# Full-year 2021 Investor Presentation

February 1, 2022

Horace Mann

Information as December 31, 2021, unless otherwise noted; slide 16 contains clarification as of Feb. 2, 2022

# Safe Harbor Statement and Non-GAAP Measures

Certain statements made in this presentation should be considered forward-looking as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events. These statements are related to our intentions, beliefs, projections, estimations or forecasts of future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results to be materially different from those expressed or implied by the forward-looking statements. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as anticipate, estimate, expect, project, intend, plan, believe and other words and terms of similar meaning in connection with a discussion of future operating or financial performance. We caution investors that these forward-looking statements are not guarantees of future performance, and actual results may differ materially.

Investors should consider the important risks and uncertainties that may cause such differences, including those risks discussed in our most recent Form 10-K and Form 10-Q filed with the Securities and Exchange Commission (SEC). Our forward-looking statements speak only as of the date of this presentation or as of the date they were made, and we undertake no obligation to update those statements.

The historical and forward-looking financial information contained in this presentation includes measures (marked with * the first time they are presented within this document) that are not based on accounting principles generally accepted in the United States of America (non-GAAP) such as core earnings, core earnings per share, pretax reporting segment income excluding DAC unlocking, and book value per share excluding some components of accumulated other comprehensive income. An explanation of these measures is contained in the Glossary of Selected Terms included as Exhibit 99.1 in our most recent Form 8-K filed with the SEC and are reconciled to the most directly comparable measures prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) in the Appendix of the most current Investor Supplement available on our website at investors.horacemann.com.

# Our Foundation: Financially sound company with strong strategy for profitable growth




- 1945: Founded by Educators for Educators to sell auto insurance
- 1961: Began offering 403(b) tax-qualified annuities
- 1991: Listed on NYSE (HMN)
- 2019: Acquired educator-centric NTA Life with 50-year history serving educators
- 2022: Acquired educator-centric Madison National Life with 60 years of experience




- $14.4B in assets(1)
- $1.3B in premium and contract deposits for 2021
- $1.6B market capitalization(2)
- Highly rated by all four major rating agencies




- Educators have preferred risk profile
- Homogeneous customer set
- Serving about half of school locations(3) in our market footprint




- Business mix balanced between segments
- Ability to provide total household solutions
- Provides earnings diversification

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

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(1) As of December 31, 2021
(2) Based on stock price as of January 31, 2022
(3) Includes school buildings and administration locations

# Driven by a noble mission

## Mission

We listen to and understand educators and those who serve our community. They are taking care of our children's future. We believe they deserve someone to look after theirs.

## Vision

We aspire to be the company of choice to provide financial solutions for all educators and others who serve our communities - to help them protect what they have today and prepare for a successful tomorrow.

## Value Proposition

We understand and solve the issues facing educators and others who serve the community, helping them achieve financial success to live better and retire happier.

# Commitment to making a positive impact extends to all stakeholders

Our ESG commitment is ingrained in long-term strategy and day-to-day operations

We are **committed to reducing our carbon footprint**, as well as monitoring and managing climate change risks that affect our stakeholders.

- Recognize the importance of carbon neutrality and actively working to reduce carbon footprint through installation of solar panels, more efficient HVAC system, LED lighting and lighting motion sensors
- Reducing amount of waste at owned location through active recycling programs, replacing building piping and digitizing processes

We strive to have a **significant positive social impact on America's educational community**, our employees and the communities in which we live and work.

- Undertaking DEI initiatives to foster an inclusive culture where individual differences are recognized, respected and appreciated
- Horace Mann Educators Foundation honors dedication of America's educators by supporting them in their efforts to help each student reach their full potential
- Support for educators and our communities during pandemic reflects commitment to our mission

We are committed to following corporate governance best practices to ensure a **financially strong company that operates ethically.**

- Board formally oversees ESG strategy and programs, illustrating the significance of these programs to our company
- Follow comprehensive risk management processes to protect against cybersecurity threats and to ensure customer privacy
- Corporate governance policies aligned with long-term shareholder interests

# Value proposition for educator customers delivered through focus on “PDI”

Provided roadmap for fix-and-build and transformational stages

## Serving K-12 Educator Market

**Homogenous customer set with attractive risk profiles**

**Solutions orientation addresses needs at every life stage**

## Focused on “PDI”

### Products

- Products designed to meet educators’ needs and protect their unique risks

### Distribution

- Knowledgeable, trusted distribution tailored to educator preferences

### Infrastructure

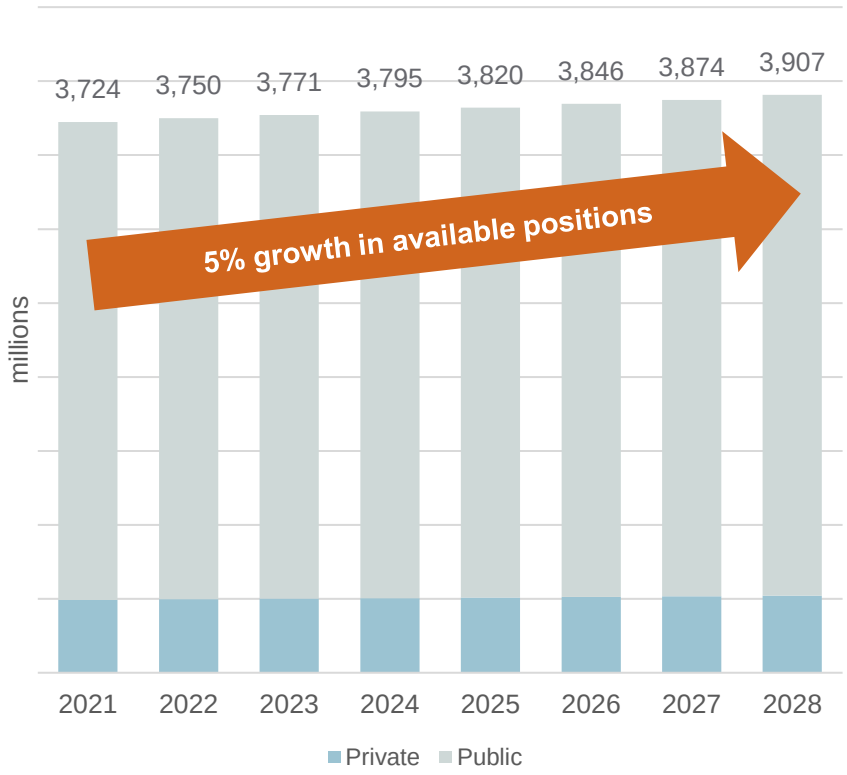
- Modern, scalable infrastructure that is easy to do business with

**Finding best solution to achieve long-term objectives**

# Sizeable, growing opportunity in core K-12 education market

Additional opportunities to grow in legacy adjacent markets

**U.S. elementary and secondary education teachers, projected(1)**




- 7.5 million K-12 educators nationwide(1)
  - Includes teachers, administrators and support staff
  - Adjacent segments include higher education and students preparing to teach
  - Customer base of recent acquisitions are 80% educators
    - NTA has long served firefighter community
    - MNL has long served other public employees
- Education profession generally insulated from larger job market concerns
- Customer relationships following transactions ~1 million total households across our market footprint

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(1) National Center for Education Statistics

# K-12 education a homogeneous market with similar customer characteristics and goals

Reachable through both retail and worksite channels




- Strong desire for guidance and education
- Committed to protecting retirement needs and dependents
- Live close to work; seldom drive during rush hour or inclement weather
- Loyalty results in strong retention




- Passion for education and helping students prepare for the future
- Put in hours of work outside school hours to meet individual student needs
- Choose to forego more lucrative private sector jobs to make a difference




- Need for K-12 educators continues to grow
- Competing with private sector for talent
- State and local budgets often dictate educator salaries
- Benefits valuable recruitment and retention tools for school districts

# Relevance for educators grows with expanded worksite capabilities

Helping educators protect what they have today and prepare for a successful tomorrow

| Retail solutions | Worksite solutions |
| --- | --- |
| • Solutions directly selected by an educator, often working with a trusted financial advisor<br>• Leverages exclusive local agency distribution<br>• Includes Property & Casualty and Life & Retirement segments<br>• Opportunity to coordinate cross-sell to educators covered by worksite solutions | • Solutions offered to educators via their district employer<br>• Consultative worksite enrollment process leverages independent brokers<br>• Includes business lines from NTA and MNL<br>• Opportunity to leverage district relationships developed through retail solutions |

