Third Quarter 2016 Investor Presentation

September 30, 2016

Horace Mann
Founded by Educators for Educators

Safe Harbor Statement and Non-GAAP Financial 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. 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.

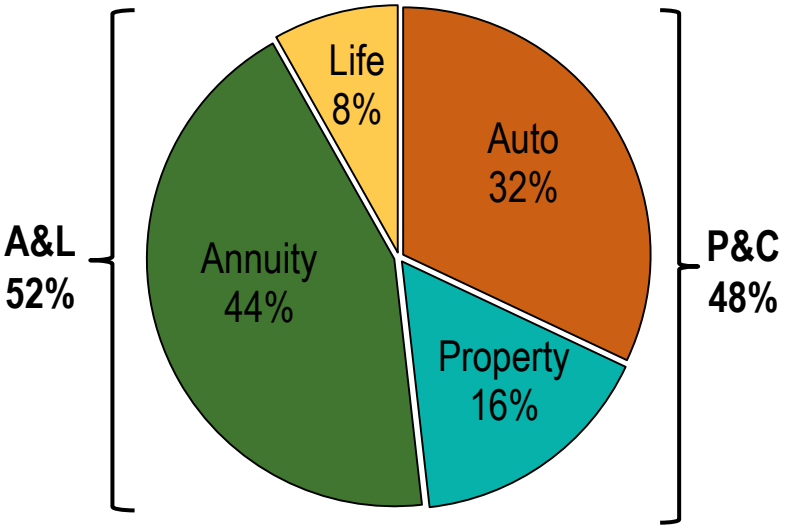
The historical and forward-looking financial information contained in this presentation includes financial measures which are based on methodologies other than Generally Accepted Accounting Principles (“GAAP”) such as operating income, operating earnings per share, pre-tax reporting segment income excluding DAC/VIF unlocking and book value per share excluding some components of accumulated other comprehensive income. A reconciliation of non-GAAP measures to the closest GAAP measures is available in our earnings release.

Horace Mann is the largest multiline insurance company focused on serving the nation's K-12 educator market

Good for shareholders

- Counter-cyclical
- Multiline focus provides earnings diversity
- Conservative financial and risk management
- Proven track record of earnings growth

2015 Premium & Contract Deposits ($1,256.5 mm)



Good for educators

- Innovative product solutions targeted to unique niche
- Ability to provide total household solutions
- Access to trusted, knowledgeable advisors

Results in industry-leading cross-line penetration

- HMN 19% vs. industry 11%(1)
- Leads to improved retention numbers
- 65% buy P&C products
- 55% buy A&L products

(1) Industry data per LIMRA, 2011 multiline exclusive agent average

Our unique value proposition is a differentiator

Mission:

Educators are taking care of our children's future, and we believe they deserve someone to look after theirs.

Vision:

We aspire to be the company of choice to help all educators protect what they have today and prepare for a successful tomorrow.

Continue to refine our value proposition within our niche market with a focus on Products, Distribution and Infrastructure

Product
Designed to meet educators' needs and cover their risks

Distribution
Trusted, knowledgeable and tailored to educator needs and preferences

Infrastructure
Modern, efficient, scalable and easy to do business with

- We offer a full suite of **products** tailored to help educators cover their short-term insurance risks and prepare for a successful financial future
- **Distribution:** We want educators to access Horace Mann how they choose. We believe they will need expert advice at the point of sale at some point in their lifetime, and they will choose the advice of a trusted advisor.
- **Infrastructure** enhancements to improve customer and agent experience and "widen the pipes" to support greater scale

We are *Founded by Educators for Educators*®

Why this niche market?

Educators have an attractive risk profile



How they live:
Conservative and loyal

- Buy higher insurance limits
- Tend to bundle auto and home insurance
- Loyalty results in strong retention



Where they work:
Close to home

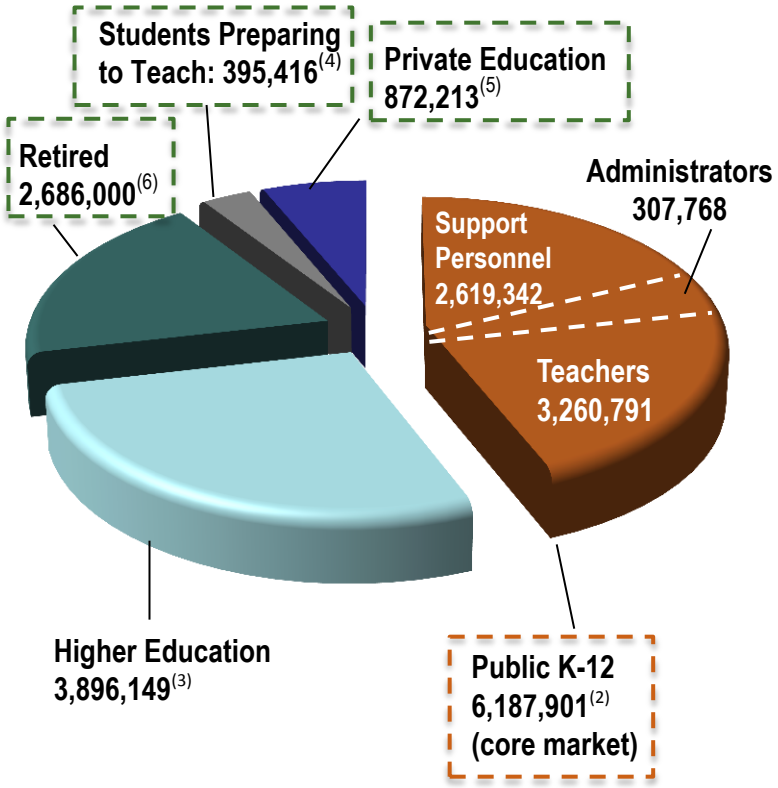
- Generally live close to school with very short commutes
- Off-hour commutes without heavy traffic
- Tend to be off work in bad weather



How they save:
Financially responsible

- Focused on achieving financial goals
- Desire for guidance and education
- Open to reallocating household savings to retirement needs

Sizable opportunity with new and existing educators



- The Public K-12 education market includes more than 6.1 million individuals
- Number of teachers projected to grow by 13% between 2011 to 2022(1)
- Current customer base of ~360,000 educator households
- Opportunities exist to attract new customers and deepen cross-sell efforts
  - Industry leading cross-line penetration (11% for the industry/19% for Horace Mann)
- Sizable demographic shift as Baby Boomers retire and Millennials make up a higher percentage of the workforce
  - Strong retention and persistency ratios with Baby Boomers
  - Additional opportunity for growth with Millennials

