAC unlocking, after tax	—	—	(4.4)	1.6	(3.0)	(2.8)	(0.1)
Core earnings excluding DAC unlocking	\$ 2.1	\$ 5.9	\$ 7.4	\$ 10.6	\$ 7.1	\$ 26.0	\$ 41.8
Fixed annuity interest spread - Annualized ⁽²⁾	203	224	233	142	135	194	171
Variable annuity fee margin - Annualized ⁽²⁾	149	149	149	152	147	142	157
INFORMATIONAL DATA							
Assets under administration (AUA)							
Annuity assets under management ⁽³⁾	\$ 4,379.6	\$ 4,215.9	\$ 4,170.3	\$ 6,972.7	\$ 6,713.3	\$ 4,379.6	\$ 6,713.3
Brokerage and advisory assets under administration ⁽⁴⁾	2,391.8	2,259.4	2,236.0	2,191.9	330.3	2,391.8	330.3
Recordkeeping assets under administration ⁽⁴⁾	1,499.2	1,422.4	1,395.1	1,363.8	—	1,499.2	—
Total AUA	\$ 8,270.6	\$ 7,897.7	\$ 7,801.4	\$ 10,528.4	\$ 7,043.6	\$ 8,270.6	\$ 7,043.6
Persistency - LTM							
Fixed annuities	94.0%	93.9%	93.9%	94.1%	94.0%	94.0%	94.0%
Variable annuities	94.7%	94.7%	94.3%	94.3%	94.4%	94.7%	94.4%
Annuity Contracts in force (in thousands)	229	227	227	226	226	229	226

⁽¹⁾ Net investment gains (losses) are not allocated by segment.

⁽²⁾ Effective June 30, 2019, excludes the impact of the reinsured block.

⁽³⁾ Amount reported as of December 31, 2019 excludes \$707.8 of assets under management held under modified coinsurance reinsurance.

⁽⁴⁾ 2019 includes the results of BCG that was acquired on January 2, 2019.

HORACE MANN EDUCATORS CORPORATION

RETIREMENT SEGMENT

ACCOUNT VALUE ROLLFORWARD

For Period Ended

(\$ in millions)

	Three Months Ended					
	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Sept. 30, 2018
FIXED ACCOUNT ANNUITIES ⁽¹⁾						
Beginning balance	\$ 2,126.6	\$ 2,111.4	\$ 4,319.6	\$ 4,300.3	\$ 4,301.4	\$ 4,266.7
Reinsurance transfer ⁽⁴⁾	(6.1)	(28.4)	(2,215.7)	—	—	—
Deposits	41.0	54.3	42.0	43.7	44.5	59.3
Withdrawals	(89.7)	(66.1)	(81.1)	(78.1)	(92.2)	(73.2)
Net transfers	14.0	18.5	10.9	18.8	10.6	13.2
Interest credited	41.5	42.3	42.3	41.7	41.7	40.8
Other	(1.4)	(5.4)	(6.6)	(6.8)	(5.7)	(5.4)
Ending balance	\$ 2,125.9	\$ 2,126.6	\$ 2,111.4	\$ 4,319.6	\$ 4,300.3	\$ 4,301.4
FIXED INDEXED ACCOUNT ANNUITIES ⁽²⁾						
Beginning balance	\$ 454.3	\$ 439.6	\$ 429.0	\$ 411.9	\$ 403.8	\$ 389.2
Deposits	17.1	19.4	12.9	14.9	14.1	13.8
Withdrawals	(6.6)	(9.5)	(4.8)	(4.1)	(3.6)	(3.8)
Net transfers	(0.6)	(0.6)	(0.4)	(0.7)	(0.6)	(0.8)
Index credits	3.1	0.4	2.0	0.9	1.5	5.7
Other	3.8	5.0	0.9	6.1	(3.3)	(0.3)
Ending balance	\$ 471.1	\$ 454.3	\$ 439.6	\$ 429.0	\$ 411.9	\$ 403.8
VARIABLE ACCOUNT ANNUITIES ⁽³⁾						
Beginning balance	\$ 2,308.1	\$ 2,310.9	\$ 2,224.1	\$ 2,001.1	\$ 2,292.5	\$ 2,195.9
Deposits	59.8	54.6	54.1	48.8	54.5	53.8
Withdrawals	(35.4)	(28.8)	(30.9)	(31.1)	(33.2)	(34.4)
Net transfers	(13.4)	(17.9)	(10.5)	(18.1)	(10.0)	(12.5)
Fees and charges	(9.6)	(9.1)	(9.0)	(8.4)	(8.6)	(8.9)
Market appreciation	181.0	(1.6)	83.1	231.8	(294.1)	98.6
Other	—	—	—	—	—	—
Ending balance	\$ 2,490.5	\$ 2,308.1	\$ 2,310.9	\$ 2,224.1	\$ 2,001.1	\$ 2,292.5
Held under modified coinsurance agreement	707.8	673.1	691.6	—	—	—
Ending balance net of reinsurance	\$ 1,782.7	\$ 1,635.0	\$ 1,619.3	\$ 2,224.1	\$ 2,001.1	\$ 2,292.5