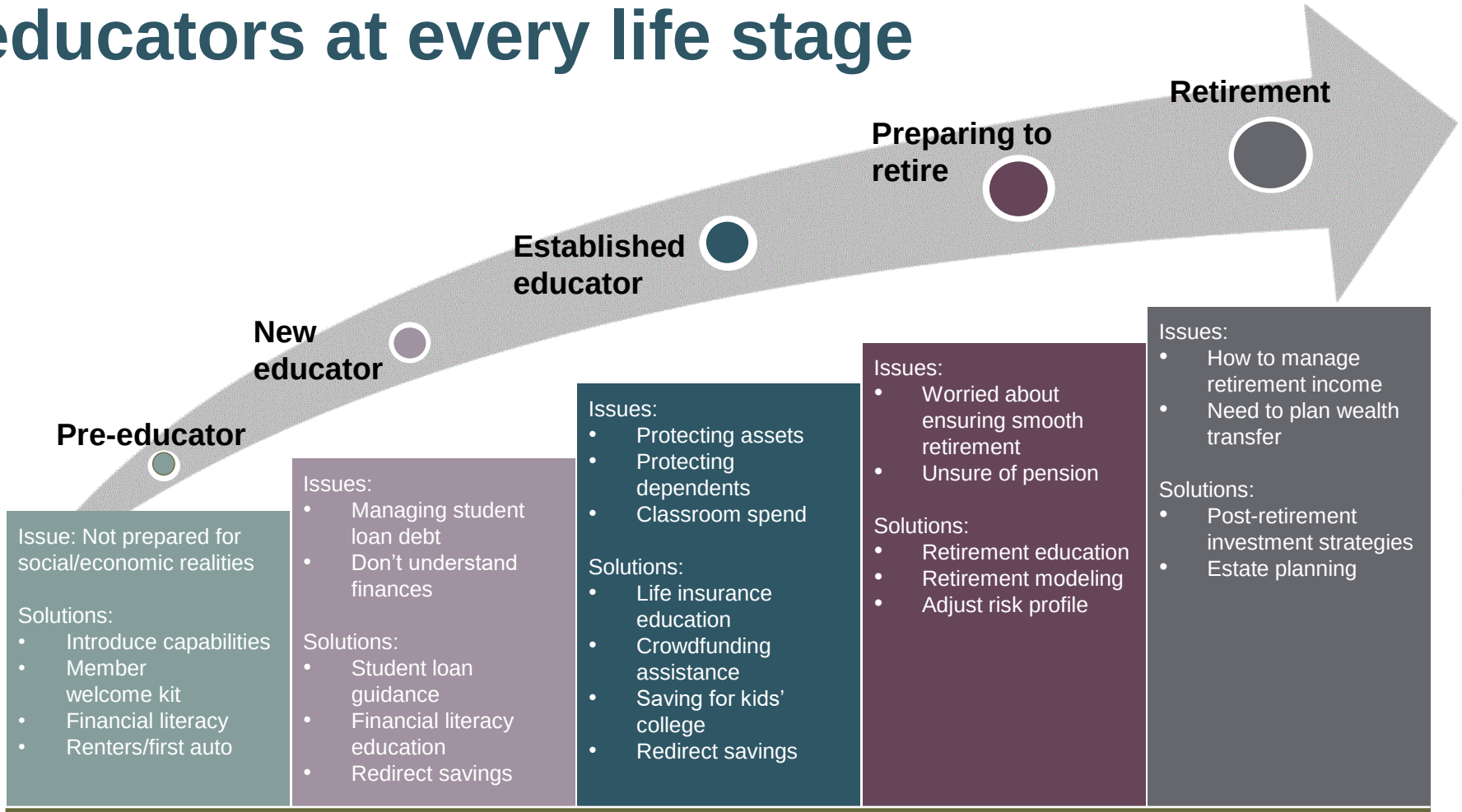
**Educators**

Homogenous customer set with attractive risk profiles

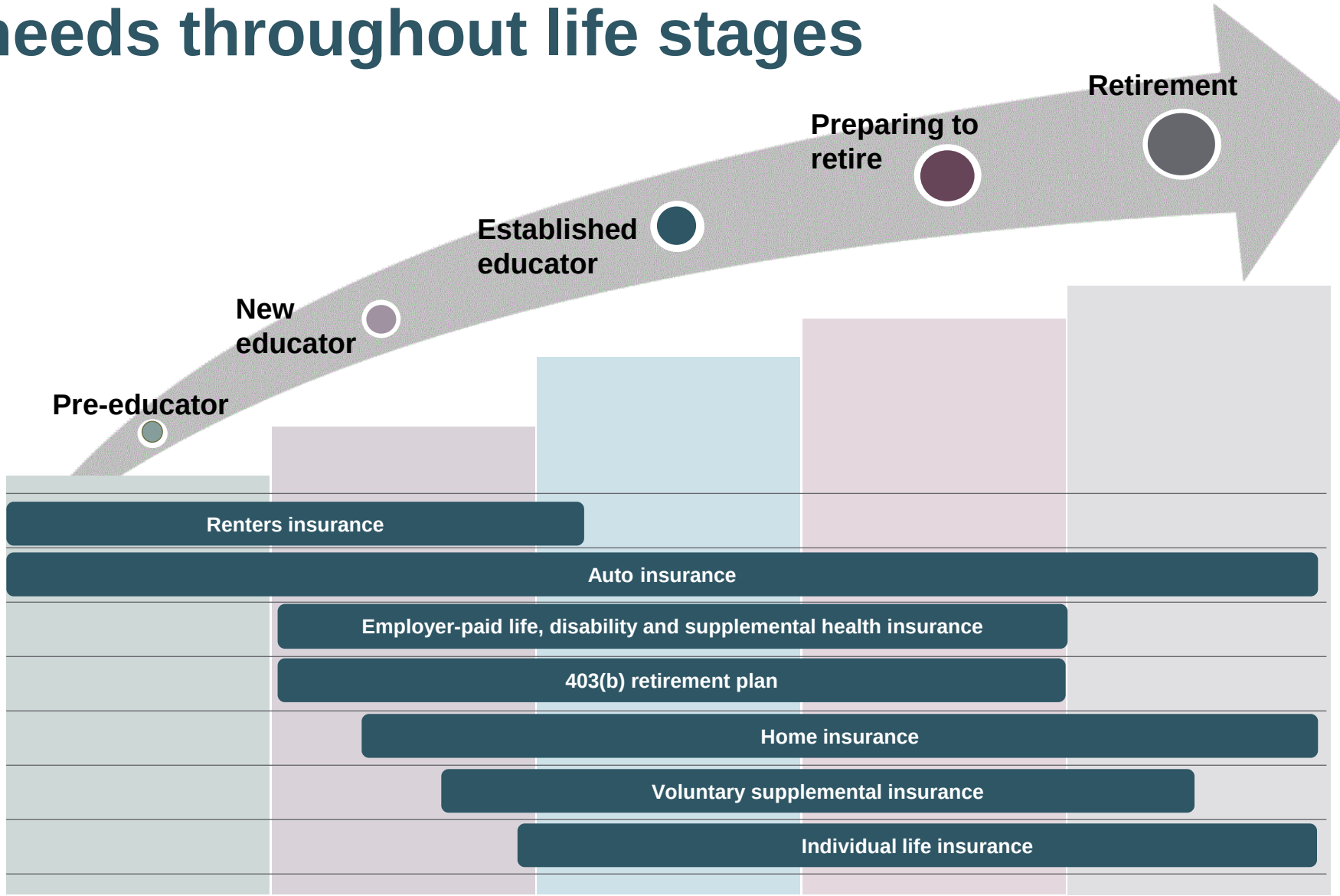
Solutions orientation addresses needs at every life stage

Enhancing reputation of “Horace Mann Companies” as we bring together three organizations with decades of commitment to educators