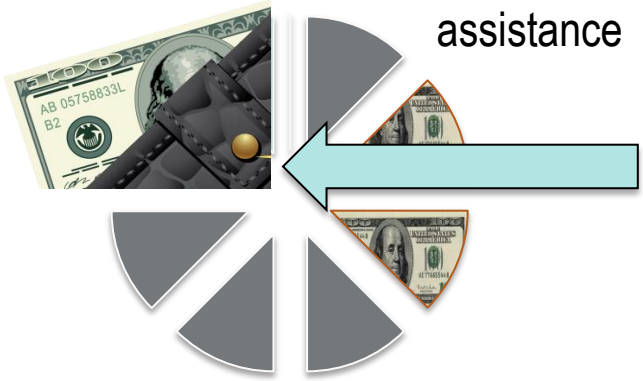
(1) *U.S. Dept. of Education, National Center for Education Statistics, Projections of Education Statistics to 2022, February 2014*
(2) *U.S. Dept. of Education, National Center for Education Statistics, Digest of Education Statistics, August 2015*
(3) *U.S. Dept. of Education, National Center for Education Statistics, Digest of Education Statistics, February 2015*
(4) *U.S. Dept. of Education, National Center for Education Statistics, Higher Education General Information Survey, September 2015 (Estimated, current year Education major Bachelors Degrees awarded times 4)*
(5) *U.S. Dept. of Education, National Center for Education Statistics, Private School Universe Survey, July 2013 (Total private employment estimated based on public teacher/staff ratio)*
(6) *Analysis of 2013 State Teacher and Public Employee Retirement Plans (Conservative estimate of Public K-12 retirees receiving benefits)*

Identifying & solving for issues in the educational community

Access via school districts

- School funding
- Teacher longevity
- Employee morale
- Pension plan reductions

"Found" money through student loan solutions and crowdfunding assistance



Educators

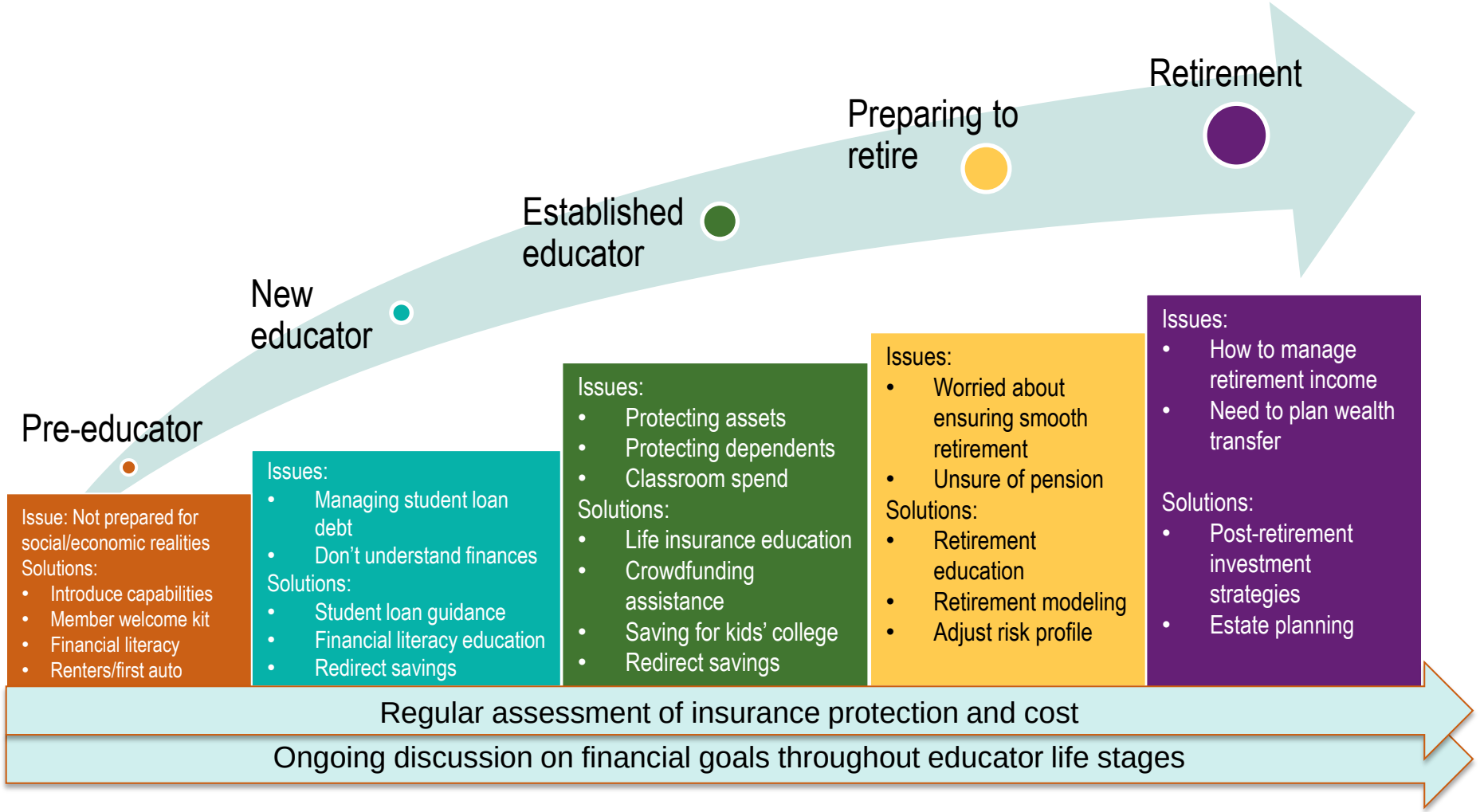
- Financial literacy
- Student loan debt
- Out-of-pocket classroom expenses
- Retirement prep
- Asset protection



