

Second Quarter 2020 Investor Supplement

June 30, 2020



HORACE MANN EDUCATORS CORPORATION

TABLE OF CONTENTS

	<u>Page</u>
Consolidated Financial Highlights	3
Consolidated Statements of Operations	4
Consolidated Balance Sheets	5
Capital Metrics	6
Property and Casualty Segment	
Statements of Operations	7
Underwriting Results and Informational Data	8
Supplemental Segment and Informational Data	9
Retirement Segment	
Statements of Operations and Informational Data	10
Account Value Rollforward	11
Life Segment	
Statements of Operations and Informational Data	12
Corporate and Other Segment	
Statements of Operations	13
Investment Earnings Before Taxes Consolidated	14
Composition of Invested Assets Consolidated	15
Appendix: Reconciliations of GAAP Measures to Non-GAAP Measures	16
Reconciliation of Net Income to Core Earnings	17
Reconciliation of Return on Equity	18
Reconciliation of Book Value per Common Share to Book Value per Common Share, Excluding Net Unrealized Gains on Fixed Maturity Securities	19
Reconciliation of Debt to Total Capitalization to Debt to Total Capitalization, Excluding Net Unrealized Gains on Fixed Maturity Securities	19
Reconciliation of Investment Yield Excluding Limited Partnership Interests	20
Operating Ratios - Property and Casualty	21-22
Ratings and Contact Information	23

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					Six Months Ended	
	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Jun. 30, 2020	Jun. 30, 2019
Insurance premiums and contract charges earned	\$ 225.4	\$ 236.3	\$ 240.4	\$ 239.7	\$ 208.1	\$ 461.7	\$ 417.9
Net investment income	80.4	82.3	85.8	93.0	93.5	162.7	186.3
Net investment gains (losses)	3.2	(18.5)	1.7	(2.1)	146.3	(15.3)	153.7
Other income	5.9	7.2	6.2	6.6	6.2	13.1	12.1
Total revenues	\$ 314.9	\$ 307.3	\$ 334.1	\$ 337.2	\$ 454.1	\$ 622.2	\$ 770.0
Net income	\$ 30.5	\$ 18.5	\$ 33.0	\$ 25.4	\$ 93.8	\$ 49.0	\$ 126.0
Core earnings*	28.0	33.0	31.7	27.0	7.1	61.0	33.5

At Period End

Total assets	\$ 12,571.7	\$ 11,972.2	\$ 12,478.7	\$ 12,332.5	\$ 11,779.4	\$ 12,571.7	\$ 11,779.4
Total policy liabilities	7,031.5	6,978.3	6,956.5	6,905.4	6,445.3	7,031.5	6,445.3
Debt	437.2	433.1	433.0	433.0	297.9	437.2	297.9
Shareholders' equity	1,639.8	1,477.6	1,567.3	1,578.6	1,499.7	1,639.8	1,499.7

Per Share and Shares Data (in millions)

Net income per share (basic)	\$ 0.73	\$ 0.44	\$ 0.79	\$ 0.61	\$ 2.25	\$ 1.17	\$ 3.02
Core earnings per share (basic)*	0.67	0.79	0.76	0.65	0.17	1.46	0.80
Net income per diluted share	0.73	0.44	0.78	0.60	2.24	1.17	3.01
Core earnings per diluted share*	0.67	0.78	0.75	0.64	0.17	1.45	0.80
Weighted average common shares (basic)	41.9	41.8	41.8	41.8	41.8	41.9	41.7
Dilutive effect of stock equivalents	0.1	0.2	0.3	0.2	0.1	0.1	0.2
Weighted average diluted shares	42.0	42.0	42.1	42.0	41.9	42.0	41.9
Book value per share	\$ 39.69	\$ 35.80	\$ 38.01	\$ 38.30	\$ 36.41	\$ 39.69	\$ 36.41
Per share impact of net unrealized investment gains on fixed maturity securities	6.76	3.31	5.59	6.46	4.93	6.76	4.93
Book value per share excluding net unrealized investment gains on fixed maturity securities*	\$ 32.93	\$ 32.49	\$ 32.42	\$ 31.84	\$ 31.48	\$ 32.93	\$ 31.48
Dividends paid per share	\$ 0.30	\$ 0.30	\$ 0.2875	\$ 0.2875	\$ 0.2875	\$ 0.60	\$ 0.5750

Financial Ratios

Net Income ROE - LTM ⁽¹⁾	6.9%	11.3%	12.5%	9.2%	8.6%	6.9%	8.6%
Net Income ROE - Annualized	7.8%	4.9%	8.4%	6.6%	25.7%	6.1%	18.1%
Core ROE - LTM*	9.0%	7.6%	7.3%	4.1%	2.9%	9.0%	2.9%
Core ROE - Annualized*	8.3%	9.9%	9.6%	8.3%	2.3%	9.0%	5.4%
Debt to total capitalization excluding net unrealized investment gains on fixed maturity securities*	24.3%	24.4%	24.5%	24.8%	18.7%	24.3%	18.7%
Investment yield, excluding limited partnership interests, pretax - annualized	4.39%	4.51%	4.36%	4.62%	4.74%	4.45%	4.79%

⁽¹⁾ LTM = Last twelve months

HORACE MANN EDUCATORS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

<u>For Period Ended</u> (\$ in millions)	Three Months Ended					Six Months Ended	
	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Jun. 30, 2020	Jun. 30, 2019
Revenues							
Insurance premiums and contract charges earned	\$ 225.4	\$ 236.3	\$ 240.4	\$ 239.7	\$ 208.1	\$ 461.7	\$ 417.9
Net investment income	80.4	82.3	85.8	93.0	93.5	162.7	186.3
Net investment gains (losses)	3.2	(18.5)	1.7	(2.1)	146.3	(15.3)	153.7
Other income	5.9	7.2	6.2	6.6	6.2	13.1	12.1
Total revenues	314.9	307.3	334.1	337.2	454.1	622.2	770.0
Benefits, losses and expenses							
Benefits, claims and settlement expenses	143.0	138.7	138.8	154.2	152.7	281.7	292.1
Interest credited	50.7	51.5	52.7	53.6	53.6	102.2	106.5
Operating expenses	55.7	60.7	67.7	64.2	57.3	116.4	113.5
DAC amortization expense, excluding DAC unlocking	25.2	26.1	26.6	26.3	26.1	51.3	53.1
DAC unlocking	(4.8)	3.9	(0.3)	—	5.5	(0.9)	3.5
Intangible asset amortization expense	3.7	3.7	3.9	3.8	0.6	7.4	1.1
Interest expense	4.0	4.2	4.4	4.6	3.3	8.2	6.6
Other expense - goodwill impairment	—	—	—	—	28.0	—	28.0
Total benefits, losses and expenses	277.5	288.8	293.8	306.7	327.1	566.3	604.4
Income before income taxes	37.4	18.5	40.3	30.5	127.0	55.9	165.6
Income tax expense	6.9	—	7.3	5.1	33.2	6.9	39.6
Net income	\$ 30.5	\$ 18.5	\$ 33.0	\$ 25.4	\$ 93.8	\$ 49.0	\$ 126.0
Other Statistics							
Effective tax rate on net investment income	20.3%	20.4%	20.3%	20.3%	20.1%	20.3%	20.2%
Net investment income, after tax	\$ 64.1	\$ 65.5	\$ 68.3	\$ 74.1	\$ 74.5	\$ 129.6	\$ 148.5
Catastrophe costs, net of reinsurance, pretax	34.7	8.8	4.4	14.7	22.1	43.5	32.9
Catastrophe costs, net of reinsurance, after tax	27.4	7.0	3.5	11.6	17.5	34.4	26.0
Other-than-temporary impairment losses on securities ⁽¹⁾	(0.5)	(3.7)	(1.1)	—	(0.1)	(4.2)	(0.3)
⁽¹⁾ Included in pretax net investment gains (losses).							