# Strategic emphasis on solutions tailored for educators at every life stage

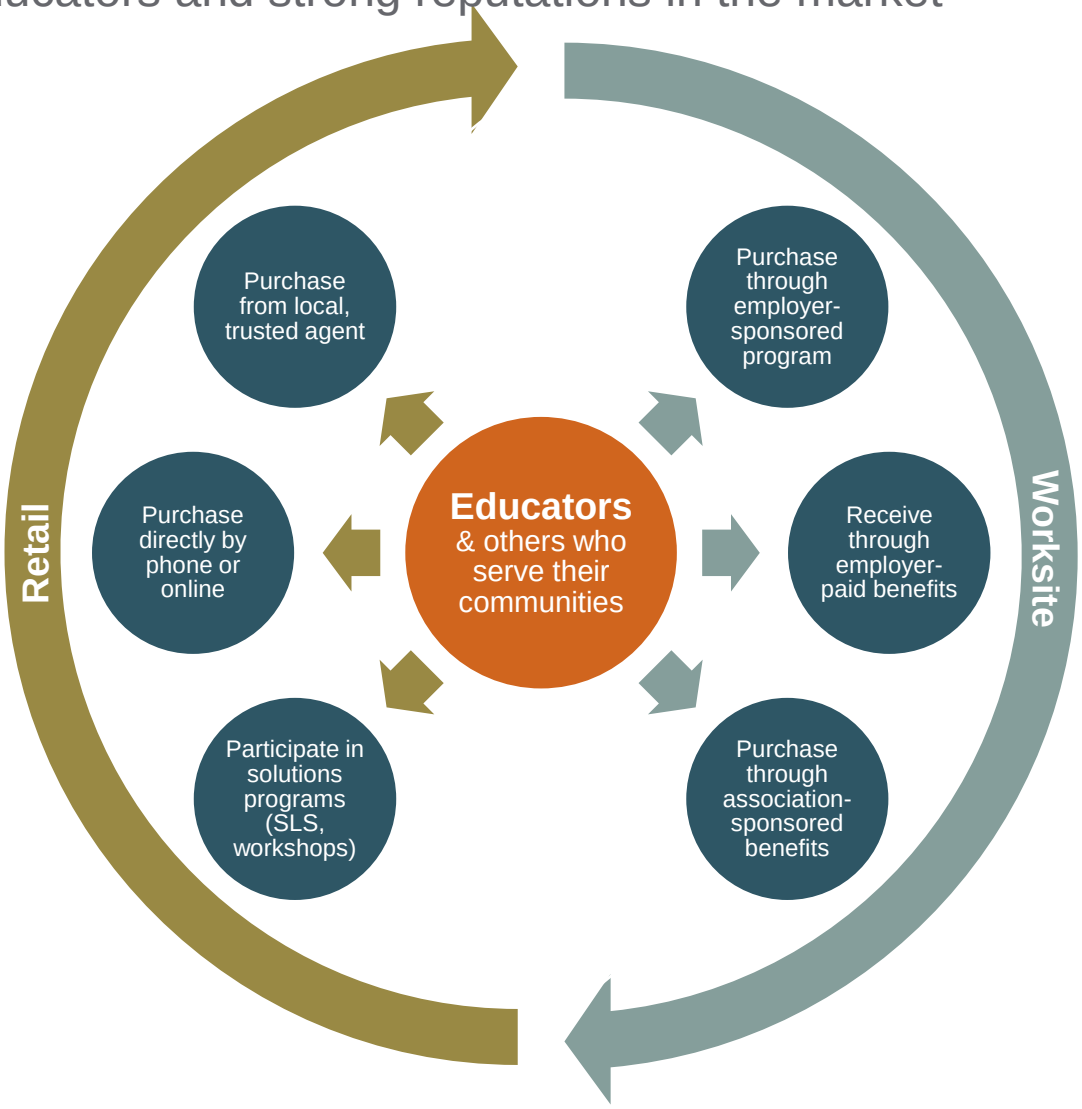


# Expanded product set aligns with educator needs throughout life stages



# Enables customers to engage with Horace Mann the way they choose

"Horace Mann Companies" brings together three organizations with decades of commitment to educators and strong reputations in the market



# Addition of worksite solutions caps multi-year transformation

Successfully navigating pandemic environment

## FIX AND BUILD: PRE-2019

- Established solutions orientation
- Filled PDI gaps to set stage for profitable growth
- Established direct-to-educators sales channel and added new capabilities with Horace Mann General Agency
- Centralized disparate ESG efforts into a formal Corporate Social Responsibility function

## TRANSFORMATION: 2019-2021

Initiated pre-pandemic

- Improved key levers of underlying profitability improvement, including seven-point improvement in underlying auto loss ratio
- Added Supplemental segment: 150,000 households and additional agents with NTA acquisition
- Added infrastructure to improve value to the B2B market with acquisition of BCG
- Improved Retirement segment profitability and reduced interest-rate risk with annuity reinsurance transaction
- Optimized investment portfolio

Pivots during pandemic

- Optimized and virtualized sales process
- Enhanced worksite capabilities to better serve school districts and administrators
- Invested in agency success and aligned agent resources to provide support needed
- Leveraged roll out of Guidewire administration platform to accelerate growth in key P&C states
- Implemented expense optimization initiatives

## LEVERAGE LEADERSHIP: 2022 AND BEYOND

**Horace Mann enters 2022 prepared for leadership stage of growth journey**

**Key levers:**

- Cross-sell educators
- Leverage Auto
- Maximize worksite opportunity
- Enhance digital capabilities
- Embed distinctive service in organization

# Leverage leadership stage: Targeting growth across all product lines in 2022 and beyond

Strategies to leverage leadership focus on initiatives to maximize profitable growth and gain market share

**LEVERAGE LEADERSHIP: 2022 AND BEYOND**

**Cross-sell educators**

Continue incenting exclusive agents to cross-sell existing households

**Leverage Auto**

Leverage industry-leading auto profitability to add new households

**Maximize worksite opportunity**

Further strengthen distribution partnerships to maximize opportunities for employer-paid and voluntary products

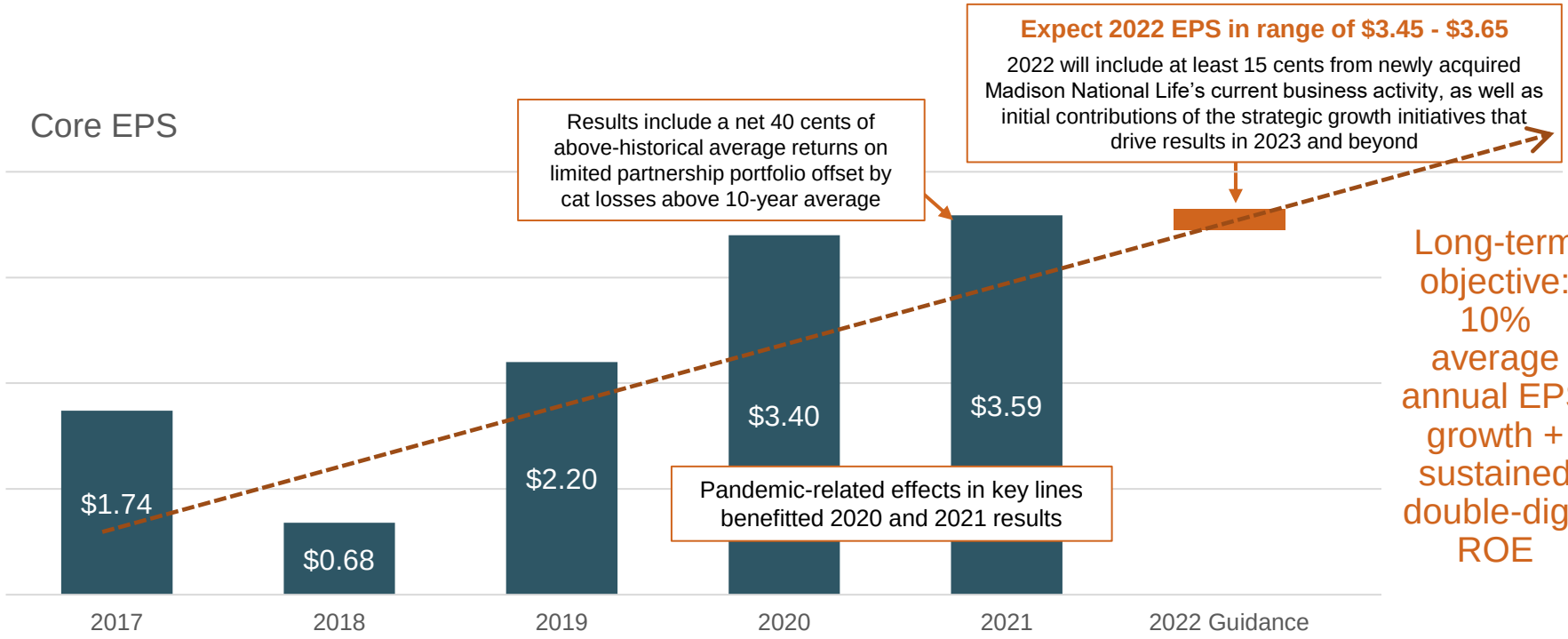
**Enhance digital capabilities**

Continue enhancements to digital capabilities to ensure educators can connect with us in the manner they prefer and maximize operational efficiency

**Embed distinctive service in organization**

Maintain distinctive service mindset with our educator customers at the center of all we do

# Earnings trajectory illustrates clear path to sustainable double-digit ROE through profitable growth




| 2014-2018: Fix and Build | 2019-2021: Transformation | 2022-2025: Leverage Leadership |
|---|---|---|
| ***Our performance:*** Established solutions orientation; filled PDI gaps to set stage for profitable growth | ***Our plan:*** Smart integration of key transactions while executing on fix and build enhancements | ***Our path:*** Accelerated shareholder value creation; significantly larger market share – meeting educator needs wherever they are |

# 2022 core EPS expected to be in range of $3.45 to $3.65

Net investment income expected to in line with 2021, modeling limited partnership portfolio returns closer to the average historical levels

| Segment | 2022 guidance | Key drivers of range |
|---|---|---|
| Property & Casualty | $44 to $48 million | Catastrophe loss ratio of ~9.5 points, in line with 10-year average, Auto loss ratio slightly higher than 2021 level. Net investment income below 2021 following outsized returns. |
| Life & Retirement | $74 to $77 million | Net investment income up, maintaining spread near 2021 level. Mortality returning to actuarial expectations. |
| Supplemental & Group Benefits | $47 to $50 million | Claims utilization near pre-pandemic levels leading to benefit ratio about 35% for voluntary products and about 50% for employer-paid products. |
| **Core earnings** | $145 to $155 million<br>$3.45 to $3.65 per share | Corporate and other segment similar to 2021. |