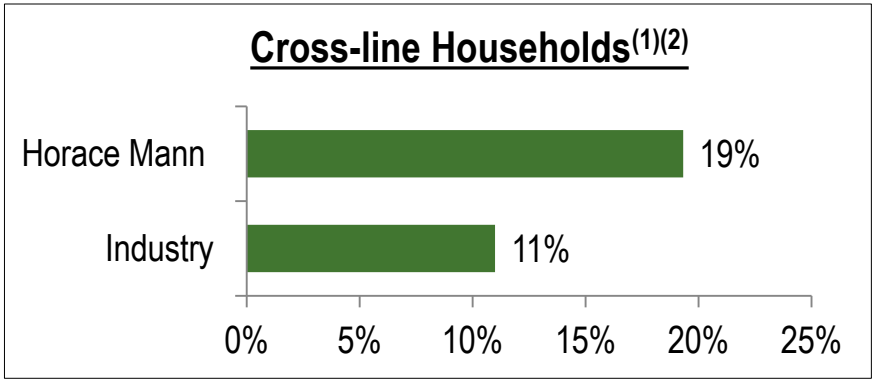
Help protect against unnecessary loss

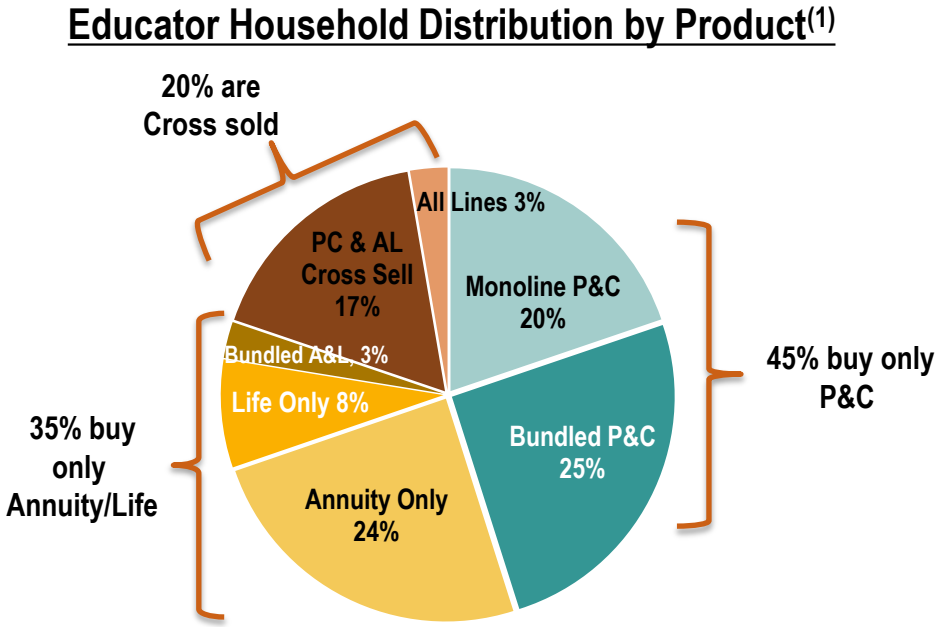
Redeploy to savings

A holistic solutions-based orientation at every life stage deepens the customer relationship and fuels profitable growth



In addition to finding more educator households, we are focused on expanding our cross-line penetration



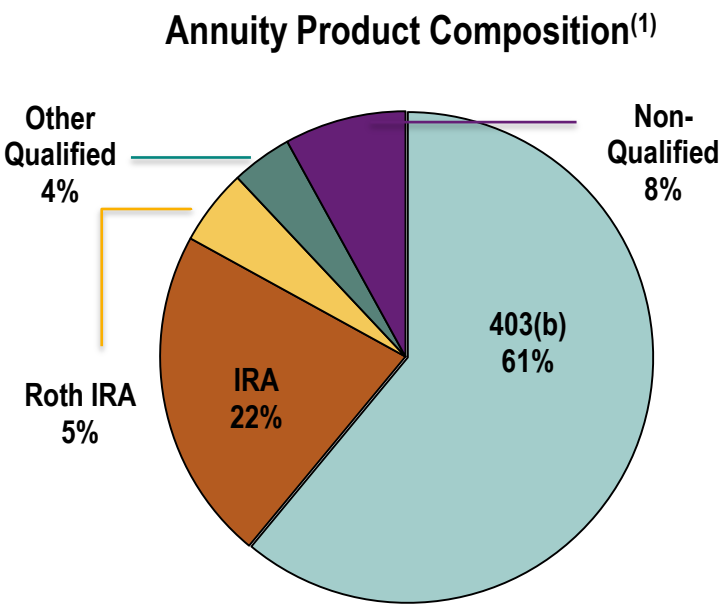


- Cross-line penetration significantly exceeds industry
- Significant additional cross sell opportunities within our existing customer base of ~360,000 educator households
  - 45% of educator households are buying only P&C products
  - 35% of educator households are buying only Annuity/Life products
- Targeted marketing efforts underway to drive more cross-line sales

(1) *HMN data: ~360,000 educator households as of September 2016; Cross-line households defined as Auto and/or Property plus Annuity, Life and/or Group*
(2) *Industry data per LIMRA, 2011 multiline exclusive agent average*

Segment strategy and results

Annuity segment – Helping educators meet their financial goals with tailored solutions



Opportunity

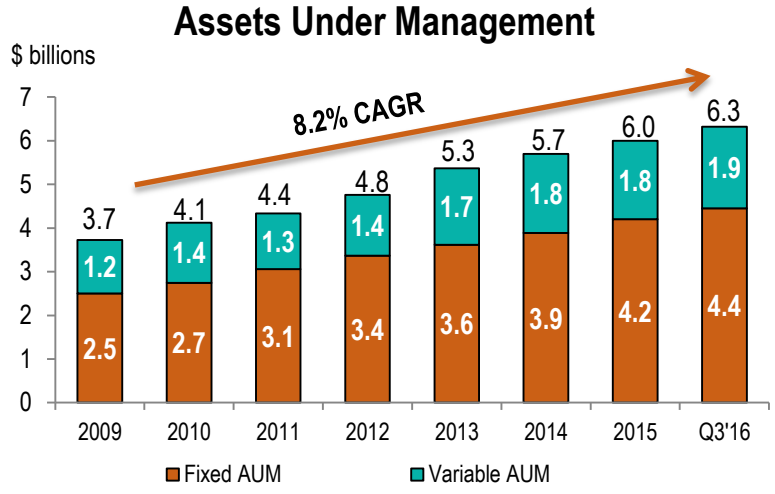
- Educators face complicated retirement system offerings
  - Differing state teacher retirement systems (STRS)
  - Pension uncertainty
  - Tax-deferred options
- Educators want guidance to plan for the future
  - Student loan solutions seminars
  - Financial literacy workshops
  - STRS workshops
  - Classroom funding assistance
  - Encourage redirecting savings to retirement planning
  - Options for school payroll deductions

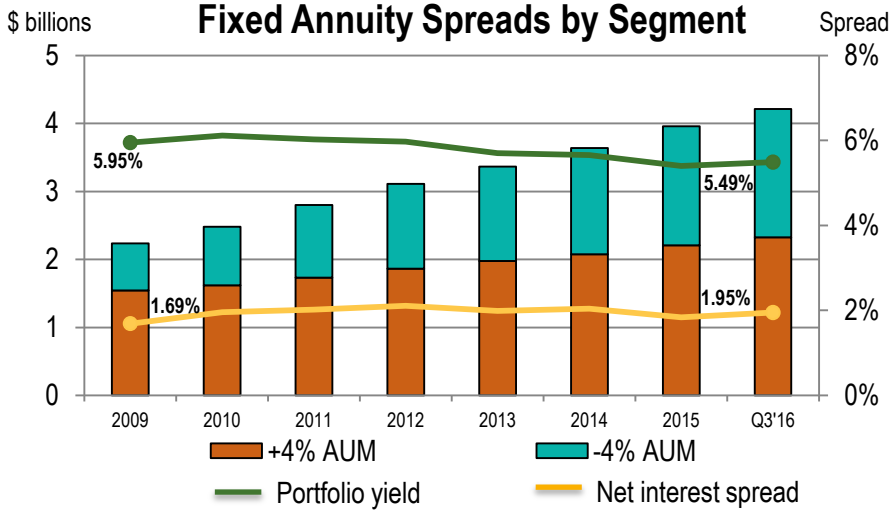
Product

- 92% of Annuity assets under management are tax-qualified accounts with a retirement orientation
  - Consistent strong persistency ~95%
  - Launched Fixed Indexed Annuity in Q1 2014