HORACE MANN EDUCATORS CORPORATION

CONSOLIDATED BALANCE SHEETS

(\$ in millions, except per share data)

	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Mar. 31, 2019
ASSETS						
Investments						
Fixed maturity securities, available for sale, at fair value	\$ 6,022.0	\$ 5,843.2	\$ 5,791.7	\$ 5,839.5	\$ 5,534.3	\$ 7,798.0
Equity securities, at fair value	90.3	87.0	101.9	105.5	100.1	105.5
Limited partnership interests	392.2	389.3	383.7	354.6	351.5	330.4
Short-term and other investments	376.3	281.7	361.9	433.4	433.7	323.9
Total investments	6,880.8	6,601.2	6,639.2	6,733.0	6,419.6	8,557.8
Cash	82.4	41.2	25.5	39.4	7.6	7.3
Deferred policy acquisition costs	257.1	297.8	276.7	269.2	279.0	275.4
Deposit asset on reinsurance	2,373.3	2,356.3	2,346.2	2,342.3	2,315.3	—
Intangible assets	169.8	173.5	177.2	181.1	15.1	15.6
Goodwill	49.1	49.1	49.1	48.7	29.5	57.5
Other assets	442.3	498.9	474.3	410.7	402.4	423.4
Separate account assets	2,316.9	1,954.2	2,490.5	2,308.1	2,310.9	2,224.1
Total assets	\$ 12,571.7	\$ 11,972.2	\$ 12,478.7	\$ 12,332.5	\$ 11,779.4	\$ 11,561.1
LIABILITIES AND SHAREHOLDERS' EQUITY						
Policy liabilities						
Investment contract and life policy reserves	\$ 6,320.6	\$ 6,273.6	\$ 6,234.4	\$ 6,207.9	\$ 5,776.8	\$ 5,748.1
Unpaid claims and claim expenses	444.5	438.4	442.9	412.3	398.3	393.6
Unearned premiums	266.4	266.3	279.2	285.2	270.2	267.0
Total policy liabilities	7,031.5	6,978.3	6,956.5	6,905.4	6,445.3	6,408.7
Other policyholder funds	741.9	716.3	647.3	672.8	821.9	821.8
Other liabilities	404.4	412.7	384.1	434.6	403.7	385.0
Short-term debt	135.0	135.0	135.0	135.0	—	—
Long-term debt	302.2	298.1	298.0	298.0	297.9	297.8
Separate account liabilities	2,316.9	1,954.2	2,490.5	2,308.1	2,310.9	2,224.1
Total liabilities	10,931.9	10,494.6	10,911.4	10,753.9	10,279.7	10,137.4
Common stock, \$0.001 par value	0.1	0.1	0.1	0.1	0.1	0.1
Additional paid-in capital	483.8	481.9	481.0	478.6	476.3	474.3
Retained earnings	1,375.7	1,357.8	1,352.5	1,331.6	1,318.3	1,236.6
Accumulated other comprehensive income, net of taxes:						
Net unrealized investment gains on fixed maturity securities	279.1	136.7	230.4	266.4	203.1	210.8
Net funded status of benefit plans	(10.8)	(10.8)	(10.8)	(12.2)	(12.2)	(12.2)
Treasury stock, at cost	(488.1)	(488.1)	(485.9)	(485.9)	(485.9)	(485.9)
Total shareholders' equity	1,639.8	1,477.6	1,567.3	1,578.6	1,499.7	1,423.7
Total liabilities and shareholders' equity	\$ 12,571.7	\$ 11,972.2	\$ 12,478.7	\$ 12,332.5	\$ 11,779.4	\$ 11,561.1

HORACE MANN EDUCATORS CORPORATION

CAPITAL METRICS

For Period Ended

(\$ in millions, except per share data)

	Three Months Ended					Six Months Ended	
	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Jun. 30, 2020	Jun. 30, 2019
<u>Debt and Total Capitalization</u>							
Short term debt due under revolving credit agreement ⁽¹⁾	\$ 135.0	\$ 135.0	\$ 135.0	\$ 135.0	\$ —	\$ 135.0	\$ —
Senior Debt:							
4.50% Senior notes due December 1, 2025	248.2	248.1	248.0	248.0	247.9	248.2	247.9
FHLB Borrowing	54.0	50.0	50.0	50.0	50.0	54.0	50.0
Total debt	437.2	433.1	433.0	433.0	297.9	437.2	297.9
Shareholders' equity	1,639.8	1,477.6	1,567.3	1,578.6	1,499.7	1,639.8	1,499.7
Total capitalization	\$ 2,077.0	\$ 1,910.7	\$ 2,000.3	\$ 2,011.6	\$ 1,797.6	\$ 2,077.0	\$ 1,797.6
Debt to shareholders' equity	26.7%	29.3%	27.6%	27.4%	19.9%	26.7%	19.9%
Debt to total capitalization	21.0%	22.7%	21.6%	21.5%	16.6%	21.0%	16.6%
Debt to total capitalization excluding net unrealized investment gains (losses) on fixed maturity securities *	24.3%	24.4%	24.5%	24.8%	18.7%	24.3%	18.7%

Capital Returned to Shareholders

Common stock repurchased ⁽²⁾	\$ —	\$ 2.2	\$ —	\$ —	\$ —	\$ 2.2	\$ —
Cash dividends paid	12.4	12.4	11.8	11.9	11.8	24.8	23.6
Total capital returned to shareholders	\$ 12.4	\$ 14.6	\$ 11.8	\$ 11.9	\$ 11.8	\$ 27.0	\$ 23.6

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

⁽²⁾ As of June 30, 2020, the Company's program had a remaining authorization of \$20.6 million.