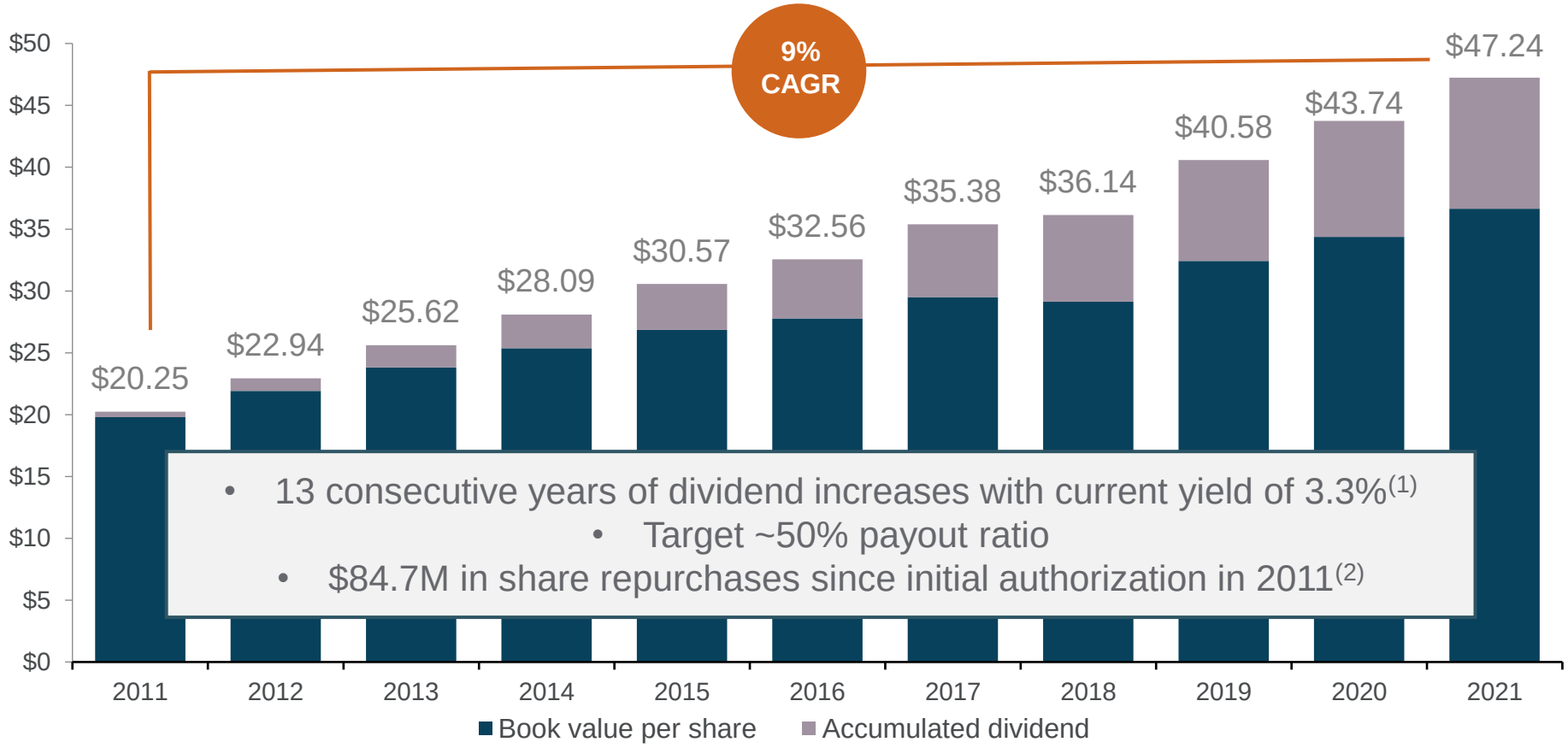
- Expect to generate about $50 million in excess capital annually in 2022 and beyond
- 2022 EPS accretion from Madison National expected to be at least 15 cents
  - Captures Madison's current business activity with additional upside opportunity from growth initiatives
  - 2022 total amortization of intangible assets is expected to increase by 8 to 12 cents per share over 2021.
- Net investment income on managed portfolio expected to be in the range of $310 million to $320 million
  - Limited partnership portfolio returns modeled closer to the historical average
  - Core new money rate about 3.5%
  - Net investment income on deposit asset on reinsurance expected to be ~$100 million
- Full-year 2022 core ROE expected to be near 10%



Slide contains clarification as of Feb. 2, 2022

# Allocation of excess capital to prioritize shareholder value creation

As a larger and more diverse organization, Horace Mann should generate more than $50 million in excess capital each year, available to support growth and to return to shareholders




- 13 consecutive years of dividend increases with current yield of 3.3%(1)
- Target ~50% payout ratio
- $84.7M in share repurchases since initial authorization in 2011(2)

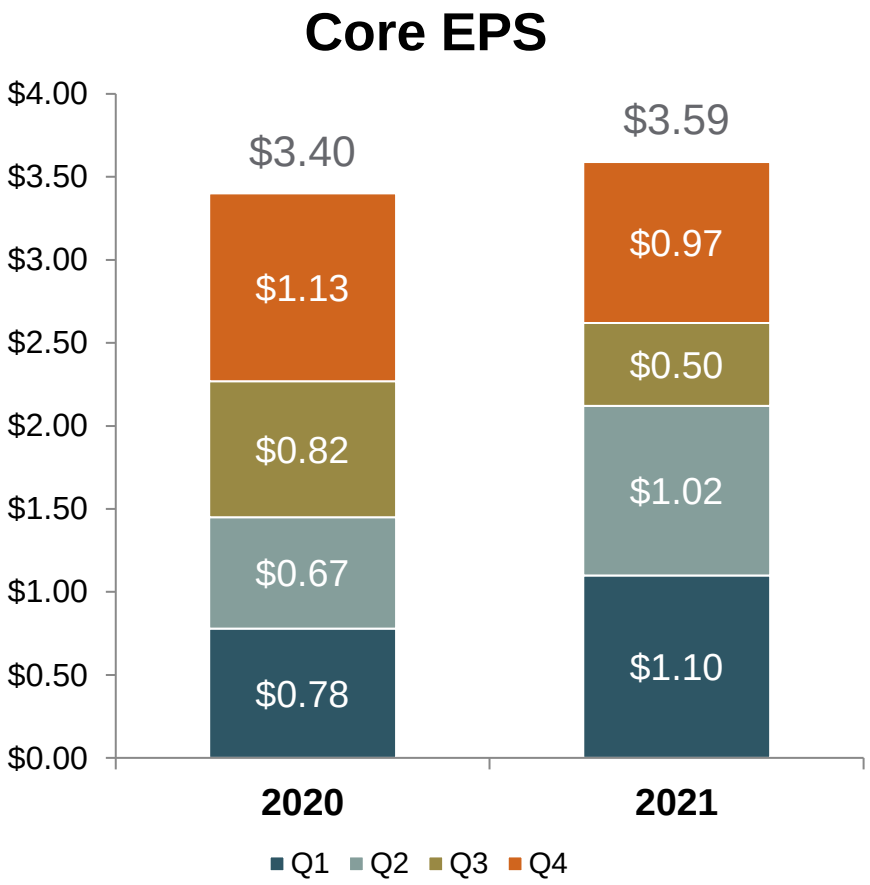
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(1) Based on stock price as of January 31, 2022
(2) Through December 31, 2021

# Business details and results

# 2021 results demonstrate value of multi-year emphasis on products, distribution and infrastructure

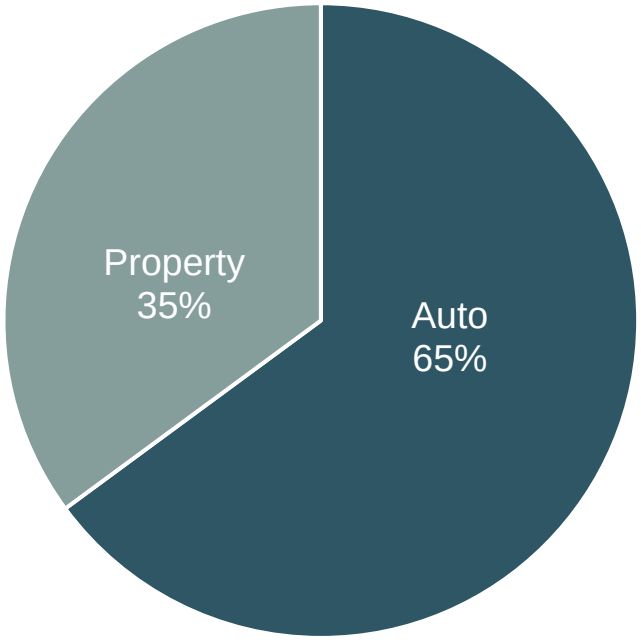
Fourth-quarter earnings for each segment ahead of expectations due to strong net investment income, despite after-tax catastrophe losses of $9 million and higher auto loss ratio




- Full-year core earnings per share* ahead of prior year, largely on 18% increase in net investment income on strong limited partnership portfolio returns
  - Supplemental fourth-quarter sales highest since onset of pandemic
  - Life and Retirement sales up year over year
- Full-year 2021 return on equity of 8.0% with core ROE of 10.3%
- Book value per share up 1% and book value per share excluding net unrealized gains* up 7% from year-end 2020

# P&C segment: Providing coverage to protect what educators have today

## P&C Premiums Written ($608M)[1]




### Opportunity

- Preferred risk profile
- Loyal customers less likely to leave due to rate actions

### Products

- Auto, homeowners, renters and umbrella
- Majority of P&C business is bundled Auto and Home
- Partnerships through Horace Mann General Agency