(1) Based on Assets Under Management as of September 30, 2016

Annuity segment – Assets under management continue to grow



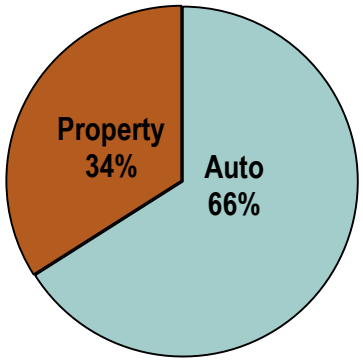


Results

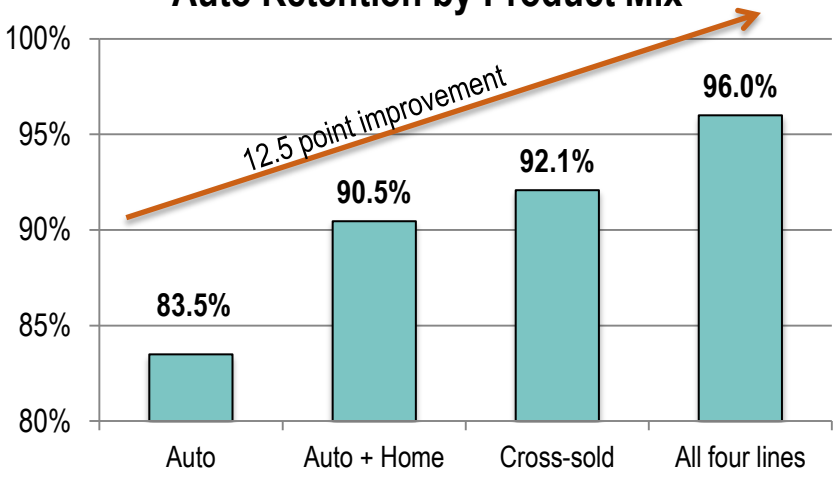
- Annuity product sales remain strong
- Assets under management increased 8% year-over-year to $6.3 billion
- Disciplined crediting rate actions and prudent investment management have resulted in favorable net interest spreads
  - New business spreads continue to exceed targets
- Business is priced to generate a low double-digit ROE at targeted spreads of 200 to 250 bps

P&C segment – Preferred book of educator risk with strong retention ratios

P&C Net Written Premium ($606 MM)[1]



Auto Retention by Product Mix[2]



Opportunity

- Preferred risk profile
  - Conservative by nature
  - Short/off-hour commutes
  - Financially responsible
- Reach new educators and cross-sell to our existing Annuity and Life customers

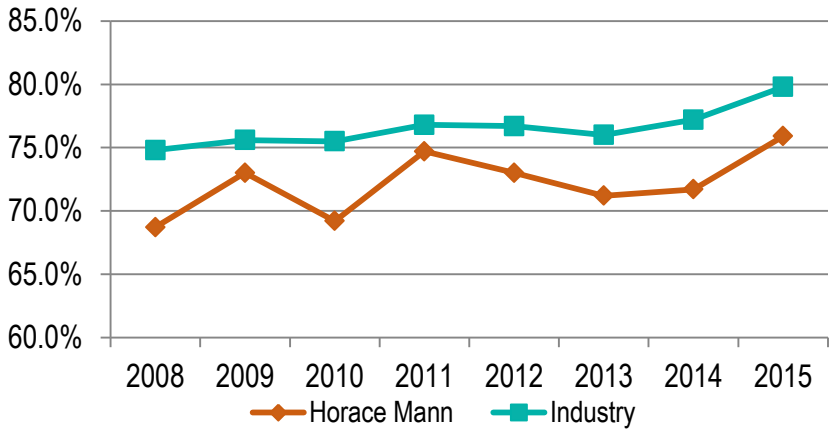
Product

- Majority of P&C business is bundled Auto and Property
- Policy retention exceeds industry averages and improves with cross-sell efforts
  - 84% Auto
  - 88% Property

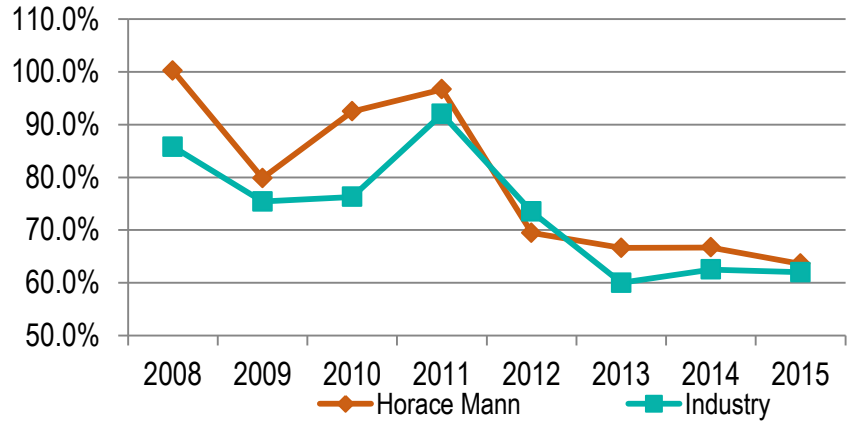
(1) Based on FY15
(2) HMN data: ~360,000 educator households as of September 2016; Cross-sold households defined as Auto and Property plus Annuity and/or Life

P&C segment – YTD ‘16 auto combined ratio reflects adverse weather and macro pressures

Auto Loss Ratio vs Industry(1)



Homeowners Loss Ratio vs Industry(1)



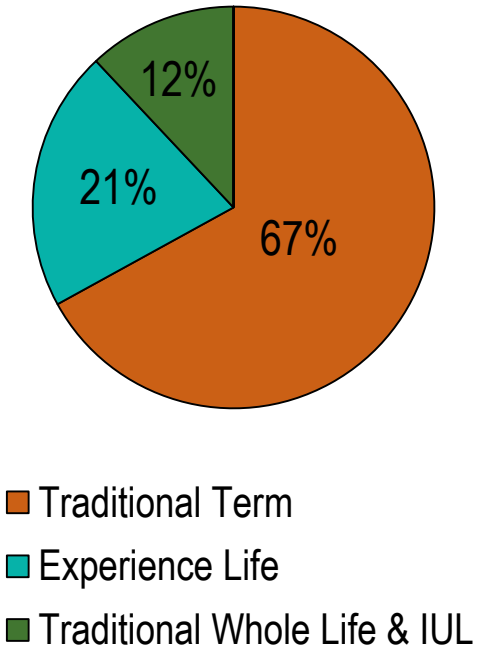
Results

- YTD ‘16 auto results impacted by adverse weather and macro trends
  - 2.8 points of catastrophe losses; increases in weather-related frequency
  - Increasing mid-single digit rate plan in response to higher auto loss trends
- Auto loss ratio averaging nearly 5 points better than the industry (2008-15)
- Property loss ratio improvement tracking better than the industry
  - Underwriting initiatives positively impact underlying results
- Mid-90s reported combined ratio would generate a 12% ROE at 1.5x underwriting leverage