⁽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.

⁽⁴⁾ Represents account balances transferred to reinsurer on April 1, 2019.

HORACE MANN EDUCATORS CORPORATION

LIFE SEGMENT

STATEMENTS OF OPERATIONS AND INFORMATIONAL DATA

For Period Ended (\$ in millions)	Three Months Ended					Year Ended	
	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Premiums and contract deposits*	\$ 30.7	\$ 27.7	\$ 28.4	\$ 26.4	\$ 31.7	\$ 113.2	\$ 114.4
Revenues							
Premiums and contract charges earned	\$ 29.6	\$ 29.7	\$ 29.9	\$ 30.4	\$ 30.3	\$ 119.6	\$ 120.4
Net investment income	17.2	18.4	18.3	18.1	17.8	72.0	74.4
Other income	0.2	—	0.1	0.1	0.1	0.4	0.3
Total revenues	47.0	48.1	48.3	48.6	48.2	192.0	195.1
Benefits and Expenses							
Death benefits / mortality cost ⁽¹⁾	7.1	8.4	7.5	10.5	9.2	33.5	35.1
Interest credited	11.3	11.2	11.3	11.2	11.3	45.0	45.1
Change in reserves	11.7	11.2	11.6	11.5	11.9	46.0	47.2
Operating expenses	10.4	8.9	9.2	9.4	9.2	37.9	36.4
DAC amortization expense, excluding unlocking	2.0	2.0	2.1	2.0	1.8	8.1	7.3
DAC unlocking	(0.2)	—	(0.1)	—	0.1	(0.3)	0.3
Total benefits and expenses	42.3	41.7	41.6	44.6	43.5	170.2	171.4
Income before income taxes	4.7	6.4	6.7	4.0	4.7	21.8	23.7
Income tax expense	0.7	1.3	1.5	0.7	0.9	4.2	4.9
Net income ⁽²⁾	\$ 4.0	\$ 5.1	\$ 5.2	\$ 3.3	\$ 3.8	\$ 17.6	\$ 18.8
Less: DAC unlocking, after tax	0.1	—	0.1	—	—	0.2	(0.2)
Net income excluding DAC unlocking	\$ 3.9	\$ 5.1	\$ 5.1	\$ 3.3	\$ 3.8	\$ 17.4	\$ 19.0
Earnings margin (before tax)							
Return on premium - LTM	18.0%	18.1%	18.6%	19.1%	20.0%	18.0%	20.0%
INFORMATIONAL DATA							
Lapse ratio - LTM ⁽³⁾	4.6%	4.5%	4.5%	4.6%	4.6%	4.6%	4.6%
Sales (LTM, \$ in millions) ⁽⁴⁾							
Recurring	\$ 2.3	\$ 2.6	\$ 2.4	\$ 1.9	\$ 3.0	\$ 9.2	\$ 9.7
Single premium	1.9	1.8	2.6	2.4	3.1	8.7	11.5
Total sales	\$ 4.2	\$ 4.4	\$ 5.0	\$ 4.3	\$ 6.1	\$ 17.9	\$ 21.2
Insurance in force (\$ in millions)	\$ 19,180	\$ 18,937	\$ 18,598	\$ 18,409	\$ 18,278	\$ 19,180	\$ 18,278
Policies in force (in thousands)	201	202	199	198	199	201	199
⁽¹⁾ Ordinary life insurance.							
⁽²⁾ Net investment gains (losses) are not allocated by segment.							
⁽³⁾ Based on ordinary life insurance in force.							
⁽⁴⁾ HM products.							