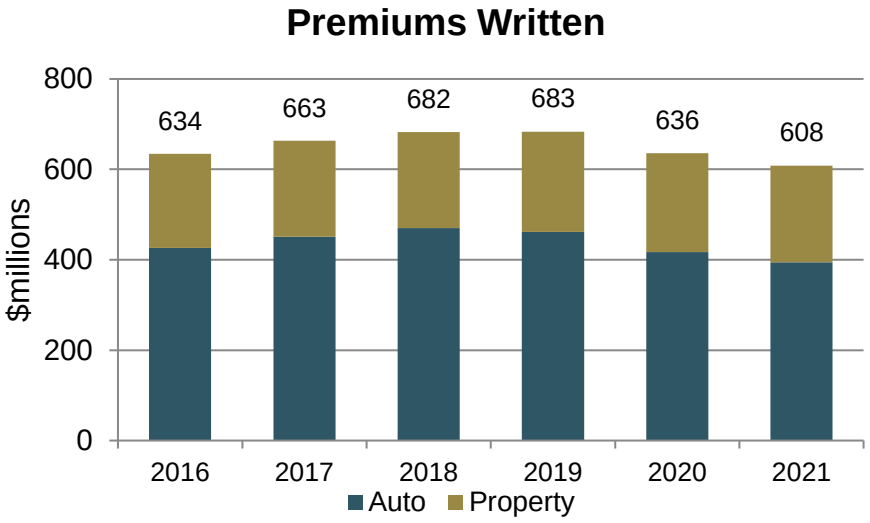
### Strategy

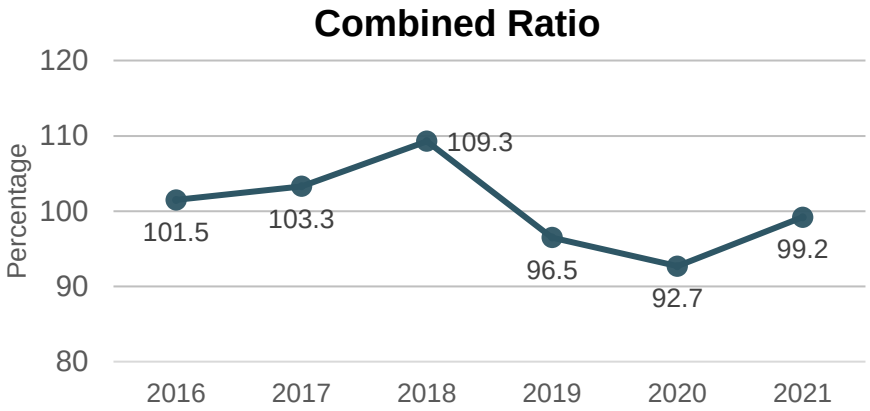
- Continuous improvement of P&C pricing segmentation
- Grow direct channel
- Modernize P&C infrastructure to enhance customer experience and ease of doing business



(1) Based on FY2021

# P&C segment: Core earnings of $57M and continued underlying profitability



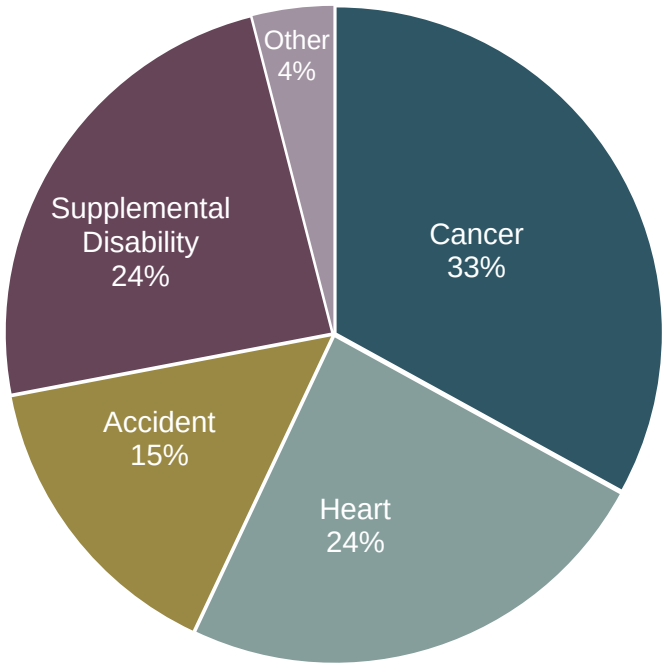




## 2021 results

- Segment profitable for both the fourth quarter and full year with stronger net investment income
  - Catastrophe loss costs above historic averages
  - Full-year auto underlying loss ratio 69.0%, compared to the prior year of 60.4%, as driving patterns steadily returned to a more normal level and inflation continued to affect severity
- Full-year premiums written of $608 million below prior year with new business volume remaining below historical levels due to the continuing impact of pandemic

# Supplemental segment: Providing options for educators to address unexpected events

**Supplemental coverage in-force[(1)]**




**Opportunity**

- Educators facing rising out-of-pocket healthcare costs
- No correlation between Supplemental morbidity risk, Life mortality risk or P&C weather risks

**Products**

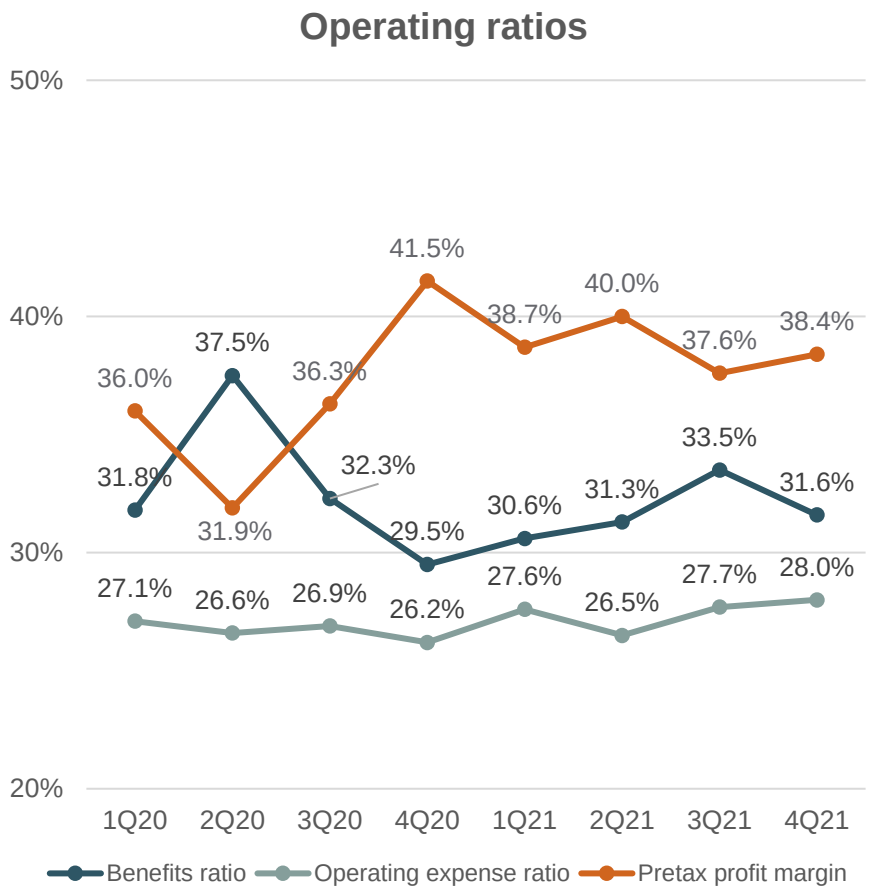
- Individual limited benefit products that are guaranteed renewable and portable
- Products include Cancer, Heart, Hospital and Accident as well as short-term Supplemental Disability

**Strategy**

- Cross-sell existing Horace Mann educator customers
- Work with school districts and administrators to offer Supplemental products to enhance benefit offerings
- Continue to develop distinctive educator-focused individual and group products

(1) As of December 31, 2021

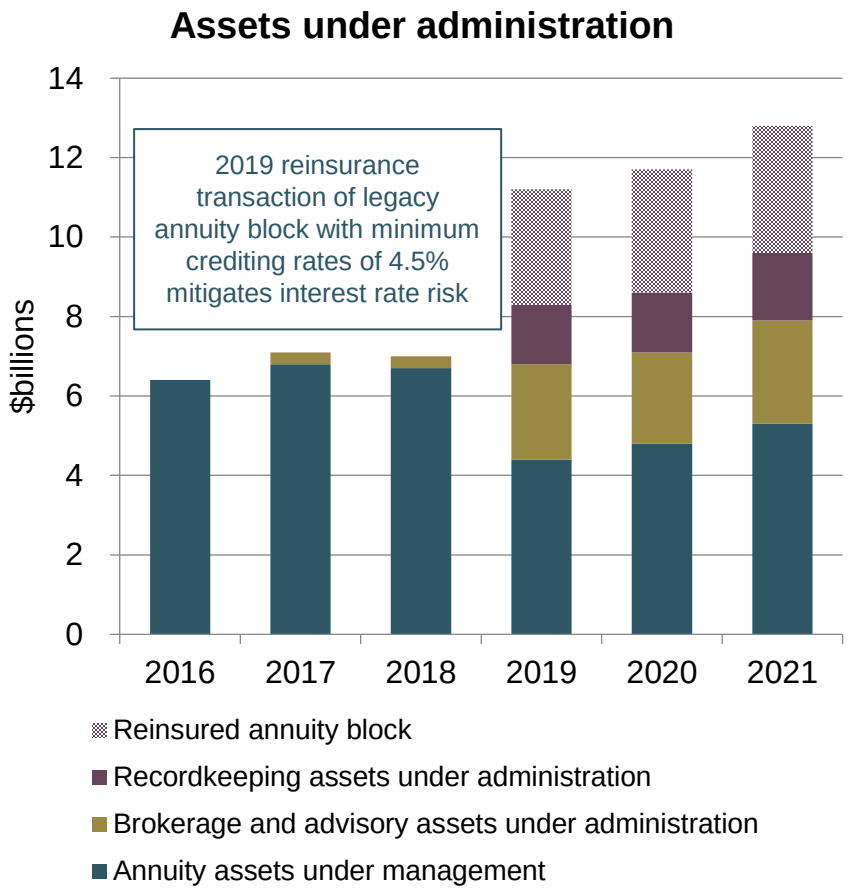
# Supplemental segment: Highest sales quarter since beginning of pandemic