(1) A.M. Best industry composite based on statutory incurred losses

Life segment –
Sizable opportunity in our middle-market educator niche

Individual insurance in force(1)



Opportunity

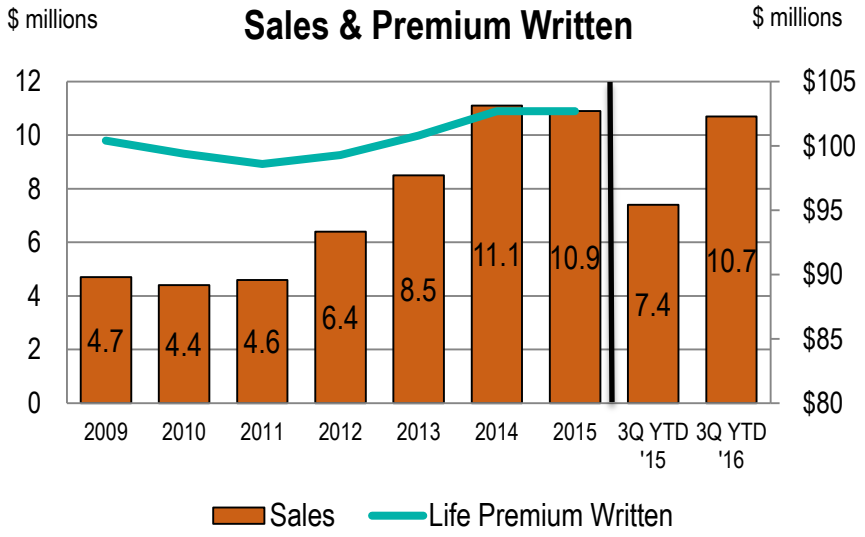
- Tailored product suite to cross-sell to our existing P&C and Annuity customers
- Dedicated field support team to help agents educate customers about options and costs

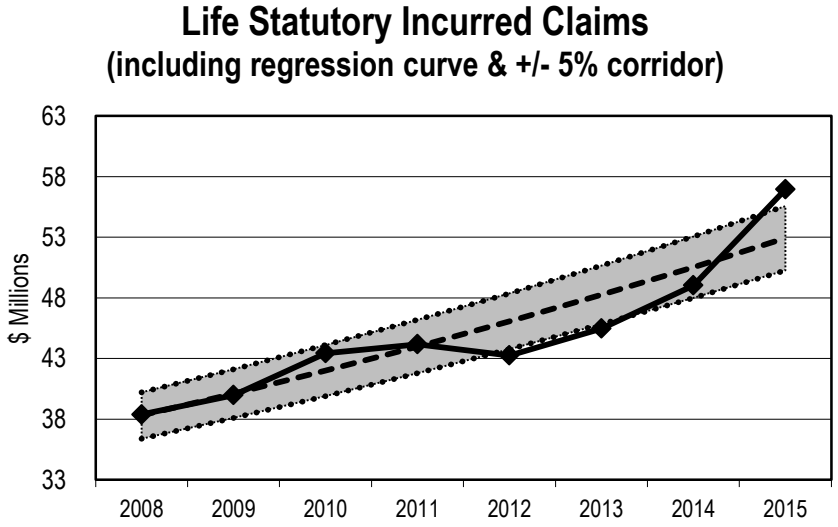
Products

- Basic coverages appropriate for educator income levels
  - Indexed universal life product
  - Term insurance
  - Traditional whole life
  - Single-premium whole life
- Mature in-force book of whole and term life products
  - About 198,000 policies in force
  - Average face amount of ~ $99,000; ~ 96% retention ratio for individual life

(1) Face amount in force as of September 30, 2016

Life segment – Profitable inforce block with renewed growth

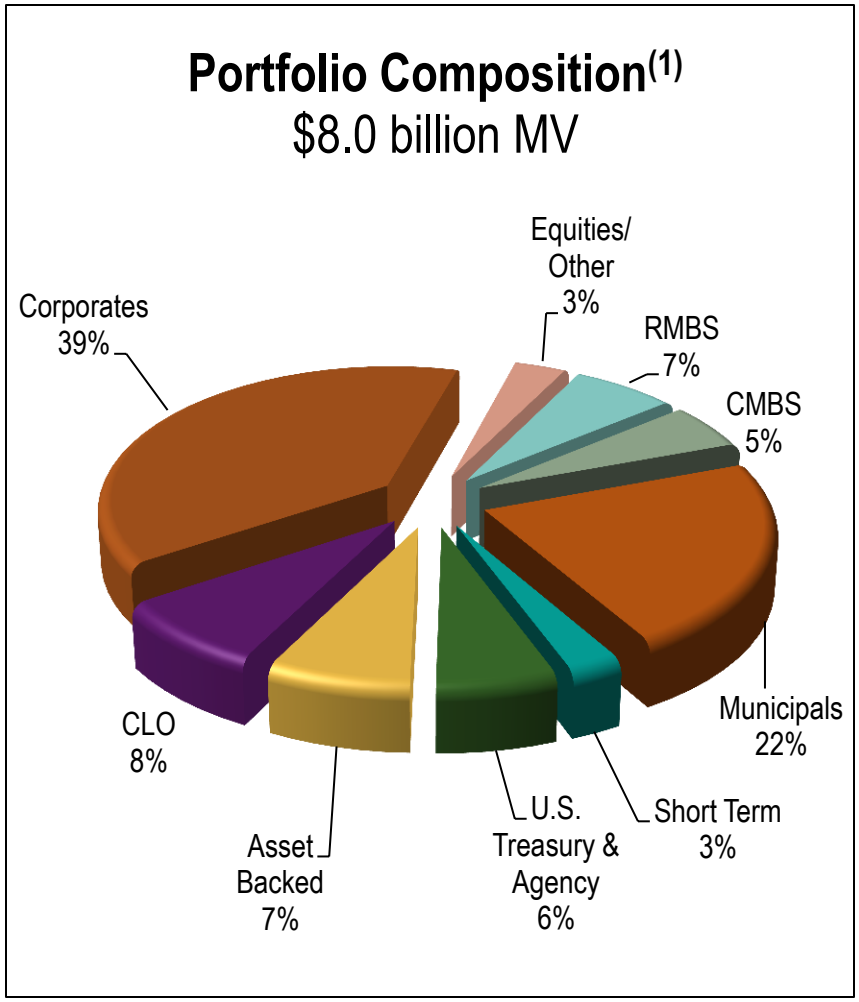




Results

- Strategic focus to grow this segment of profitable business at a double-digit pace
- YTD ‘16 ex-DAC life earnings of $13.0 million, up from $10.5 million in the prior year
- YTD life sales increased approximately $3 million over prior year, largely due to the favorable reception of our Indexed Universal Life product
- Business is priced to generate a low double-digit ROE