HORACE MANN EDUCATORS CORPORATION
PROPERTY and CASUALTY SEGMENT
STATEMENTS OF OPERATIONS

For Period Ended

(\$ in millions)

	Three Months Ended					Six Months Ended	
	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Jun. 30, 2020	Jun. 30, 2019
UNDERWRITING RESULTS							
Written premiums*							
Automobile	\$ 96.7	\$ 109.4	\$ 111.5	\$ 118.8	\$ 114.6	\$ 206.1	\$ 231.4
Property and other	59.4	44.2	53.1	63.7	59.7	103.6	104.6
Total written premiums	156.1	153.6	164.6	182.5	174.3	309.7	336.0
Earned premiums							
Automobile	\$ 101.6	\$ 111.8	\$ 114.4	\$ 115.7	\$ 117.1	\$ 213.4	\$ 234.0
Property and other	54.6	54.7	56.5	54.8	54.2	109.3	108.1
Total earned premiums	156.2	166.5	170.9	170.5	171.3	322.7	342.1
Losses and loss adjustment expenses							
Current accident year before catastrophes	74.5	96.6	103.0	107.8	112.3	171.1	220.3
Current accident year catastrophes	34.7	8.8	4.4	14.7	22.1	43.5	32.9
Prior years' reserve development ⁽¹⁾	(1.0)	(1.0)	—	(3.5)	(2.0)	(2.0)	(4.0)
Total losses and loss adjustment expenses	108.2	104.4	107.4	119.0	132.4	212.6	249.2
Operating expenses, including DAC amortization expense	40.9	43.2	46.7	45.0	45.4	84.1	91.9
Underwriting gain (loss)	7.1	18.9	16.8	6.5	(6.5)	26.0	1.0
Net investment income	6.3	10.3	8.1	10.7	12.7	16.6	22.9
Other income	0.8	0.8	0.3	0.5	0.8	1.6	1.2
Interest expense	0.1	0.2	0.3	0.3	0.4	0.3	0.7
Income before income taxes	14.1	29.8	24.9	17.4	6.6	43.9	24.4
Income tax expense	2.8	3.2	4.9	3.2	1.5	6.0	4.3
Net income ⁽²⁾	\$ 11.3	\$ 26.6	\$ 20.0	\$ 14.2	\$ 5.1	\$ 37.9	\$ 20.1

⁽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					Six Months Ended	
	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Jun. 30, 2020	Jun. 30, 2019
UNDERWRITING RATIOS (%)							
Losses and loss adjustment expenses							
Current accident year before catastrophes and PYD	47.6	58.0	60.3	63.3	65.6	53.0	64.4
Current accident year catastrophes	22.2	5.3	2.6	8.6	12.9	13.5	9.6
Prior years' reserve development ⁽¹⁾	(0.6)	(0.6)	0.0	(2.1)	(1.2)	(0.6)	(1.2)
Total losses and loss adjustment expenses	69.2	62.7	62.9	69.8	77.3	65.9	72.8
Expense Ratio	26.2	25.9	27.4	26.4	26.5	26.1	26.9
Combined ratio	95.4	88.6	90.3	96.2	103.8	92.0	99.7
Combined ratio before catastrophes	73.2	83.3	87.7	87.6	90.9	78.5	90.1
Combined ratio before catastrophes and prior years' reserve development*	73.8	83.9	87.7	89.7	92.1	79.1	91.3
PRODUCT (%)							
Automobile							
Loss and loss adjustment expense ratio	53.2	65.8	72.0	65.8	73.8	59.8	72.3
Expense ratio	27.1	25.9	27.7	26.6	26.6	26.5	26.9
Combined ratio	80.3	91.7	99.7	92.4	100.4	86.3	99.2
Prior years' reserve development ⁽¹⁾	0.0	(0.9)	0.0	(3.0)	(0.9)	(0.5)	(0.9)
Catastrophes	3.1	0.2	0.1	2.1	1.9	1.5	1.3
Combined ratio before catastrophes and prior years' reserve development*	77.2	92.4	99.6	93.3	99.4	85.3	98.8
Property							
Loss and loss adjustment expense ratio	99.1	56.5	44.5	78.2	84.8	77.8	73.9
Expense ratio	24.8	26.2	27.0	26.1	26.6	25.5	27.1
Combined ratio	123.9	82.7	71.5	104.3	111.4	103.3	101.0
Prior years' reserve development ⁽¹⁾	(1.8)	0.0	0.0	0.0	(1.8)	(0.9)	(1.9)
Catastrophes	57.9	15.8	7.4	22.6	36.8	36.8	27.6
Combined ratio before catastrophes and prior years' development*	67.8	66.9	64.1	81.7	76.4	67.4	75.3
INFORMATIONAL DATA							
Policy Count Retention - LTM							
Automobile	81.6%	81.3%	81.1%	80.9%	81.3%	81.6%	81.3%
Property	87.5%	87.1%	87.1%	87.3%	87.7%	87.5%	87.7%
Sales * (LTM annualized premium, in millions) ⁽²⁾							
Automobile	\$ 15.4	\$ 15.9	\$ 17.6	\$ 20.1	\$ 18.9	\$ 31.3	\$ 38.3
Property	3.9	3.9	4.6	5.3	4.7	7.8	8.5
Total sales	\$ 19.3	\$ 19.8	\$ 22.2	\$ 25.4	\$ 23.6	\$ 39.1	\$ 46.8
Risks in force (in thousands)							
Automobile ⁽³⁾	418	424	433	441	448	418	448
Property	191	192	194	196	198	191	198
Total risks in force	609	616	627	637	646	609	646

⁽¹⁾ (Favorable) unfavorable.

⁽²⁾ HM products.

⁽³⁾ Includes assumed risks in force of 4.