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

<u>For Period Ended</u> <i>(\$ in millions)</i>	Three Months Ended					Year Ended	
	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Revenues							
Net investment income	\$ (0.6)	\$ (0.6)	\$ (0.2)	\$ (0.2)	\$ (0.2)	\$ (1.6)	\$ (0.6)
Other income	0.4	0.4	0.3	0.3	0.3	1.4	1.1
Total revenues	(0.2)	(0.2)	0.1	0.1	0.1	(0.2)	0.5
Expenses							
Interest expense	4.1	4.3	2.9	3.0	3.0	14.3	11.9
Debt retirement costs	—	—	—	—	—	—	—
Other operating expenses	2.3	2.5	5.0	2.3	5.6	12.1	11.1
Total expenses	6.4	6.8	7.9	5.3	8.6	26.4	23.0
Loss before income taxes	(6.6)	(7.0)	(7.8)	(5.2)	(8.5)	(26.6)	(22.5)
Income tax benefit	(1.1)	(1.9)	(1.6)	(1.1)	(1.8)	(5.7)	(4.7)
Loss after tax	\$ (5.5)	\$ (5.1)	\$ (6.2)	\$ (4.1)	\$ (6.7)	\$ (20.9)	\$ (17.8)
Net investment gains (losses) pretax ⁽¹⁾	1.7	(2.1)	146.3	7.4	(14.4)	153.3	(12.5)
Tax on net investment gains (losses) ⁽¹⁾	0.4	(0.5)	31.6	1.6	(2.8)	33.1	(2.4)
Net investment gains (losses) after tax ⁽¹⁾	1.3	(1.6)	114.7	5.8	(11.6)	120.2	(10.1)
Net income (loss)	\$ (4.2)	\$ (6.7)	\$ 108.5	\$ 1.7	\$ (18.3)	\$ 99.3	\$ (27.9)

⁽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.

HORACE MANN EDUCATORS CORPORATION

INVESTMENT EARNINGS BEFORE TAXES

CONSOLIDATED

For Period Ended

(\$ in millions)

	Three Months Ended					Year Ended	
	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Net Investment Income							
Fixed maturity securities ⁽¹⁾							
Taxable	\$ 52.4	\$ 56.5	\$ 54.5	\$ 80.2	\$ 80.5	\$ 243.6	\$ 335.3
Tax-exempt	3.6	3.7	4.3	4.1	4.3	15.7	18.0
Total fixed maturity securities	56.0	60.2	58.8	84.3	84.8	259.3	353.3
Equity securities	1.2	1.1	1.4	1.2	1.6	4.9	6.0
Policy loans	2.6	2.2	2.2	2.3	2.4	9.3	9.2
Limited partnership interests	2.9	6.9	9.5	6.4	1.3	25.7	15.4
Short-term investments and other	1.4	1.0	1.0	1.2	0.8	4.6	2.8
Investment income	64.1	71.4	72.9	95.4	90.9	303.8	386.7
Investment expense	2.1	2.2	2.6	2.6	2.5	9.5	10.2
Total net investment income - investment portfolio	62.0	69.2	70.3	92.8	88.4	294.3	376.5
Investment income - Deposit asset on reinsurance	23.8	23.8	23.2	—	—	70.8	—
Total gross investment income	\$ 85.8	\$ 93.0	\$ 93.5	\$ 92.8	\$ 88.4	\$ 365.1	\$ 376.5
Investment yield, before tax - Annualized ⁽²⁾	4.28%	4.81%	5.14%	4.96%	4.74%	4.80%	5.12%
Investment yield, after tax - Annualized ⁽²⁾	3.41%	3.85%	4.11%	3.96%	4.01%	3.83%	4.08%