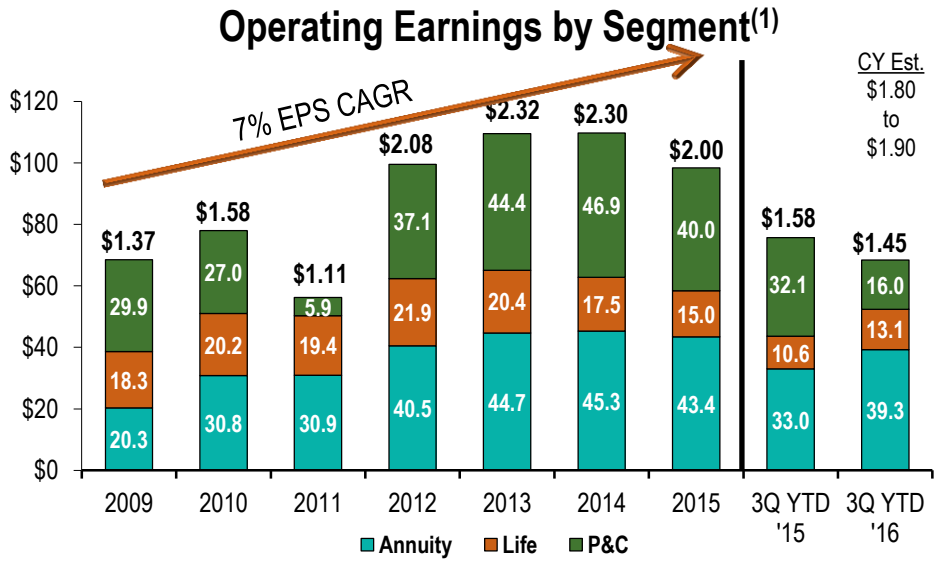
Conservative and well diversified investment portfolio that is designed to support our product offerings

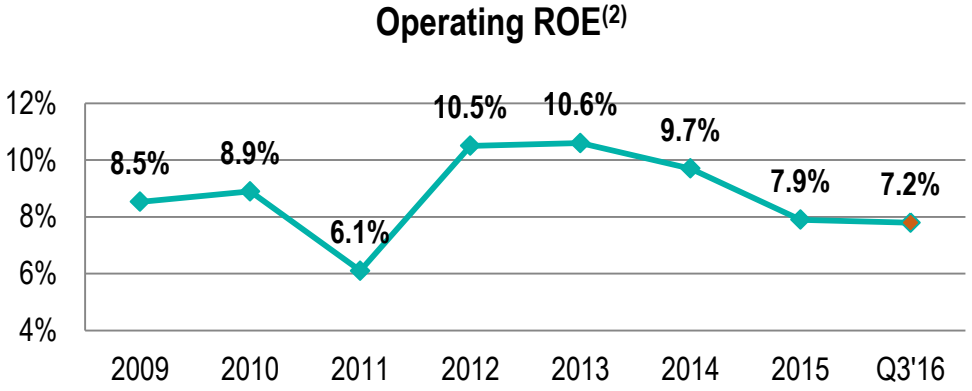


- High quality, well diversified portfolio across fixed income sectors
  - Weighted average quality: A
  - Average duration 5.8
- Focused on risk and asset liability management
  - $7.1 billion MV portfolio supports long dated Annuity & Life liabilities
  - $0.9 billion MV portfolio supports P&C
  - $599 million net unrealized gain; majority in Annuity & Life portfolios
- New purchases focused on maintaining portfolio quality and yield
  - Q3'16 new money rate in line with 2016 original guidance assumption of 4%
  - Revised 2016 guidance reflects a re-investment rate assumption of 3.5%

(1) As of September 30, 2016; excludes policy loans

Multiline business model has generated solid operating earnings

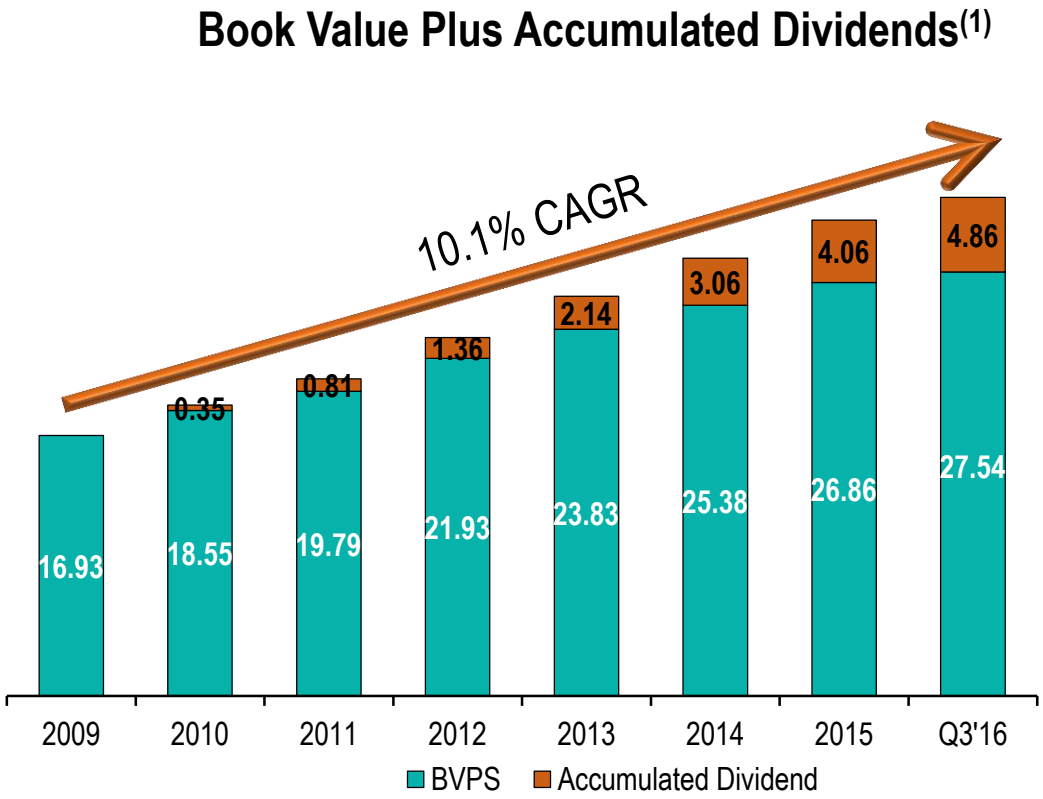




- Operating earnings per share(1) have grown 7% on a compound average annual basis, led by Annuity and P&C
  - Strong Annuity sales, assets under management growth, and proactive spread management have generated 14% earnings growth CAGR
  - Emerging signs of top line growth in P&C; 2016 earnings impacted by adverse weather and macro pressures
  - Life earnings reflect the maturity of in force block
- Investing in all three business segments to accelerate Operating EPS growth and improve ROE over time
- For 2016, expect operating income of $1.80-$1.90 per share
  - P&C combined ratio reflecting 8-10 points of catastrophe losses
  - Underlying combined ratio between 93-94 points
    - Auto 3-4 points worse than prior year, offset partially by a 1-point improvement in underlying property
  - Annuity and Life earnings reflect more normalized investment returns; Life mortality in line with actuarial models