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

<u>For Period Ended</u> (\$ in millions)	Three Months Ended				Six Months Ended
	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2020
Revenues					
Premiums and contract charges earned	\$ 33.3	\$ 33.0	\$ 32.9	\$ 32.9	\$ 66.3
Net investment income	4.0	3.5	3.8	3.7	7.5
Other income	0.6	0.7	0.8	0.6	1.3
Total revenues	37.9	37.2	37.5	37.2	75.1
Benefits and Expenses					
Benefits	8.7	10.7	10.6	11.1	19.4
Change in reserves	3.8	(0.2)	(0.6)	3.6	3.6
Operating expenses (includes DAC unlocking and amortization expense)	10.1	10.1	9.9	10.5	20.2
Intangible asset amortization expense	3.2	3.2	3.4	3.2	6.4
Total benefits and expenses	25.8	23.8	23.3	28.4	49.6
Income before income taxes	12.1	13.4	14.2	8.8	25.5
Income tax expense	2.6	2.9	3.1	1.9	5.5
Net income ⁽¹⁾	\$ 9.5	\$ 10.5	\$ 11.1	\$ 6.9	\$ 20.0
INFORMATIONAL DATA					
Total Sales *	\$ 0.7	\$ 3.7	\$ 4.6	\$ 3.6	\$ 4.4
Benefits ratio ⁽²⁾	37.5%	31.8%	30.4%	44.7%	34.7%
Operating expense ratio ⁽³⁾	26.6%	27.1%	26.4%	28.2%	26.9%
Pretax profit margin ⁽⁴⁾	31.9%	36.0%	37.9%	23.7%	34.0%
Premium persistency (rolling 12 months)	89.3%	89.2%	89.3%	88.9%	89.3%
Policies in force (in thousands)	298	297	297	297	298
⁽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					Six Months Ended	
	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Jun. 30, 2020	Jun. 30, 2019
Annuity contract deposits*	\$ 111.8	\$ 117.7	\$ 117.9	\$ 128.3	\$ 109.0	\$ 229.5	\$ 216.3
Revenues							
Contract charges earned	\$ 6.7	\$ 7.4	\$ 7.0	\$ 6.6	\$ 6.9	\$ 14.1	\$ 15.5
Net investment income	31.2	29.8	33.5	37.0	39.5	61.0	104.2
Investment income - Deposit asset on reinsurance	23.9	23.7	23.8	23.8	23.2	47.6	23.2
Other income	4.1	5.3	4.5	5.1	5.0	9.4	10.1
Total revenues	65.9	66.2	68.8	72.5	74.6	132.1	153.0
Benefits and Expenses							
Interest credited	14.5	15.7	16.4	17.5	18.0	30.2	59.7
Interest credited - Reinsured block	24.9	24.6	25.0	24.9	24.3	49.5	24.3
Mortality loss and other reserve changes	1.2	1.6	2.6	0.9	1.2	2.8	1.8
Operating expenses	13.9	16.2	18.5	17.3	17.4	30.1	35.5
DAC amortization expense, excluding DAC unlocking	4.3	4.7	4.5	4.3	4.3	9.0	9.2
DAC unlocking	(4.6)	4.0	(0.1)	—	5.6	(0.6)	3.6
Intangible asset amortization expense	0.5	0.5	0.5	0.6	0.6	1.0	1.1
Other expense - goodwill impairment	—	—	—	—	28.0	—	28.0
Total benefits and expenses	54.7	67.3	67.4	65.5	99.4	122.0	163.2
Income (loss) before income taxes	11.2	(1.1)	1.4	7.0	(24.8)	10.1	(10.2)
Income tax expense (benefit)	1.5	(0.2)	(0.7)	1.1	0.2	1.3	2.6
Net income (loss)⁽¹⁾	\$ 9.7	\$ (0.9)	\$ 2.1	\$ 5.9	\$ (25.0)	\$ 8.8	\$ (12.8)
Core earnings (loss)	9.7	(0.9)	2.1	5.9	3.0	8.8	15.2
Less: DAC unlocking, after tax	3.7	(3.2)	—	—	(4.4)	0.5	(2.8)
Core earnings excluding DAC unlocking	\$ 6.0	\$ 2.3	\$ 2.1	\$ 5.9	\$ 7.4	\$ 8.3	\$ 18.0
Fixed annuity interest spread - Annualized⁽²⁾	186	151	203	224	233	168	175
Variable annuity fee margin - Annualized⁽²⁾	150	158	149	149	149	139	153
INFORMATIONAL DATA							
Assets under administration (AUA)							
Annuity assets under management ⁽³⁾	\$ 4,324.3	\$ 4,026.6	\$ 4,379.6	\$ 4,215.9	\$ 4,170.3	\$ 4,324.3	\$ 4,170.3
Brokerage and advisory assets under administration ⁽⁴⁾	2,168.0	2,093.9	2,391.8	2,259.4	2,236.1	2,168.0	2,236.1
Recordkeeping assets under administration ⁽⁴⁾	1,460.5	1,260.8	1,499.2	1,422.4	1,395.1	1,460.5	1,395.1
Total AUA	\$ 7,952.8	\$ 7,381.3	\$ 8,270.6	\$ 7,897.7	\$ 7,801.5	\$ 7,952.8	\$ 7,801.5
Persistency - LTM							
Fixed annuities	94.2%	94.0%	94.0%	93.9%	93.9%	94.2%	93.9%
Variable annuities	94.9%	94.5%	94.7%	94.7%	94.3%	94.9%	94.3%
Annuity Contracts in force (in thousands)	230	229	229	227	227	230	227

⁽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 June 30, 2020 excludes \$627.6 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					
	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Mar. 31, 2019
FIXED ACCOUNT ANNUITIES ⁽¹⁾						
Beginning balance	\$ 2,138.1	\$ 2,125.9	\$ 2,126.6	\$ 2,111.4	\$ 4,319.6	\$ 4,300.3
Reinsurance transfer ⁽⁴⁾	(18.3)	(10.1)	(6.1)	(28.4)	(2,215.7)	—
Deposits	44.9	44.5	41.0	54.3	42.0	43.7
Withdrawals	(61.1)	(82.1)	(89.7)	(66.1)	(81.1)	(78.1)
Net transfers	6.4	22.8	14.0	18.5	10.9	18.8
Interest credited	39.4	40.3	41.5	42.3	42.3	41.7
Other	(1.8)	(3.2)	(1.4)	(5.4)	(6.6)	(6.8)
Ending balance	\$ 2,147.6	\$ 2,138.1	\$ 2,125.9	\$ 2,126.6	\$ 2,111.4	\$ 4,319.6
FIXED INDEXED ACCOUNT ANNUITIES ⁽²⁾						
Beginning balance	\$ 473.9	\$ 471.1	\$ 454.3	\$ 439.6	\$ 429.0	\$ 411.9
Deposits	14.6	15.4	17.1	19.4	12.9	14.9
Withdrawals	(8.7)	(9.1)	(6.6)	(9.5)	(4.8)	(4.1)
Net transfers	(0.4)	(0.8)	(0.6)	(0.6)	(0.4)	(0.7)
Index credits	1.0	1.6	3.1	0.4	2.0	0.9
Other	7.0	(4.3)	3.8	5.0	0.9	6.1
Ending balance	\$ 487.4	\$ 473.9	\$ 471.1	\$ 454.3	\$ 439.6	\$ 429.0
VARIABLE ACCOUNT ANNUITIES ⁽³⁾						
Beginning balance	\$ 1,954.2	\$ 2,490.5	\$ 2,308.1	\$ 2,310.9	\$ 2,224.1	\$ 2,001.1
Deposits	52.3	57.8	59.8	54.6	54.1	48.8
Withdrawals	(21.5)	(38.0)	(35.4)	(28.8)	(30.9)	(31.1)
Net transfers	(5.9)	(22.0)	(13.4)	(17.9)	(10.5)	(18.1)
Fees and charges	(8.4)	(9.1)	(9.6)	(9.1)	(9.0)	(8.4)
Market appreciation	346.2	(525.0)	181.0	(1.6)	83.1	231.8
Other	—	—	—	—	—	—
Ending balance	\$ 2,316.9	\$ 1,954.2	\$ 2,490.5	\$ 2,308.1	\$ 2,310.9	\$ 2,224.1
Held under modified coinsurance agreement	627.6	539.6	707.8	673.1	691.6	—
Ending balance net of reinsurance	\$ 1,689.3	\$ 1,414.6	\$ 1,782.7	\$ 1,635.0	\$ 1,619.3	\$ 2,224.1