Portfolio Net Investment Income by Segment

Property and Casualty	\$ 8.1	\$ 10.7	\$ 12.7	\$ 10.2	\$ 7.9	\$ 41.7	\$ 40.1
Supplemental	3.8	3.7	—	—	—	7.5	—
Retirement	33.5	37.0	39.5	64.7	62.9	174.7	262.6
Life	17.2	18.4	18.3	18.1	17.8	72.0	74.4
Corporate and Other, including intersegment eliminations	(0.6)	(0.6)	(0.2)	(0.2)	(0.2)	(1.6)	(0.6)
Total net investment income	\$ 62.0	\$ 69.2	\$ 70.3	\$ 92.8	\$ 88.4	\$ 294.3	\$ 376.5

Net Investment Gains (Losses)

Gross realized gains	\$ 6.5	\$ 1.9	\$ 149.3	\$ 5.4	\$ 9.5	\$ 163.1	\$ 31.0
Gross realized losses, excluding impairment charges	(3.0)	(5.1)	(6.3)	(1.3)	(9.9)	(15.7)	(23.7)
Change in fair value of equity securities	(0.7)	1.1	3.4	3.5	(13.9)	7.3	(18.3)
Other-than-temporary impairment losses	(1.1)	—	(0.1)	(0.2)	(0.1)	(1.4)	(1.5)
Total net investment gains (losses)	\$ 1.7	\$ (2.1)	\$ 146.3	\$ 7.4	\$ (14.4)	\$ 153.3	\$ (12.5)

⁽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>	December 31,		September 30,		June 30,		March 31,		December 31,		September 30,	
<i>(\$ in millions)</i>	2019		2019		2019		2019		2018		2018	
	<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⁾	\$ 5,791.7	87.3 %	\$ 5,839.5	86.7 %	\$ 5,534.3	86.2 %	\$ 7,798.0	91.1 %	\$ 7,515.3	91.0 %	\$ 7,529.1	91.3 %
Equity securities, at fair value	101.9	1.5 %	105.5	1.6 %	100.1	1.5 %	105.5	1.2 %	111.8	1.4 %	133.2	1.6 %
Policy loans, at outstanding balance	153.5	2.3 %	153.9	2.3 %	153.5	2.4 %	153.4	1.8 %	154.0	1.9 %	153.6	1.9 %
Limited partnership interests and other investments	419.4	6.3 %	396.3	5.9 %	383.8	6.0 %	357.5	4.2 %	347.4	4.2 %	351.5	4.3 %
Short-term investments	172.7	2.6 %	237.8	3.5 %	247.9	3.9 %	143.4	1.7 %	122.2	1.5 %	74.6	0.9 %
Total investments	6,639.2	100.0 %	\$ 6,733.0	100.0 %	\$ 6,419.6	100.0 %	\$ 8,557.8	100.0 %	\$ 8,250.7	100.0 %	\$ 8,242.0	100.0 %
Asset-backed securities	\$ 460.2	8.0 %	\$ 472.0	8.1 %	\$ 472.3	8.6 %	\$ 588.9	7.6 %	\$ 621.9	8.3 %	\$ 617.5	8.2 %
Collateralized debt/loan obligations	619.4	10.7 %	624.4	10.7 %	753.2	13.6 %	789.9	10.1 %	692.4	9.2 %	655.0	8.7 %