**2021 results**

- $2.2 million in fourth-quarter sales
  - 57.0% increase over 4Q 2020; reflects improving access in some geographies
- Continued strong core earnings* due to:
  - Higher net investment income
  - Favorable business trends including some benefit from changes in policyholder behavior due to pandemic
- Premium persistency remained strong, improving two points in the quarter to 92.5%, reflecting the value educators place on these coverages

# Retirement segment: Helping educators meet their financial goals with tailored solutions




**Opportunity**

- Educators face complicated retirement system offerings
- Educators want guidance to plan for the future

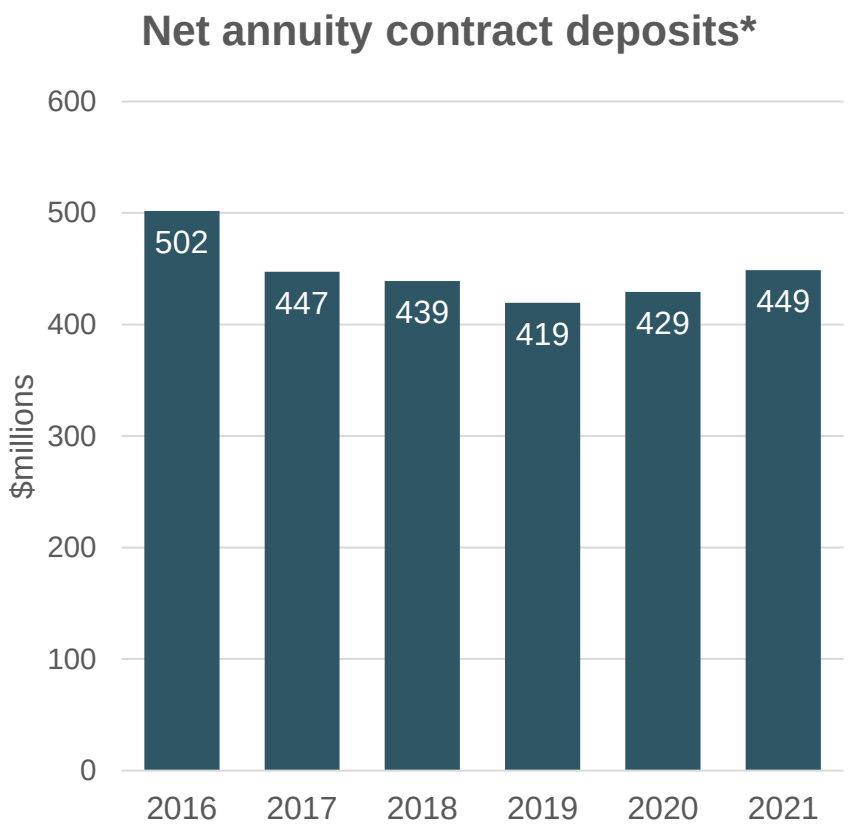
**Products**

- Fixed annuities, variable annuities and Retirement Advantage mutual fund platform
- 62% of traditional annuities in 403(b)

**Strategy**

- Leverage captive agents to build relationships with homogeneous set of customers
- Advanced planning capabilities & tools
- Build out Employer Services capabilities

# Retirement segment: Product suite meets unique needs of educator market

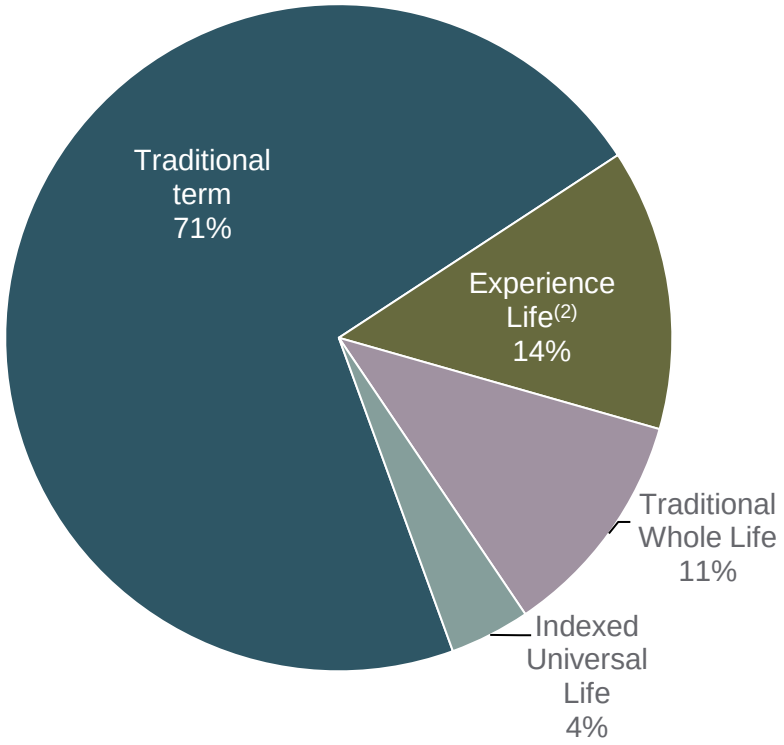



**2021 results**

- 4.6% increase in net annuity contract deposits for full year
- 90.3% rise in core earnings excluding DAC unlocking* on strong investment spread
- Total cash value persistency remained strong at 94.3% for fixed annuities and 94.4% for variable annuities

# Life segment: Sizeable opportunity in our middle-market educator niche

**Individual insurance in force[1]**




**Opportunity**

- Many educators are uninsured or underinsured

**Products**

- Basic coverages appropriate for educator income levels
- Full suite of Life products available

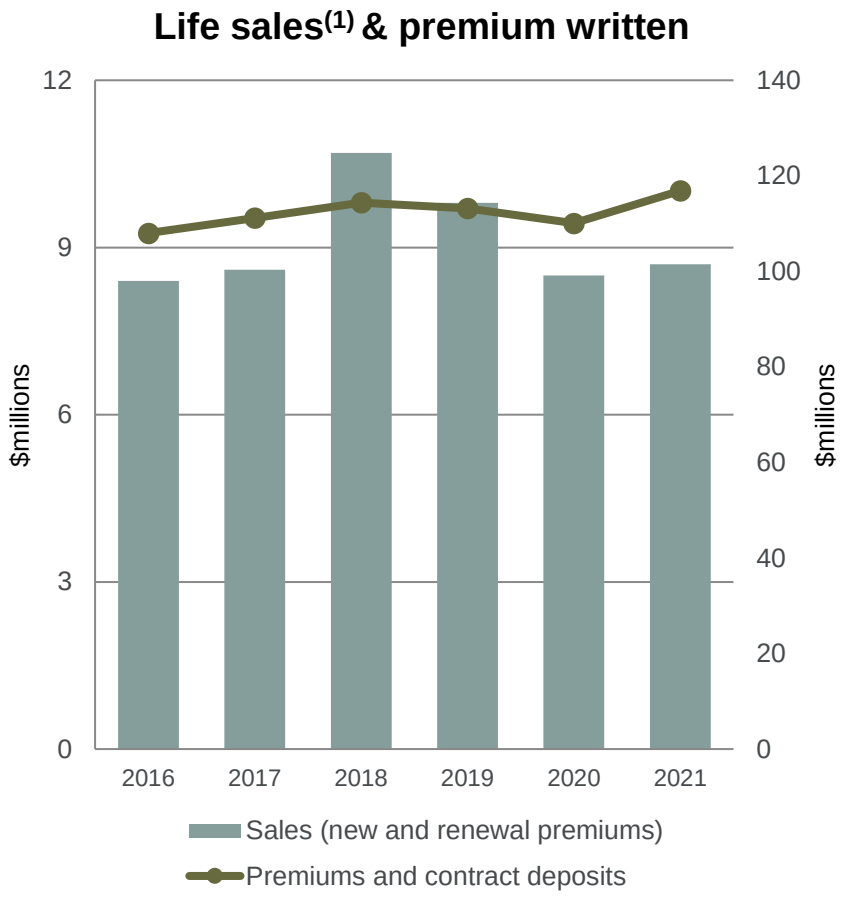
**Strategy**

- Leverage trusted agents to cross-sell customers
- Improve ease of doing business, including use of automated underwriting tools to reduce time to issue policies

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(1) As of December 31, 2021
(2) Experience Life is a legacy Whole Life and Term product

# Life segment: Profitable in-force block




**2021 results**

- Life annualized sales up 2.4% over prior year, with fourth-quarter sales up 9.5% on sales of recurring premium policies
- Core earnings for the year rose 54.8% due to strong net investment income growth
- Full-year persistency at 96.5%; in line with prior periods