⁽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					Six Months Ended	
	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Jun. 30, 2020	Jun. 30, 2019
Premiums and contract deposits*	\$ 27.6	\$ 24.8	\$ 30.7	\$ 27.7	\$ 28.4	\$ 52.4	\$ 54.8
Revenues							
Premiums and contract charges earned	\$ 29.2	\$ 29.4	\$ 29.6	\$ 29.7	\$ 29.9	\$ 58.6	\$ 60.3
Net investment income	15.6	15.6	17.2	18.4	18.3	31.2	36.4
Other income	—	—	0.2	—	0.1	—	0.2
Total revenues	44.8	45.0	47.0	48.1	48.3	89.8	96.9
Benefits and Expenses							
Death benefits / mortality cost ⁽¹⁾	9.2	10.1	7.1	8.4	7.5	19.3	18.0
Interest credited	11.3	11.2	11.3	11.2	11.3	22.5	22.5
Change in reserves	11.9	12.1	11.7	11.2	11.6	24.0	23.1
Operating expenses	8.3	9.1	10.4	8.9	9.2	17.4	18.6
DAC amortization expense, excluding unlocking	2.0	1.9	2.0	2.0	2.1	3.9	4.1
DAC unlocking	(0.2)	(0.1)	(0.2)	—	(0.1)	(0.3)	(0.1)
Total benefits and expenses	42.5	44.3	42.3	41.7	41.6	86.8	86.2
Income before income taxes	2.3	0.7	4.7	6.4	6.7	3.0	10.7
Income tax expense	0.4	0.1	0.7	1.3	1.5	0.5	2.2
Net income ⁽²⁾	\$ 1.9	\$ 0.6	\$ 4.0	\$ 5.1	\$ 5.2	\$ 2.5	\$ 8.5
Less: DAC unlocking, after tax	0.1	0.1	0.1	—	0.1	0.2	0.1
Net income excluding DAC unlocking	\$ 1.8	\$ 0.5	\$ 3.9	\$ 5.1	\$ 5.1	\$ 2.3	\$ 8.4
Earnings margin (before tax)							
Return on premium - LTM	11.7%	15.4%	18.0%	18.1%	18.6%	11.7%	18.6%
INFORMATIONAL DATA							
Lapse ratio - LTM ⁽³⁾	4.2%	4.7%	4.6%	4.5%	4.5%	4.2%	4.5%
Sales * (LTM, \$ in millions) ⁽⁴⁾							
Recurring	\$ 2.3	\$ 1.8	\$ 2.3	\$ 2.6	\$ 2.4	\$ 4.1	\$ 4.3
Single premium	1.3	1.5	1.9	1.8	2.6	2.8	5.0
Total sales	\$ 3.6	\$ 3.3	\$ 4.2	\$ 4.4	\$ 5.0	\$ 6.9	\$ 9.3
Insurance in force (\$ in millions)	\$ 19,565	\$ 19,295	\$ 19,180	\$ 18,937	\$ 18,598	\$ 19,565	\$ 18,598
Policies in force (in thousands)	201	201	201	202	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>	<u>Three Months Ended</u>					<u>Six Months Ended</u>	
	<u>Jun. 30,</u> <u>2020</u>	<u>Mar. 31,</u> <u>2020</u>	<u>Dec. 31,</u> <u>2019</u>	<u>Sept. 30,</u> <u>2019</u>	<u>Jun. 30,</u> <u>2019</u>	<u>Jun. 30,</u> <u>2020</u>	<u>Jun. 30,</u> <u>2019</u>
Revenues							
Net investment income	\$ (0.6)	\$ (0.6)	\$ (0.6)	\$ (0.6)	\$ (0.2)	\$ (1.2)	\$ (0.4)
Other income	0.4	0.4	0.4	0.4	0.3	0.8	0.6
Total revenues	(0.2)	(0.2)	(0.2)	(0.2)	0.1	(0.4)	0.2
Expenses							
Interest expense	3.9	4.0	4.1	4.3	2.9	7.9	5.9
Debt retirement costs	—	—	—	—	—	—	—
Other operating expenses	1.4	1.6	2.3	2.5	5.0	3.0	7.3
Total expenses	5.3	5.6	6.4	6.8	7.9	10.9	13.2
Loss before income taxes	(5.5)	(5.8)	(6.6)	(7.0)	(7.8)	(11.3)	(13.0)
Income tax benefit	(1.1)	(2.0)	(1.1)	(1.9)	(1.6)	(3.1)	(2.7)
Loss after tax	\$ (4.4)	\$ (3.8)	\$ (5.5)	\$ (5.1)	\$ (6.2)	\$ (8.2)	\$ (10.3)
Net investment gains (losses) pretax ⁽¹⁾	3.2	(18.5)	1.7	(2.1)	146.3	(15.3)	153.7
Tax on net investment gains (losses) ⁽¹⁾	0.7	(4.0)	0.4	(0.5)	31.6	(3.3)	33.2
Net investment gains (losses) after tax ⁽¹⁾	2.5	(14.5)	1.3	(1.6)	114.7	(12.0)	120.5
Net income (loss)	\$ (1.9)	\$ (18.3)	\$ (4.2)	\$ (6.7)	\$ 108.5	\$ (20.2)	\$ 110.2

⁽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					Six Months Ended	
	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Jun. 30, 2020	Jun. 30, 2019
Net Investment Income							
Fixed maturity securities ⁽¹⁾							
Taxable	\$ 55.6	\$ 56.0	\$ 52.4	\$ 56.5	\$ 54.5	\$ 111.6	\$ 134.7
Tax-exempt	3.3	3.4	3.6	3.7	4.3	6.7	8.4
Total fixed maturity securities	58.9	59.4	56.0	60.2	58.8	118.3	143.1
Equity securities	1.2	1.2	1.2	1.1	1.4	2.4	2.6
Policy loans	2.3	2.3	2.6	2.2	2.2	4.6	4.5
Senior commercial mortgage loan funds	(1.3)	1.4	1.6	1.7	2.2	0.1	4.1
Limited partnership interests	(2.2)	(4.1)	1.3	5.2	7.3	(6.3)	11.8
Short-term investments and other	0.5	0.6	1.4	1.0	1.0	1.1	2.2
Investment income	59.4	60.8	64.1	71.4	72.9	120.2	168.3
Investment expense	2.9	2.2	2.1	2.2	2.6	5.1	5.2
Total net investment income - investment portfolio	56.5	58.6	62.0	69.2	70.3	115.1	163.1
Investment income - Deposit asset on reinsurance	23.9	23.7	23.8	23.8	23.2	47.6	23.2
Total gross investment income	\$ 80.4	\$ 82.3	\$ 85.8	\$ 93.0	\$ 93.5	\$ 162.7	\$ 186.3
Investment yield, pretax - annualized ⁽²⁾	3.86%	4.02%	4.28%	4.81%	5.14%	3.94%	5.05%
Investment yield, after tax - annualized ⁽²⁾	3.09%	3.21%	3.41%	3.85%	4.11%	3.15%	4.04%
Investment yield, excluding limited partnership interests, pretax - annualized ⁽²⁾	4.39%	4.51%	4.36%	4.62%	4.74%	4.45%	4.79%
Investment yield, excluding limited partnership interests, after tax - annualized ⁽²⁾	3.51%	3.60%	3.48%	3.69%	3.80%	3.55%	3.83%
Portfolio Net Investment Income by Segment							
Property and Casualty	\$ 6.3	\$ 10.3	\$ 8.1	\$ 10.7	\$ 12.7	\$ 16.6	\$ 22.9
Supplemental	4.0	3.5	3.8	3.7	—	7.5	—
Retirement	31.2	29.8	33.5	37.0	39.5	61.0	104.2
Life	15.6	15.6	17.2	18.4	18.3	31.2	36.4
Corporate and Other, including intersegment eliminations	(0.6)	(0.6)	(0.6)	(0.6)	(0.2)	(1.2)	(0.4)
Total net investment income	\$ 56.5	\$ 58.6	\$ 62.0	\$ 69.2	\$ 70.3	\$ 115.1	\$ 163.1
Net Investment Gains (Losses)							
Gross realized gains	\$ 7.4	\$ 5.9	\$ 6.5	\$ 1.9	\$ 149.3	\$ 13.3	\$ 154.7
Gross realized losses, excluding impairment charges	(10.3)	(6.2)	(3.0)	(5.1)	(6.3)	(16.5)	(7.6)
Change in fair value of equity securities	6.6	(14.5)	(0.7)	1.1	3.4	(7.9)	6.9
Other-than-temporary impairment losses	(0.5)	(3.7)	(1.1)	—	(0.1)	(4.2)	(0.3)
Total net investment gains (losses)	\$ 3.2	\$ (18.5)	\$ 1.7	\$ (2.1)	\$ 146.3	\$ (15.3)	\$ 153.7