Commercial mortgage-backed securities	367.1	6.3 %	361.8	6.2 %	340.5	6.2 %	711.4	9.1 %	663.7	8.8 %	638.6	8.5 %
Corporate	1,626.8	28.1 %	1,632.9	28.0 %	1,368.7	24.7 %	2,220.4	28.5 %	2,164.4	28.8 %	2,430.5	32.3 %
Municipal	1,686.1	29.1 %	1,676.4	28.7 %	1,599.7	28.9 %	2,083.0	26.7 %	2,004.0	26.7 %	1,883.7	25.0 %
Residential mortgage-backed securities	573.2	9.9 %	613.8	10.5 %	433.5	7.8 %	538.9	6.9 %	535.4	7.1 %	521.2	6.9 %
U.S. Treasuries and government agencies	458.9	7.9 %	458.2	7.8 %	566.4	10.2 %	865.5	11.1 %	833.5	11.1 %	782.6	10.4 %
Total fixed maturity securities	\$ 5,791.7	100.0 %	\$ 5,839.5	100.0 %	\$ 5,534.3	100.0 %	\$ 7,798.0	100.0 %	\$ 7,515.3	100.0 %	\$ 7,529.1	100.0 %
U.S. government/government agencies	\$ 1,209.2	20.9 %	\$ 1,239.8	21.2 %	\$ 1,178.8	21.3 %	\$ 1,708.1	21.9 %	\$ 1,643.1	21.9 %	\$ 1,550.9	20.6 %
AAA	658.2	11.4 %	646.6	11.1 %	676.7	12.2 %	799.0	10.2 %	673.8	9.0 %	645.2	8.6 %
AA	1,280.1	22.1 %	1,307.0	22.4 %	1,265.2	22.9 %	1,843.6	23.6 %	1,789.1	23.8 %	1,683.4	22.4 %
A	1,340.4	23.1 %	1,334.7	22.9 %	1,251.5	22.6 %	1,653.8	21.2 %	1,614.0	21.5 %	1,703.6	22.6 %
BBB	1,093.3	18.9 %	1,116.3	19.1 %	994.8	18.0 %	1,596.1	20.5 %	1,588.1	21.1 %	1,701.6	22.6 %
BB and below, includes securities not rated	210.5	3.6 %	195.1	3.3 %	167.3	3.0 %	197.4	2.6 %	207.2	2.7 %	244.4	3.2 %
Total fixed maturity securities	\$ 5,791.7	100.0 %	\$ 5,839.5	100.0 %	\$ 5,534.3	100.0 %	\$ 7,798.0	100.0 %	\$ 7,515.3	100.0 %	\$ 7,529.1	100.0 %
<u>INVESTMENTS BY SEGMENT</u>												
Property and Casualty	\$ 1,036.3	15.6 %	\$ 1,040.6	15.5 %	\$ 1,038.4	16.2 %	\$ 977.8	11.4 %	\$ 950.8	11.5 %	\$ 1,001.3	12.2 %
Supplemental	540.9	8.2 %	533.2	7.9 %	—	— %	—	— %	—	— %	—	— %
Retirement and Life	5,060.6	76.2 %	5,158.8	76.6 %	5,363.6	83.5 %	7,572.9	88.5 %	7,294.5	88.4 %	7,229.2	87.7 %
Corporate and Other ⁽²⁾	1.4	— %	0.4	— %	17.6	0.3 %	7.1	0.1 %	5.4	0.1 %	11.5	0.1 %
Total investments	\$ 6,639.2	100.0 %	\$ 6,733.0	100.0 %	\$ 6,419.6	100.0 %	\$ 8,557.8	100.0 %	\$ 8,250.7	100.0 %	\$ 8,242.0	100.0 %