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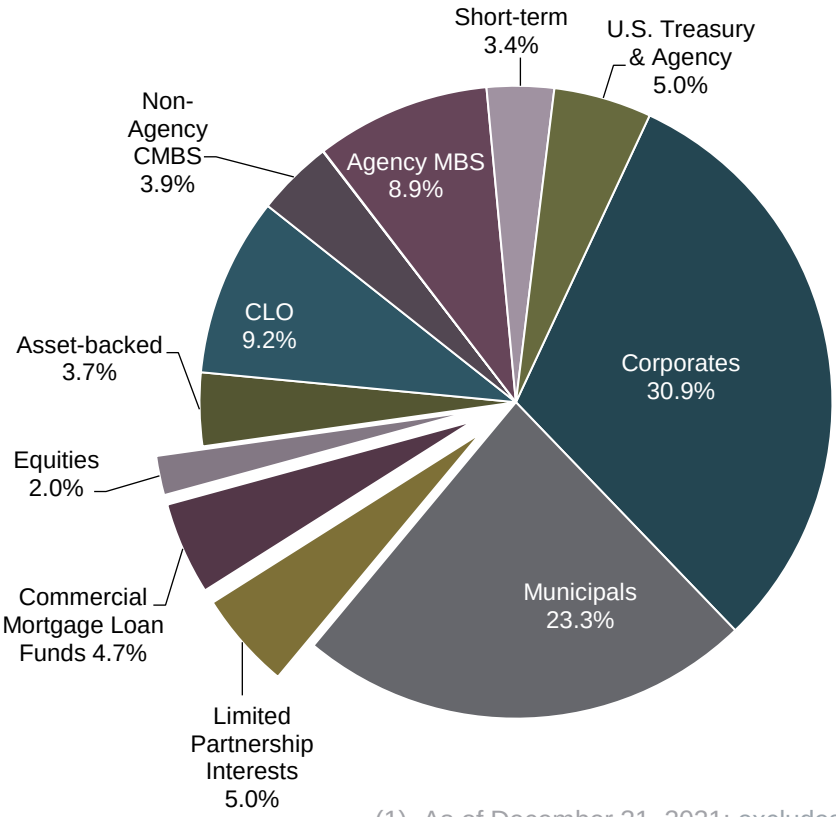
(1) Annualized

# Investments: High-quality, well-diversified portfolio

Constructed to support insurance liabilities through various market cycles

## Portfolio composition(1)

$7.3 billion fair value



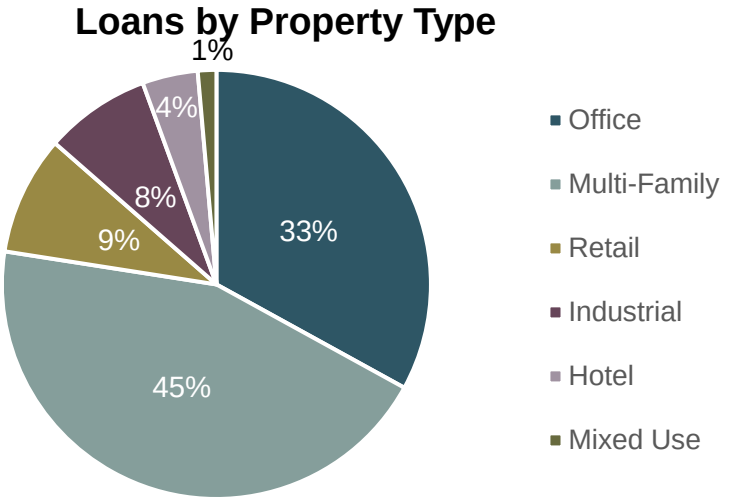

- **$6.2 billion fixed-maturity portfolio**
  - 64% A-rated or higher
  - A+ weighted-average credit quality
  - <7% below-investment grade exposure(2)
  - 6.7 average duration
  - 4.00% Q4 core pre-tax yield(3)
  - 3.83% Q4 core new money yield
- **$347 million commercial mortgage loan fund portfolio**
  - 10% target portfolio allocation
  - Majority of exposure is to open-ended funds comprised of senior loans
- **$366 million limited partnership portfolio**
  - 5% target portfolio allocation
  - Two-thirds of LPs are lower volatility, fixed income-like strategies

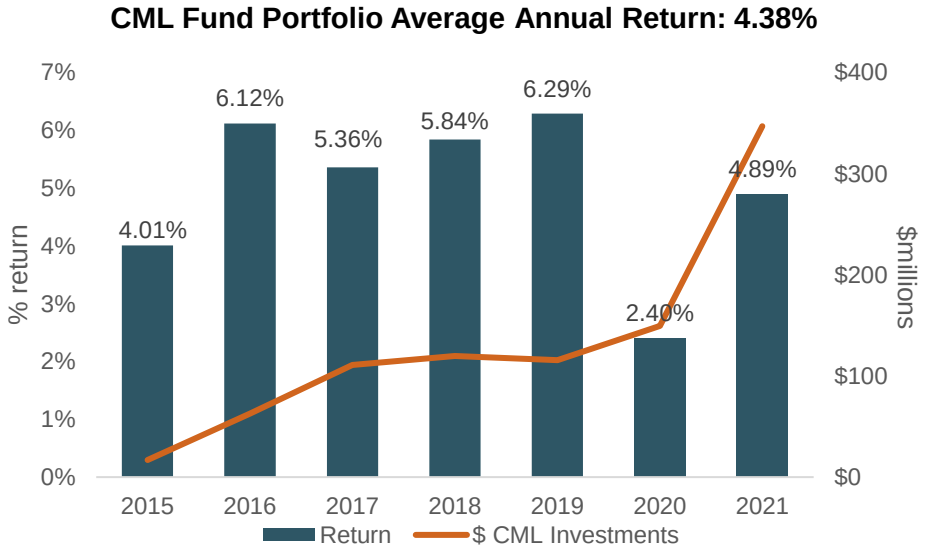
(1) As of December 31, 2021; excludes $142.1 million in policy loans and $10.7 million in derivatives used to hedge indexed annuity and life insurance products
(2) Does not include securities that are not rated
(3) Prospective investment yield

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# $347M Commercial Mortgage Loan Fund Portfolio

Diversified pool of high-quality loans



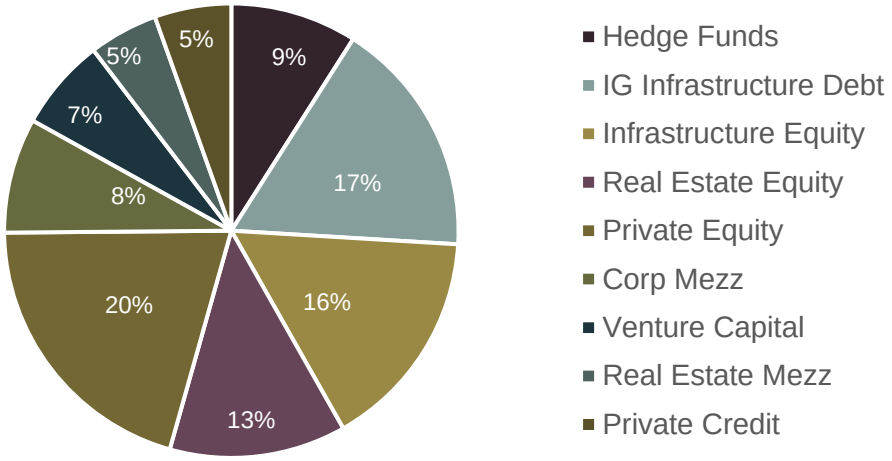

- Majority of exposure is to open-ended funds comprised of senior loans
- Fund structure and diversification of managers provide access to broader markets – geography, property types, borrowers and loan type versus direct origination
- Underlying loan characteristics
  - 157 loans, average size of ~$50M
  - Average loan-to-value of 63%
  - Average debt service coverage ratio of 1.60
- Inception-to-date performance strong
  - 4.38% average annual return
  - Resilient performance during 2020
  - Lower volatility with recurring quarterly cash returns

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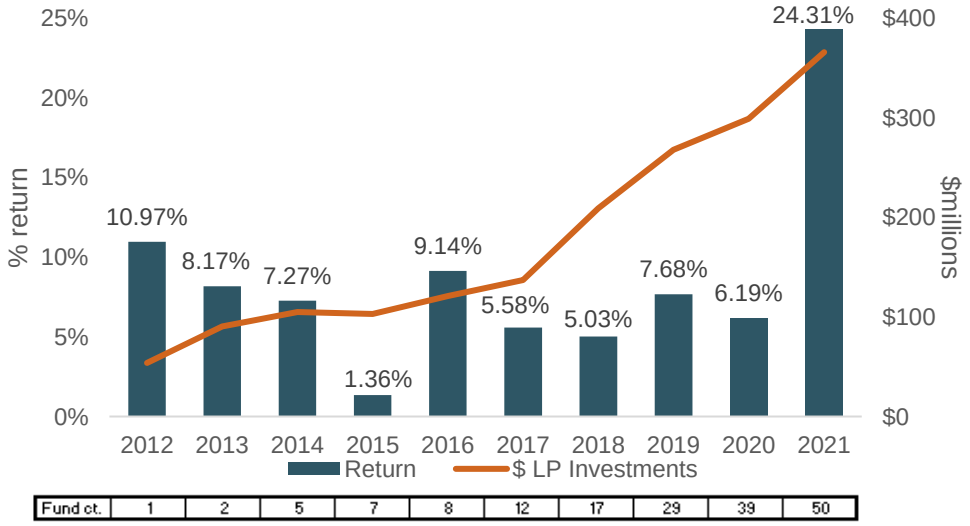
# $366M Limited Partnership Fund Portfolio