(1) Operating earnings reflects net income excluding realized investment gains and losses
(2) Operating ROE excluding unrealized gains and losses; 2010 and prior are before the retroactive application of new accounting guidance for deferred policy acquisition costs

Solid financial results have resulted in top quartile book value growth[(1)] and a compelling dividend yield

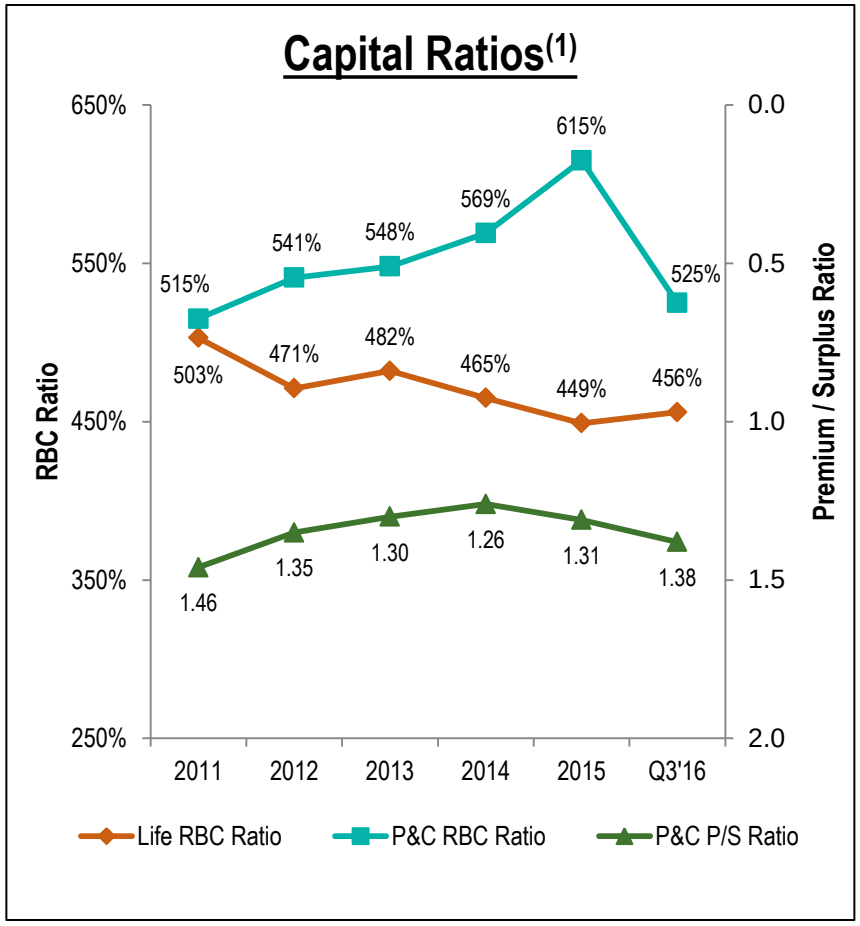


- $27.54 book value per share excluding FAS 115 as of Q3 2016, up 4% from a year ago
- Annualized 2016 shareholder dividend of $1.06
  - Increase of 6% represents the eighth consecutive year for increase
  - Dividend yield of 2.9%[(2)]
  - Reflects ~50% payout ratio
- Opportunistic share buyback program
  - Repurchases of $70.5 million since December 2011 at an average price of $25.18 versus VWAP of $27.15 through 9/30/16
  - $29.5 million remains under 2015 share repurchase authorization

(1) *Book value per share excluding unrealized investment gains/losses (ex. FAS 115). 2009-2011 numbers have been restated to include the retrospective application of new accounting guidance for deferred policy acquisition costs. Top quartile ranking in peer group includes Large, Mid and Small cap personal lines and life insurance companies*

(2) *Based on 9/30/16 stock price of $36.65*

Capital ratios are strong and reflect more than adequate capital to grow our businesses



- Consistent earnings and conservative bias have resulted in strong capital ratios
  - P&C loss reserves held at top end of independent actuarial range
  - Annuity and Life product design
  - Investment portfolio construction / historical loss experience
- Q3 2016 debt-to-capital ratio(2) of 18.3%
- Excess capital deployed for organic growth will result in modest ROE expansion

(1) 2016 RBC results are estimates
(2) Excluding unrealized gains/losses on investments

Tools in place to accelerate efforts to profitably grow

Product

Robust/Complete Product Suite

- More sophisticated P&C pricing segmentation
- Introduction of Fixed Indexed Annuity
- Introduction of Indexed Universal Life

Distribution

Strengthening the model

- Dedicated focus on exclusive agency model
- Continued focus on agent productivity standards
- Complementary direct support through customer contact center

Infrastructure

Modernizing the infrastructure

- Systems implementations
- Focused efforts on enhanced ease of doing business and customer experience
- Widening the pipes to support greater new business volumes

- More educator households
- Sales momentum across all business lines
- Improve our already industry-leading cross-sell ratio

Unique value proposition results in a differentiated investment opportunity

- Multiline business model provides earnings diversification and compelling cross sell opportunities to a preferred P&C market that represents conservative, disciplined retirement savers
- Growing market of underserved educators results in significant profitable growth opportunities within the niche
- Conservative balance sheet and excess capital to fund growth and return capital to shareholders via strong dividend and opportunistic share repurchases
- Strong track record of book value and dividend growth, which has resulted in top quartile performance among peers over the past 5 years[(1)]

(1) Book value per share excluding unrealized investment gains/losses (ex. FAS 115). Top quartile ranking in peer group includes Large, Mid and Small cap personal lines and life insurance companies. Source: SNL Financial