⁽¹⁾ Amortized Cost of \$5,457.0, \$5,453.4, \$5,241.8, \$7,487.5, \$7,373.9, and \$7,419.5, at December 31, 2019, September 30, 2019, June 30, 2019, March 31, 2019, December 31, 2018, and September 30, 2018, respectively.

⁽²⁾ Corporate and Other 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 fixed maturity 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 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> (\$ in millions after tax)	<u>Three Months Ended</u>					<u>Year Ended</u>	
	<u>Dec. 31, 2019</u>	<u>Sept. 30, 2019</u>	<u>Jun. 30, 2019</u>	<u>Mar. 31, 2019</u>	<u>Dec. 31, 2018</u>	<u>Dec. 31, 2019</u>	<u>Dec. 31, 2018</u>
Reconciliation of Net Income to Core Earnings							
Net income	\$ 33.0	\$ 25.4	\$ 93.8	\$ 32.2	\$ (20.3)	\$ 184.4	\$ 18.3
Less: Net investment gains (losses)	1.3	(1.6)	114.7	5.8	(11.6)	120.2	(10.1)
Other expense - goodwill impairment	—	—	(28.0)	—	—	(28.0)	—
Core earnings (loss)*	<u>\$ 31.7</u>	<u>\$ 27.0</u>	<u>\$ 7.1</u>	<u>\$ 26.4</u>	<u>\$ (8.7)</u>	<u>\$ 92.2</u>	<u>\$ 28.4</u>
Pretax net income	\$ 40.3	\$ 30.5	\$ 127.0	38.6	\$ (28.2)	\$ 236.4	\$ 19.5
Less: Pretax net investment gains (losses)	1.7	(2.1)	146.3	7.4	(14.4)	153.3	(12.5)
Other expense - goodwill impairment	—	—	(28.0)	—	—	(28.0)	—
Pretax core earnings (loss)*	<u>\$ 38.6</u>	<u>\$ 32.6</u>	<u>\$ 8.7</u>	<u>\$ 31.2</u>	<u>\$ (13.8)</u>	<u>\$ 111.1</u>	<u>\$ 32.0</u>
Reconciliation of Net Income per Share to Core Earnings per Share on a Basic and Diluted Basis							
Net income (loss) per share (basic)	\$ 0.79	\$ 0.61	\$ 2.25	\$ 0.77	\$ (0.49)	\$ 4.42	\$ 0.44
Less: Net investment gains (losses)	0.03	(0.04)	2.75	0.14	(0.28)	2.88	(0.24)
Other expense - goodwill impairment	—	—	(0.67)	—	—	(0.67)	—
Core earnings (loss) per share (basic)*	<u>\$ 0.76</u>	<u>\$ 0.65</u>	<u>\$ 0.17</u>	<u>\$ 0.63</u>	<u>\$ (0.21)</u>	<u>\$ 2.21</u>	<u>\$ 0.68</u>
Net income (loss) per diluted share	\$ 0.78	\$ 0.60	\$ 2.24	\$ 0.77	\$ (0.49)	\$ 4.40	\$ 0.44
Less: Net investment gains (losses)	0.03	(0.04)	2.74	0.14	(0.28)	2.87	(0.24)
Other expense - goodwill impairment	—	—	(0.67)	—	—	(0.67)	—
Core earnings (loss) per diluted share*	<u>\$ 0.75</u>	<u>\$ 0.64</u>	<u>\$ 0.17</u>	<u>\$ 0.63</u>	<u>\$ (0.21)</u>	<u>\$ 2.20</u>	<u>\$ 0.68</u>

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>Sept. 30,</u>	<u>Jun. 30,</u>	<u>Mar. 31,</u>	<u>Dec. 31,</u>	<u>Dec. 31,</u>	<u>Dec. 31,</u>
<i>(\$ in millions)</i>	<u>2019</u>	<u>2019</u>	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Reconciliation of Return on Equity							
Average Shareholders' Equity							
Shareholders' equity	\$ 1,567.3	\$ 1,578.6	\$ 1,499.7	\$ 1,423.7	\$ 1,290.6	\$ 1,567.3	\$ 1,290.6
Net unrealized investment gains on fixed maturity securities	230.4	266.4	203.1	210.8	96.9	230.4	96.9
5 quarter average shareholders' equity	1,472.0	1,419.4	1,373.7	1,354.7	1,370.3	1,472.0	1,370.3
2 quarter average shareholders' equity	1,573.0	1,539.2	1,461.7	1,357.2	1,297.5	1,429.0	1,396.1
5 quarter average shareholders' equity excluding net unrealized investment gains on fixed maturity securities	1,270.5	1,248.7	1,231.3	1,217.3	1,215.0	1,270.5	1,215.0
2 quarter average shareholders' equity excluding net unrealized investment gains on fixed maturity securities	1,324.6	1,304.4	1,254.8	1,203.3	1,211.0	1,265.3	1,197.6
Net Income Return on Equity - LTM							
Numerator: LTM net income	\$ 184.4	\$ 131.1	\$ 118.2	\$ 30.3	\$ 18.3	\$ 184.4	\$ 18.3
Denominator: 5 quarter average shareholders' equity	1,472.0	1,419.4	1,373.7	1,354.7	1,370.3	1,472.0	1,370.3
Net income ROE - LTM	12.5%	9.2%	8.6%	2.2%	1.3 %	12.5%	1.3%
Net Income Return on Equity - Annualized							
Numerator: Annualized net income	\$ 132.0	\$ 101.6	\$ 375.2	\$ 128.8	\$ (81.2)	\$ 184.4	\$ 18.3
Denominator: 2 quarter average shareholders' equity	1,573.0	1,539.2	1,461.7	1,357.2	1,297.5	1,429.0	1,396.1
Net income ROE - Annualized	8.4%	6.6%	25.7%	9.5%	(6.3)%	12.9%	1.3%
Core Return on Equity - LTM							
Numerator: LTM core earnings	\$ 92.2	\$ 51.8	\$ 35.1	\$ 33.3	\$ 28.4	\$ 92.2	\$ 28.4
Denominator: 5 quarter average shareholders' equity excluding net unrealized investment gains on fixed maturity securities	1,270.5	1,248.7	1,231.3	1,217.3	1,215.0	1,270.5	1,215.0
Core ROE - LTM	7.3%	4.1%	2.9%	2.7%	2.3 %	7.3%	2.3%
Core Return on Equity - Annualized							
Numerator: Annualized core earnings	\$ 126.8	\$ 108.0	\$ 28.4	\$ 105.6	\$ (34.8)	\$ 92.2	\$ 28.4
Denominator: 2 quarter average shareholders' equity excluding net unrealized investment gains on fixed maturity securities	1,324.6	1,304.4	1,254.8	1,203.3	1,211.0	1,265.3	1,197.6
Core ROE - Annualized	9.6%	8.3%	2.3%	8.8%	(2.9)%	7.3%	2.4%