⁽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>	June 30,		March 31,		December 31,		September 30,		June 30,		March 31,	
<i>(\$ in millions)</i>	2020		2020		2019		2019		2019		2019	
	<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⁾	\$ 6,022.0	87.5 %	\$ 5,843.2	88.5 %	\$ 5,791.7	87.3 %	\$ 5,839.5	86.7 %	\$ 5,534.3	86.2 %	\$ 7,798.0	91.1 %
Equity securities, at fair value	90.3	1.3 %	87.0	1.3 %	101.9	1.5 %	105.5	1.6 %	100.1	1.5 %	105.5	1.2 %
Policy loans, at outstanding balance	152.2	2.2 %	152.8	2.3 %	153.5	2.3 %	153.9	2.3 %	153.5	2.4 %	153.4	1.8 %
Senior commercial mortgage loan funds	117.4	1.7 %	114.8	1.7 %	115.7	1.7 %	119.2	1.8 %	118.4	1.8 %	119.5	1.4 %
Limited partnership interests	274.8	4.0 %	274.5	4.2 %	268.0	4.1 %	235.4	3.5 %	233.1	3.7 %	210.9	2.5 %
Short-term investments and other	224.1	3.3 %	128.9	2.0 %	208.4	3.1 %	279.5	4.1 %	280.2	4.4 %	170.5	2.0 %
Total investments	\$ 6,880.8	100.0%	\$ 6,601.2	100.0%	\$ 6,639.2	100.0%	\$ 6,733.0	100.0%	\$ 6,419.6	100.0%	\$ 8,557.8	100.0%
Asset-backed securities	\$ 427.4	7.1 %	\$ 365.0	6.2 %	\$ 460.2	8.0 %	\$ 472.0	8.1 %	\$ 472.3	8.6 %	\$ 588.9	7.6 %
Collateralized debt/loan obligations	593.0	9.8 %	559.2	9.6 %	619.4	10.7 %	624.4	10.7 %	753.2	13.6 %	789.9	10.1 %
Commercial mortgage-backed securities	348.7	5.8 %	348.1	6.0 %	367.1	6.3 %	361.8	6.2 %	340.5	6.2 %	711.4	9.1 %
Corporate	1,906.0	31.7 %	1,729.6	29.6 %	1,626.8	28.1 %	1,632.9	28.0 %	1,368.7	24.7 %	2,220.4	28.5 %
Municipal	1,805.5	30.0 %	1,770.0	30.3 %	1,686.1	29.1 %	1,676.4	28.7 %	1,599.7	28.9 %	2,083.0	26.7 %
Residential mortgage-backed securities	566.5	9.4 %	602.6	10.3 %	573.2	9.9 %	613.8	10.5 %	433.5	7.8 %	538.9	6.9 %
U.S. Treasuries and government agencies	374.9	6.2 %	468.7	8.0 %	458.9	7.9 %	458.2	7.8 %	566.4	10.2 %	865.5	11.1 %
Total fixed maturity securities	\$ 6,022.0	100.0%	\$ 5,843.2	100.0%	\$ 5,791.7	100.0%	\$ 5,839.5	100.0%	\$ 5,534.3	100.0%	\$ 7,798.0	100.0%
U.S. government/government agencies	\$ 1,125.4	18.7 %	\$ 1,248.8	21.4 %	\$ 1,209.2	20.9 %	\$ 1,239.8	21.2 %	\$ 1,178.8	21.3 %	\$ 1,708.1	21.9 %
AAA	694.7	11.5 %	669.5	11.5 %	658.2	11.4 %	646.6	11.1 %	676.7	12.2 %	799.0	10.2 %
AA	1,356.0	22.5 %	1,298.4	22.2 %	1,280.1	22.1 %	1,307.0	22.4 %	1,265.2	22.9 %	1,843.6	23.6 %
A	1,226.5	20.4 %	1,267.4	21.7 %	1,340.4	23.1 %	1,334.7	22.9 %	1,251.5	22.6 %	1,653.8	21.2 %
BBB	1,188.7	19.7 %	1,084.2	18.5 %	1,093.3	18.9 %	1,116.3	19.1 %	994.8	18.0 %	1,596.1	20.5 %
BB and below, includes securities not rated	430.7	7.2 %	274.9	4.7 %	210.5	3.6 %	195.1	3.3 %	167.3	3.0 %	197.4	2.6 %
Total fixed maturity securities	\$ 6,022.0	100.0%	\$ 5,843.2	100.0%	\$ 5,791.7	100.0%	\$ 5,839.5	100.0%	\$ 5,534.3	100.0%	\$ 7,798.0	100.0%
INVESTMENTS BY SEGMENT												
Property and Casualty	\$ 1,005.5	14.6 %	\$ 1,017.2	15.4 %	\$ 1,036.3	15.6 %	\$ 1,040.6	15.5 %	\$ 1,038.4	16.2 %	\$ 977.8	11.4 %
Supplemental	611.8	8.9 %	563.6	8.5 %	540.9	8.2 %	533.2	7.9 %	—	—%	—	—%
Retirement and Life	5,263.1	76.5 %	5,016.7	76.0 %	5,060.6	76.2 %	5,158.8	76.6 %	5,362.8	83.5 %	7,572.9	88.5 %
Corporate and Other ⁽²⁾	0.4	—%	3.7	0.1 %	1.4	—%	0.4	—%	18.4	0.3 %	7.1	0.1 %
Total investments	\$ 6,880.8	100.0%	\$ 6,601.2	100.0%	\$ 6,639.2	100.0%	\$ 6,733.0	100.0%	\$ 6,419.6	100.0%	\$ 8,557.8	100.0%

⁽¹⁾ Amortized Cost of \$5,604.4, \$5,653.4, \$5,457.0, \$5,453.4, \$5,241.8, and \$7,487.5, at June 30, 2020, March 31, 2020, December 31, 2019, September 30, 2019, June 30, 2019, and March 31, 2019, 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 United States of America (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 United States of America (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

For Period Ended

(\$ in millions after tax)