Well diversified by strategy, vintage year, and potential volatility of returns

**Limited Partnership Funds by Strategy**



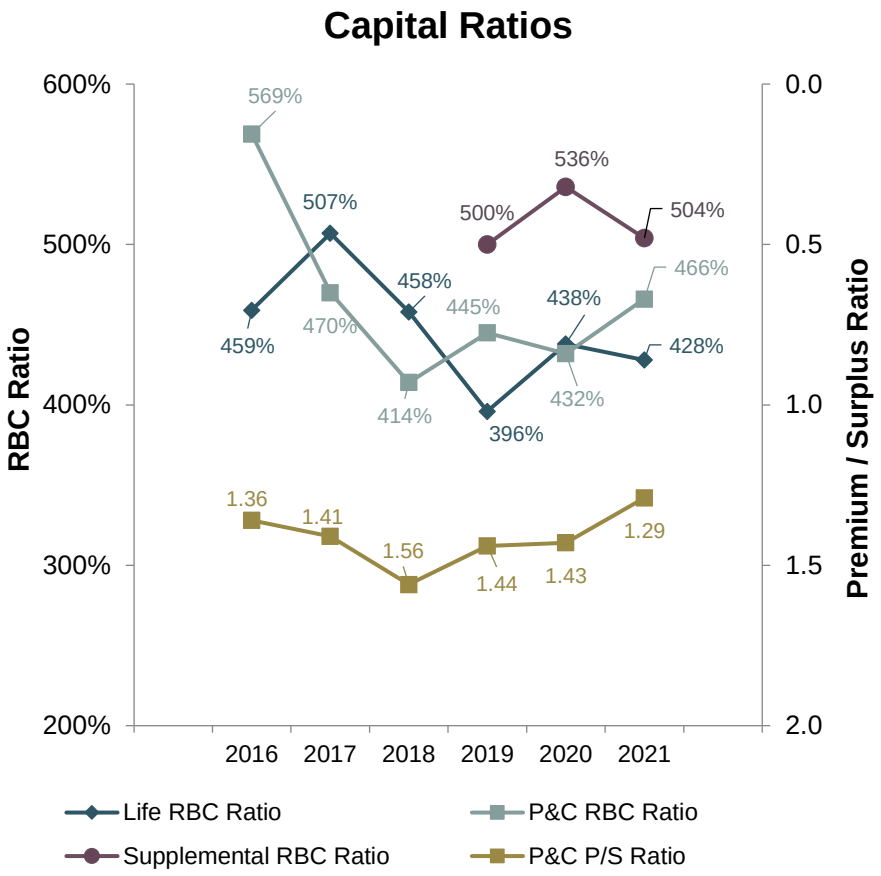

**Limited Partnership Portfolio Average Annual Return: 8.57%**




- 8.57% average annual return with relatively low volatility of returns
- Two-thirds of LPs are lower volatility, fixed income-like strategies
  - Largest allocations to Private Credit, Investment Grade Infrastructure Debt and Corp Mezzanine strategies
- One-third of LPs are more equity sensitive
  - Private Equity, Venture Capital
- Anticipate continued annual commitments of $100-$125M to maintain target allocation

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# Strong capital position, with more than adequate capital to grow businesses




- Capital management strategies support strong capital ratios
  - P&C loss reserves held at top half of independent actuarial range
  - Conservative L&R product design
  - Supplemental delivering strong earnings
  - Investment portfolio appropriately positioned
- In conjunction with Madison National acquisition, targets for year-end RBCs are now 425% for life and retirement subsidiaries and 400% for property and casualty subsidiaries
- Debt-to-capital ratio(1) of 24.9%

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As of December 31, 2021, excluding net unrealized investment gains/losses on fixed maturity securities*

# Appendix



# Highly rated by all rating agencies

Education market focus, earnings diversification and capital strength cited

| Agency | Rating (affirmed/reviewed) | Outlook |
|---|---|---|
| AM Best Company | A (7/14/21) | Stable |
| Fitch Ratings | A (9/14/21) | Stable |
| Moody's Investor Services | A2 (10/28/21) | Stable |
| Standard & Poor's Global Inc. | A (2/18/21) | Stable |

- AM Best upgraded Financial Strength Rating of subsidiary NTA Life to A (Excellent) in recent rating action
- Following July 14 announcement of the planned acquisition of Madison National, AM Best, Fitch and Moody's affirmed ratings

# Strong corporate governance policies aligned with long-term shareholder interests

## Effective board structure

- Separate CEO and chairman
- Non-employee director independence
- Audit, Compensation & Nominating Committee completely independent
- Use of independent compensation consultant to complete intensive annual review of prevailing market compensation practices and industry standards

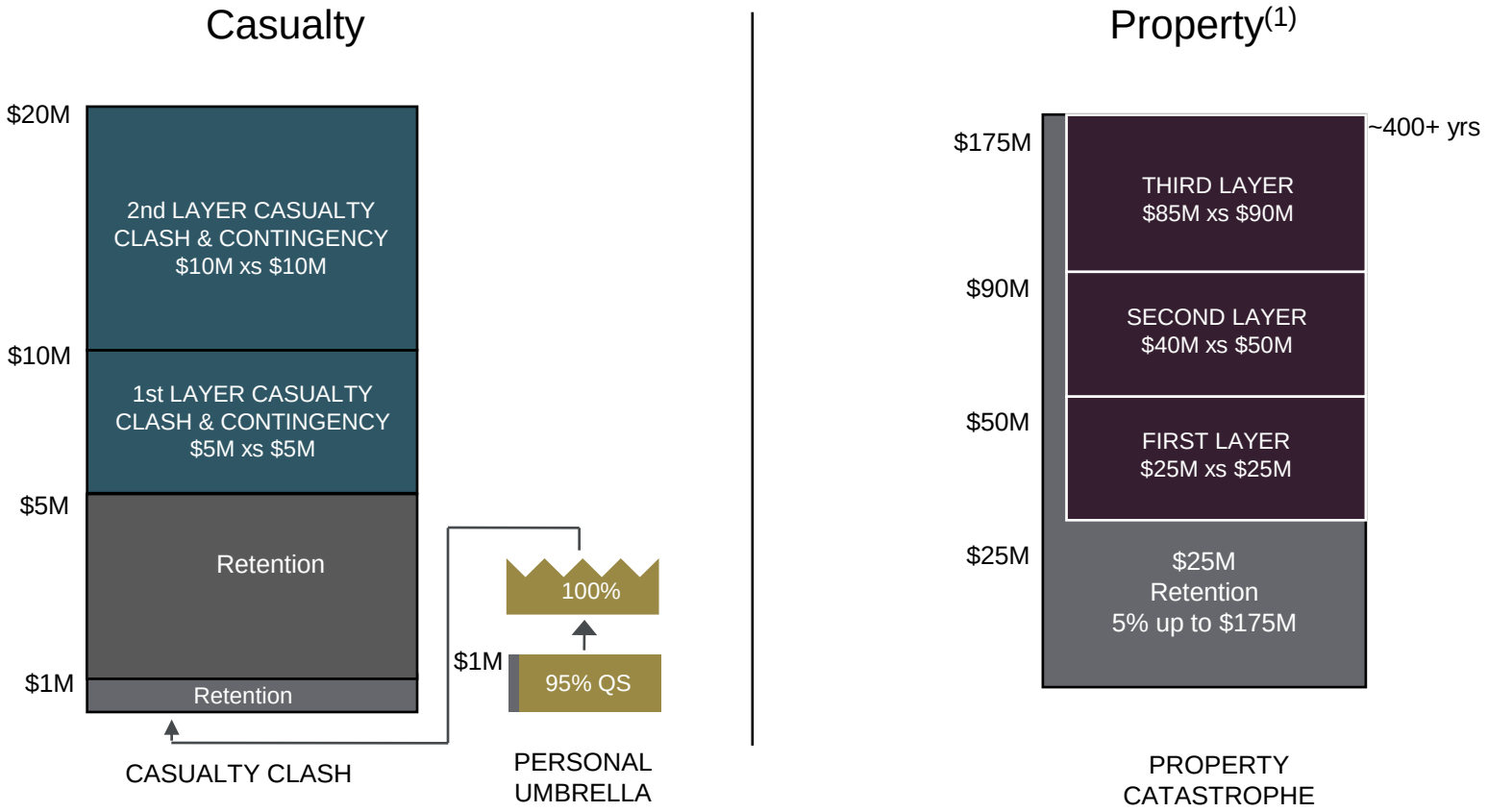
## Performance-based NEO compensation

- Up to 78% of NEOs' target compensation linked to performance and equity-based incentives
- Annual incentive plan aligned with achieving shared corporate objectives
- Long-term equity-based incentive plan aligned with shareholder value metrics
- Significant NEO and board member stock ownership requirements

## Governance best practices

- Clawback provision for both cash & equity awards
- Anti-hedging and pledging policy of company shares
- No single-trigger change in control benefits
- No excise tax gross-ups from change in control
- Limited perquisites and executive benefits
- No poison pill

# 2022 single-event catastrophe reinsurance provides PML coverage of approximately 400+ years




(1) 2022 Reinsurance Program, based on current AIR model.

# Horace Mann at a glance

| | |
|---|---|
| Exchange ticker symbol | NYSE:HMN |
| Share Price | $38.01(1) |
| Weighted Average Diluted Shares (for 4Q21) | 42.2 million |
| Market Capitalization | $1.6 billion(1) |
| Annualized Dividend Per Share | $1.24 |
| Dividend Yield Per Share | 3.2%(1) |
| Book Value Per Share* | $36.64(2) |
| Analyst Coverage | Dowling & Partners: Gary Ransom<br>JMP Securities: Matt Carletti<br>Keefe, Bruyette & Woods: Meyer Shields<br>Piper Sandler: John Barnidge<br>Raymond James: Greg Peters |
| Contact | Heather J. Wietzel<br>Vice President, Investor Relations<br>217.788.5144<br>217.441.1326<br>investors.horacemann.com |

Horace Mann

(1) Based on stock price as of January 31, 2022
(2) As of December 31, 2021; excluding net unrealized investment gains/losses on fixed maturity securities