HORACE MANN EDUCATORS CORPORATION

RECONCILIATIONS OF GAAP MEASURES TO NON-GAAP MEASURES

<u>For Period Ended</u> (\$ in millions)	Twelve Months Ended				
	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018
Reconciliation of Book Value per Common Share to Book Value per Common Share, Excluding Net Unrealized Investment Gains on Fixed Maturity Securities					
Book value per common share					
Numerator: Common shareholders' equity	\$ 1,567.3	\$ 1,578.6	\$ 1,499.7	\$ 1,423.7	\$ 1,290.6
Denominator: Common shares outstanding	41.2	41.2	41.2	41.2	41.0
Book value per common share	\$ 38.01	\$ 38.30	\$ 36.41	\$ 34.60	\$ 31.50
Book value per common share, excluding net unrealized investment gains on fixed maturity securities*					
Numerator: Common shareholders' equity	\$ 1,567.3	\$ 1,578.6	\$ 1,499.7	\$ 1,423.7	\$ 1,290.6
Less: Net unrealized investment gains on fixed maturity securities	230.4	266.4	203.1	210.8	96.9
Adjusted common shareholders' equity	1,336.9	1,312.2	1,296.6	1,212.9	1,193.7
Denominator: Common shares outstanding	41.2	41.2	41.2	41.2	41.0
Book value per common share, excluding net unrealized investment gains on fixed maturity securities*	\$ 32.42	\$ 31.84	\$ 31.48	\$ 29.47	\$ 29.13
Reconciliation of Debt to Total Capitalization to Debt to Total Capitalization, Excluding Net Unrealized Investment Gains on Fixed Maturity Securities					
Debt to total capitalization					
Numerator: Total debt	\$ 433.0	\$ 433.0	\$ 297.9	\$ 297.8	\$ 297.7
Denominator:					
Total debt	433.0	433.0	297.9	297.8	297.7
Common shareholders' equity	1,567.3	1,578.6	1,499.7	1,423.7	1,290.6
Total capital	2,000.3	2,011.6	1,797.6	1,721.5	1,588.3
Debt to total capitalization	21.6%	21.5%	16.6%	17.3%	18.7%
Debt to total capitalization excluding net unrealized investment gains on fixed maturity securities					
Numerator: Total debt	\$ 433.0	\$ 433.0	\$ 297.9	\$ 297.8	\$ 297.7
Denominator:					
Total debt	433.0	433.0	297.9	297.8	297.7
Common shareholders' equity	1,567.3	1,578.6	1,499.7	1,423.7	1,290.6
Less: Net unrealized investment gains on fixed maturity securities	230.4	266.4	203.1	210.8	96.9
Adjusted common shareholders' equity	1,769.9	1,745.2	1,594.5	1,510.7	1,491.4
Debt to total capitalization excluding net unrealized investment gains on fixed maturity securities	24.5%	24.8%	18.7%	19.7%	20.0%