	Three Months Ended					Six Months Ended	
	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Jun. 30, 2020	Jun. 30, 2019
Reconciliation of Net Income to Core Earnings							
Net income	\$ 30.5	\$ 18.5	\$ 33.0	\$ 25.4	\$ 93.8	\$ 49.0	\$ 126.0
Less: Net investment gains (losses)	2.5	(14.5)	1.3	(1.6)	114.7	(12.0)	120.5
Other expense - goodwill impairment	—	—	—	—	(28.0)	—	(28.0)
Core earnings*	\$ 28.0	\$ 33.0	\$ 31.7	\$ 27.0	\$ 7.1	\$ 61.0	\$ 33.5
Pretax net income	\$ 37.4	\$ 18.5	\$ 40.3	\$ 30.5	\$ 127.0	\$ 55.9	\$ 165.6
Less: Pretax net investment gains (losses)	3.2	(18.5)	1.7	(2.1)	146.3	(15.3)	153.7
Other expense - goodwill impairment	—	—	—	—	(28.0)	—	(28.0)
Pretax core earnings*	\$ 34.2	\$ 37.0	\$ 38.6	\$ 32.6	\$ 8.7	\$ 71.2	\$ 39.9
Reconciliation of Net Income per Share to Core Earnings per Share on a Basic and Diluted Basis							
Net income per share (basic)	\$ 0.73	\$ 0.44	\$ 0.79	\$ 0.61	\$ 2.25	\$ 1.17	\$ 3.02
Less: Net investment gains (losses)	0.06	(0.35)	0.03	(0.04)	2.75	(0.29)	2.89
Other expense - goodwill impairment	—	—	—	—	(0.67)	—	(0.67)
Core earnings per share (basic)*	\$ 0.67	\$ 0.79	\$ 0.76	\$ 0.65	\$ 0.17	\$ 1.46	\$ 0.80
Net income per diluted share	0.73	\$ 0.44	\$ 0.78	\$ 0.60	\$ 2.24	\$ 1.17	\$ 3.01
Less: Net investment gains (losses)	0.06	(0.34)	0.03	(0.04)	2.74	(0.28)	2.88
Other expense - goodwill impairment	—	—	—	—	(0.67)	—	(0.67)
Core earnings per diluted share*	\$ 0.67	\$ 0.78	\$ 0.75	\$ 0.64	\$ 0.17	\$ 1.45	\$ 0.80

HORACE MANN EDUCATORS CORPORATION

RECONCILIATIONS OF GAAP MEASURES TO NON-GAAP MEASURES

<u>For Period Ended</u>	<u>Three Months Ended</u>					<u>Six Months Ended</u>	
	<u>Jun. 30,</u>	<u>Mar. 31,</u>	<u>Dec. 31,</u>	<u>Sept. 30,</u>	<u>Jun. 30,</u>	<u>Jun. 30,</u>	<u>Jun. 30,</u>
<i>(\$ in millions)</i>	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Reconciliation of Return on Equity							
Average Shareholders' Equity							
Shareholders' equity	\$ 1,639.8	\$ 1,477.6	\$ 1,567.3	\$ 1,578.6	\$ 1,499.7	\$ 1,639.8	\$ 1,499.7
Net unrealized investment gains on fixed maturity securities	279.1	136.7	230.4	266.4	203.1	279.1	203.1
5 quarter average shareholders' equity	1,552.6	1,509.4	1,472.0	1,419.4	1,373.7	1,552.6	1,373.7
2 quarter average shareholders' equity	1,558.7	1,522.5	1,573.0	1,539.2	1,461.7	1,603.6	1,395.2
5 quarter average shareholders' equity excluding net unrealized investment gains on fixed maturity securities	1,329.5	1,299.9	1,270.5	1,248.7	1,231.3	1,329.5	1,231.3
2 quarter average shareholders' equity excluding net unrealized investment gains on fixed maturity securities	1,350.8	1,338.9	1,324.6	1,304.4	1,254.8	1,348.8	1,245.2
Net Income Return on Equity - LTM							
Numerator: LTM net income	\$ 107.4	\$ 170.7	\$ 184.4	\$ 131.1	\$ 118.2	\$ 107.4	\$ 118.2
Denominator: 5 quarter average shareholders' equity	1,552.6	1,509.4	1,472.0	1,419.4	1,373.7	1,552.6	1,373.7
Net income ROE - LTM	6.9%	11.3%	12.5%	9.2%	8.6%	6.9%	8.6%
Net Income Return on Equity - Annualized							
Numerator: Annualized net income	\$ 122.0	\$ 74.0	\$ 132.0	\$ 101.6	\$ 375.2	\$ 98.0	\$ 252.0
Denominator: 2 quarter average shareholders' equity	1,558.7	1,522.5	1,573.0	1,539.2	1,461.7	1,603.6	1,395.2
Net income ROE - Annualized	7.8%	4.9%	8.4%	6.6%	25.7%	6.1%	18.1%
Core Return on Equity - LTM							
Numerator: LTM core earnings	\$ 119.7	\$ 98.8	\$ 92.2	\$ 51.8	\$ 35.1	\$ 119.7	\$ 35.1
Denominator: 5 quarter average shareholders' equity excluding net unrealized investment gains on fixed maturity securities	1,329.5	1,299.9	1,270.5	1,248.7	1,231.3	1,329.5	1,231.3
Core ROE - LTM	9.0%	7.6%	7.3%	4.1%	2.9%	9.0%	2.9%
Core Return on Equity - Annualized							
Numerator: Annualized core earnings	\$ 112.0	\$ 132.0	\$ 126.8	\$ 108.0	\$ 28.4	\$ 122.0	\$ 67.0
Denominator: 2 quarter average shareholders' equity excluding net unrealized investment gains on fixed maturity securities	1,350.8	1,338.9	1,324.6	1,304.4	1,254.8	1,348.8	1,245.2
Core ROE - Annualized	8.3%	9.9%	9.6%	8.3%	2.3%	9.0%	5.4%

HORACE MANN EDUCATORS CORPORATION

RECONCILIATIONS OF GAAP MEASURES TO NON-GAAP MEASURES

<u>For Period Ended</u> (\$ in millions)	Twelve Months Ended				
	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019
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	\$ 1,639.8	\$ 1,477.6	\$ 1,567.3	\$ 1,578.6	\$ 1,499.7
Denominator: Common shares outstanding	41.3	41.3	41.2	41.2	41.2
Book value per common share	\$ 39.69	\$ 35.80	\$ 38.01	\$ 38.30	\$ 36.41
Book value per common share, excluding net unrealized investment gains on fixed maturity securities*					
Numerator: Common shareholders' equity	\$ 1,639.8	\$ 1,477.6	\$ 1,567.3	\$ 1,578.6	\$ 1,499.7
Less: Net unrealized investment gains on fixed maturity securities	279.1	136.7	230.4	266.4	203.1
Adjusted common shareholders' equity	1,360.7	1,340.9	1,336.9	1,312.2	1,296.6
Denominator: Common shares outstanding	41.3	41.3	41.2	41.2	41.2
Book value per common share, excluding net unrealized investment gains on fixed maturity securities*	\$ 32.93	\$ 32.49	\$ 32.42	\$ 31.84	\$ 31.48
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	\$ 437.2	\$ 433.1	\$ 433.0	\$ 433.0	\$ 297.9
Denominator:					
Total debt	437.2	433.1	433.0	433.0	297.9
Common shareholders' equity	1,639.8	1,477.6	1,567.3	1,578.6	1,499.7
Total capital	2,077.0	1,910.7	2,000.3	2,011.6	1,797.6
Debt to total capitalization	21.0%	22.7%	21.6%	21.5%	16.6%
Debt to total capitalization excluding net unrealized investment gains on fixed maturity securities					
Numerator: Total debt	\$ 437.2	\$ 433.1	\$ 433.0	\$ 433.0	\$ 297.9
Denominator:					
Total debt	437.2	433.1	433.0	433.0	297.9
Common shareholders' equity	1,639.8	1,477.6	1,567.3	1,578.6	1,499.7
Less: Net unrealized investment gains on fixed maturity securities	279.1	136.7	230.4	266.4	203.1
Adjusted common shareholders' equity	1,797.9	1,774.0	1,769.9	1,745.2	1,594.5
Debt to total capitalization excluding net unrealized investment gains on fixed maturity securities	24.3%	24.4%	24.5%	24.8%	18.7%

HORACE MANN EDUCATORS CORPORATION

RECONCILIATIONS OF GAAP MEASURES TO NON-GAAP MEASURES

For Period Ended

(\$ in millions after tax)

	Three Months Ended					Six Months Ended	
	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Jun. 30, 2020	Jun. 30, 2019
Reconciliation of Investment Yield Excluding Limited Partnership Interests							
Numerator:							
Total net investment income, pretax	\$ 80.4	\$ 82.3	\$ 85.8	\$ 93.0	\$ 93.5	\$ 162.7	\$ 186.3
Less: Investment income on deposit asset on reinsurance	23.9	23.7	23.8	23.8	23.2	47.6	23.2
Investment income (loss) on limited partnership interests	(3.5)	(2.7)	2.9	6.9	9.5	(6.2)	15.9
Adjusted net investment income, pretax	60.0	61.3	59.1	62.3	60.8	121.3	147.2
Denominator:							
Adjusted investment portfolio, beginning of period ⁽¹⁾	\$ 5,452.2	\$ 5,425.8	\$ 5,417.3	\$ 5,381.9	\$ 5,203.0	\$ 5,425.8	\$ 7,105.8
Adjusted investment portfolio, end of period ⁽¹⁾	5,480.5	5,452.2	5,425.8	5,417.3	5,050.6	5,480.5	5,050.6
Average adjusted investment portfolio for the period	5,466.4	5,439.0	5,421.6	5,399.6	5,126.8	5,453.2	6,078.2
Investment yield, excluding limited partnership interests, pretax - annualized ⁽²⁾	4.39%	4.51%	4.36%	4.62%	4.74%	4.45%	4.79%
Investment yield, excluding limited partnership interests, after tax - annualized ^{(2) (3)}	3.51%	3.60%	3.48%	3.69%	3.80%	3.55%	3.83%
⁽¹⁾ Represents the carrying amount of total investment portfolio as presented in the Consolidated Balance Sheets adjusted to exclude FHLB funding agreements, the carrying amount of limited partnership interests, and gross unrealized investment gains/losses.							
⁽²⁾ For each of the three month periods presented, investment yields are calculated by annualizing the result of year-to-date net investment income divided by the average quarter-end and beginning of quarter carrying amount of invested assets. For the periods ended June 30, 2020 and 2019 presented, investment yields are calculated by (i) summing the investment yields for each respective three month period applicable to the period and (ii) dividing that sum per the calculation in (i) by two.							
⁽³⁾ Investment yield, excluding limited partnership interests, after tax - annualized is calculated using the effective tax rate in effect for each applicable period.							

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>Six Months Ended</u>	
	<u>Jun. 30,</u> <u>2020</u>	<u>Mar. 31,</u> <u>2020</u>	<u>Dec. 31,</u> <u>2019</u>	<u>Sept. 30,</u> <u>2019</u>	<u>Jun. 30,</u> <u>2019</u>	<u>Jun. 30,</u> <u>2020</u>	<u>Jun. 30,</u> <u>2019</u>
Property and Casualty							
Claims and claims expense ("loss") ratio	69.2	62.7	62.9	69.8	77.3	65.9	72.8
Expense ratio	26.2	25.9	27.4	26.4	26.5	26.1	26.9
Combined ratio	95.4	88.6	90.3	96.2	103.8	92.0	99.7
Loss ratio	69.2	62.7	62.9	69.8	77.3	65.9	72.8
Less: effect of catastrophe losses	22.2	5.3	2.6	8.6	12.9	13.5	9.6
effect of prior years' reserve development	(0.6)	(0.6)	—	(2.1)	(1.2)	(0.6)	(1.2)
Underlying loss ratio*	47.6	58.0	60.3	63.3	65.6	53.0	64.4
Reconciliation of combined ratio to underlying combined ratio							
Combined ratio	95.4	88.6	90.3	96.2	103.8	92.0	99.7
Effect of catastrophe costs	22.2	5.3	2.6	8.6	12.9	13.5	9.6
Effect of prior years' reserve development	(0.6)	(0.6)	—	(2.1)	(1.2)	(0.6)	(1.2)
Underlying combined ratio*	73.8	83.9	87.7	89.7	92.1	79.1	91.3
Auto							
Claims and claims expense ("loss") ratio	53.2	65.8	72.0	65.8	73.8	59.8	72.3
Expense ratio	27.1	25.9	27.7	26.6	26.6	26.5	26.9
Combined ratio	80.3	91.7	99.7	92.4	100.4	86.3	99.2
Loss ratio	53.2	65.8	72.0	65.8	73.8	59.8	72.3
Less: effect of catastrophe losses	3.1	0.2	0.1	2.1	1.9	1.5	1.3
effect of prior years' reserve development	—	(0.9)	—	(3.0)	(0.9)	(0.5)	(0.9)
Underlying loss ratio*	50.1	66.5	71.9	66.7	72.8	58.8	71.9
Reconciliation of combined ratio to underlying combined ratio							
Combined ratio	80.3	91.7	99.7	92.4	100.4	86.3	99.2
Effect of catastrophe costs	3.1	0.2	0.1	2.1	1.9	1.5	1.3
Effect of prior years' reserve development	—	(0.9)	—	(3.0)	(0.9)	(0.5)	(0.9)
Underlying combined ratio*	77.2	92.4	99.6	93.3	99.4	85.3	98.8

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					Six Months Ended	
	Jun. 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019	Jun. 30, 2019	Jun. 30, 2020	Jun. 30, 2019
Property							
Claims and claims expense ("loss") ratio	99.1	56.5	44.5	78.2	84.8	77.8	73.9
Expense ratio	24.8	26.2	27.0	26.1	26.6	25.5	27.1
Combined ratio	123.9	82.7	71.5	104.3	111.4	103.3	101.0
Loss ratio	99.1	56.5	44.5	78.2	84.8	77.8	73.9
Less: effect of catastrophe losses	57.9	15.8	7.4	22.6	36.8	36.8	27.6
effect of prior years' reserve development	(1.8)	—	—	—	(1.8)	(0.9)	(1.9)
Underlying loss ratio*	43.0	40.7	37.1	55.6	49.8	41.9	48.2
Reconciliation of combined ratio to underlying combined ratio							
Combined ratio	123.9	82.7	71.5	104.3	111.4	103.3	101.0
Effect of catastrophe costs	57.9	15.8	7.4	22.6	36.8	36.8	27.6
Effect of prior years' reserve development	(1.8)	—	—	—	(1.8)	(0.9)	(1.9)
Underlying combined ratio*	67.8	66.9	64.1	81.7	76.4	67.4	75.3

HORACE MANN EDUCATORS CORPORATION

RATINGS AND CONTACT INFORMATION

Address:

1 Horace Mann Plaza
Springfield, IL 62715

Corporate Website:

www.horacemann.com

Contact:

Heather J. Wietzel

Vice President

Investor Relations

Phone: 217-788-5144

Heather.Wietzel@horacemann.com

As of June 30, 2020

	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
National Teachers Associates Life Insurance Company of New York	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.