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>2019</u>	<u>Sept. 30,</u> <u>2019</u>	<u>Jun. 30,</u> <u>2019</u>	<u>Mar. 31,</u> <u>2019</u>	<u>Dec. 31,</u> <u>2018</u>	<u>Dec. 31,</u> <u>2019</u>	<u>Dec. 31,</u> <u>2018</u>
Property and Casualty							
Claims and claims expense ("loss") ratio	62.9	69.8	77.3	68.3	85.2	69.6	82.3
Expense ratio	27.4	26.4	26.5	27.2	28.1	26.9	27.0
Combined ratio	90.3	96.2	103.8	95.5	113.3	96.5	109.3
Loss ratio	62.9	69.8	77.3	68.3	85.2	69.6	82.3
Less: effect of catastrophe losses	2.6	8.6	12.9	6.2	25.9	7.6	16.8
effect of prior years' reserve development	—	(2.1)	(1.2)	(1.2)	—	(1.1)	—
Underlying loss ratio*	60.3	63.3	65.6	63.3	59.3	63.1	65.5
Reconciliation of combined ratio to underlying combined ratio							
Combined ratio	90.3	96.2	103.8	95.5	113.3	96.5	109.3
Effect of catastrophe costs	2.6	8.6	12.9	6.2	27.0	7.6	17.1
Effect of prior years' reserve development	—	(2.1)	(1.2)	(1.2)	—	(1.1)	—
Underlying combined ratio*	87.7	89.7	92.1	90.5	86.3	90.0	92.2
Auto							
Claims and claims expense ("loss") ratio	72.0	65.8	73.8	70.8	75.0	70.6	76.3
Expense ratio	27.7	26.6	26.6	27.2	27.2	27.0	26.8
Combined ratio	99.7	92.4	100.4	98.0	102.2	97.6	103.1
Loss ratio	72.0	65.8	73.8	70.8	75.0	70.6	76.3
Less: effect of catastrophe losses	0.1	2.1	1.9	0.8	2.2	1.2	1.7
effect of prior years' reserve development	—	(3.0)	(0.9)	(0.9)	—	(1.2)	—
Underlying loss ratio*	71.9	66.7	72.8	70.9	72.8	70.6	74.6
Reconciliation of combined ratio to underlying combined ratio							
Combined ratio	99.7	92.4	100.4	98.0	102.2	97.6	103.1
Effect of catastrophe costs	0.1	2.1	1.9	0.8	2.2	1.2	1.7
Effect of prior years' reserve development	—	(3.0)	(0.9)	(0.9)	—	(1.2)	—
Underlying combined ratio*	99.6	93.3	99.4	98.1	100.0	97.6	101.4

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

<u>For Period Ended</u>	Three Months Ended					Year Ended	
	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Mar. 31, 2019	Dec. 31, 2018	Dec. 31, 2019	Dec. 31, 2018
Property							
Claims and claims expense ("loss") ratio	44.5	78.2	84.8	62.9	109.4	67.4	95.4
Expense ratio	27.0	26.1	26.6	27.6	30.4	26.8	27.7
Combined ratio	71.5	104.3	111.4	90.5	139.8	94.2	123.1
Loss ratio	44.5	78.2	84.8	62.9	109.4	67.4	95.4
Less: effect of catastrophe losses	7.4	22.6	36.8	18.3	78.7	21.1	49.3
effect of prior years' reserve development	—	—	(1.8)	(1.9)	—	(0.9)	(0.1)
Underlying loss ratio*	37.1	55.6	49.8	46.5	30.7	47.2	46.2
Reconciliation of combined ratio to underlying combined ratio							
Combined ratio	71.5	104.3	111.4	90.5	139.8	94.2	123.1
Effect of catastrophe costs	7.4	22.6	36.8	18.3	82.4	21.1	50.2
Effect of prior years' reserve development	—	—	(1.8)	(1.9)	—	(0.9)	(0.1)
Underlying combined ratio*	64.1	81.7	76.4	74.1	57.4	74.0	73.0

HORACE MANN EDUCATORS CORPORATION

RATINGS AND CONTACT INFORMATION

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As of December 31, 2019

	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
National Teachers Associates Life Insurance Company	A-	NR	NR	NR
Other Ratings:				
Horace Mann Educators Corporation:				
Senior debt	bbb	BBB	Baa2	BBB

NR - not rated

TRANSFER AGENT

American Stock Transfer & Trust Company

6201 15th Avenue

Brooklyn, NY 11219

Phone: 800-937-5449

E-mail: help@astfinancial.com

Corporate Website: <https://us.astfinancial.com/ShareHolder/GeneralAccountInformation>

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.