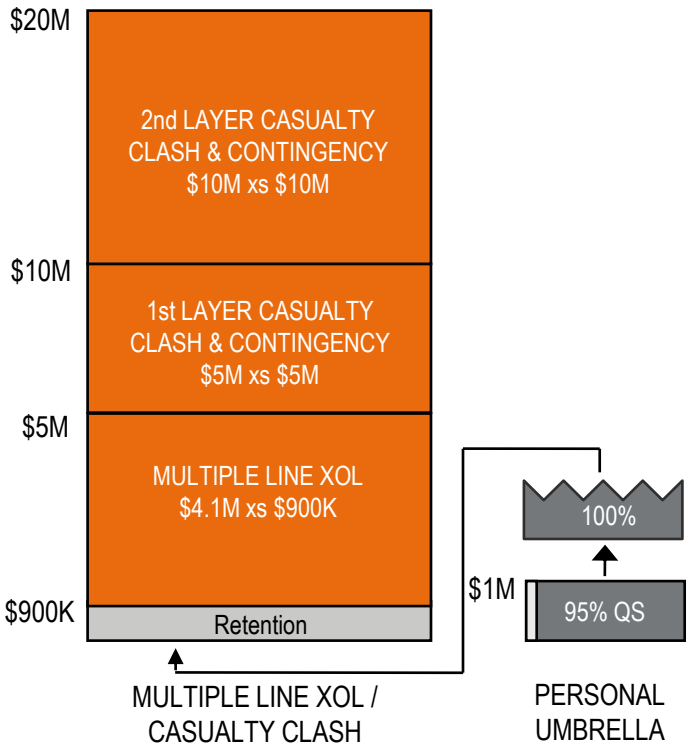
Appendix

Founded by Educators for Educators®

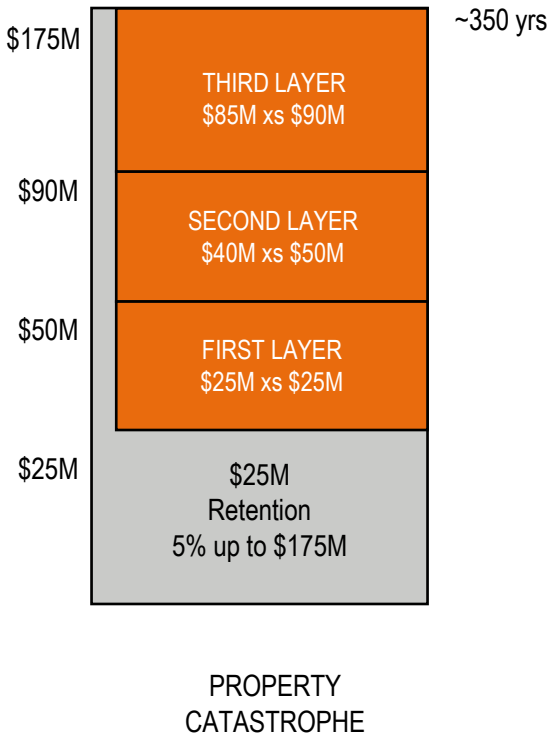
1945	**Founded by two teachers in Springfield, IL as the Illinois Education Association Mutual Insurance Company to provide automobile insurance to IEA members**
1949 1961	Company began offering life insurance products to the educational community Introduced 403(b) tax-qualified retirement annuities; the year Congress created this option for educators
1975 1989 1991	Company acquired by INA Corporation Company acquired from CIGNA through a management led LBO Completed initial public offering; stock trades on NYSE under the symbol "HMN"
2000 2006 2009	With less than 50% of new P&C business represented by educators, company refocuses on the educator market Began transitioning employee agency force to new business model Exclusive Agent (EA) contract introduced
2010 2014-15	Re-introduced State Teacher Retirement Seminars, and began strategic relationship with DonorsChoose.org Introduction of Fixed Indexed Annuity and Indexed Universal Life rounds out product offerings
Today	**Building on a solid foundation to accelerate our growth momentum and increase our penetration in the K-12 educator niche** – Largest national, multiline insurance company focused on serving the nation's K-12 educator market – Current book ~ 80% educator – Agency force transition largely complete; now focused on productivity improvement initiatives – Annuity and Life product line enhancements and infrastructure improvements – Enhanced P&C pricing segmentation and underwriting and claims initiatives to further improve underwriting results

Current single-event catastrophe reinsurance provides PML coverage of approximately 350 years

Multiple Line XOL / Casualty(1)



Property(1)



(1) 2016 Reinsurance Program

Strong and stable P&C reserves further reduce potential earnings volatility

Appropriate conservatism

- Disciplined reserving practices
- Carried reserves near the high end of independent actuarial estimate
- Recent favorable reserve development consistent with independent observations

Strong claims organization/capabilities

- Centralized claim offices
- Technology/infrastructure
- Implementation of best practices and procedures

Net P&C Reserve Position

	Independent Actuary		HMN
($ Millions)	Low	High	Held
2015	$214.3	$257.7	$251.2
2014	$227.8	$274.5	$267.4
2013	$218.0	$266.2	$261.7

Highly rated by all rating agencies: educator market focus, earnings diversification and capital strength

Recent Ratings Upgrades

- In Q1'16, AM Best upgraded our P&C rating to "A" from "A-"
- In Q2'15, Moody's upgraded our Life outlook to Positive from Stable
- In Q3'14, Fitch upgraded our ratings to "A" from "A-"

Strong Position within the Educator Community

- "strong business franchise/formidable reputation in K-12 educator market…"
- "continued expertise in writing personal lines products in educator market…"
- "historical growth/recent growth momentum in 403(b) market…established as one of the more significant providers…"

Stable Operating Results and Enterprise Risk Management

- "(earnings) have benefitted from diversity…P/C and Life operations…"
- "limits its risk taking to areas it understands and has made decisions to avoid risks related to certain distribution segments, products, and investments to maintain a high quality book of business focused on the educational market"

Strong Capital Adequacy

- "maintains a generally risk-adverse approach to underwriting and the management of its investment portfolio"
- "maintains debt at a conservative level, consolidated capital adequacy that is above the rating category and a conservative investment portfolio with limited exposure to problematic asset classes"

Current Financial Strength Ratings

Agency	Rating (affirmed/ reviewed)	Outlook
S&P	A (3/2/2016)	Stable
Moody's - Life - P&C	 A3 A3 (6/15/15)	 Positive Stable
AM Best	A (3/30/16)	Stable
Fitch	A (8/4/16)	Stable

Consolidated GAAP Income Statement

($ in Millions, except EPS and BV)	2012	2013	2014	2015	Q3 YTD'16
Written Prem. & Contract Deposits	$ 1,067.7	$ 1,094.2	$ 1,167.7	$ 1,256.5	$ 946.6
Earned Prem. & Contract Charges	$ 670.5	$ 690.9	$ 715.8	$ 731.9	$ 564.9
Investment Income	306.0	313.6	329.8	332.6	270.7
Other Income	7.0	4.5	4.2	3.2	3.6
Benefits, Claims, & Settlement Exp.	611.8	618.2	644.5	679.2	546.5
Total Other Expenses & Taxes	285.4	294.3	308.0	303.6	232.6
Income Before Realized Gains/Losses	$ 86.3	$ 96.5	$ 97.3	$ 84.9	$ 60.1
Operating EPS	$ 2.08	$ 2.32	$ 2.30	$ 2.00	$ 1.45
Operating ROE (ex. FAS 115)	10.5%	10.6%	9.7%	7.9%	7.2%
Realized Inv. Gains, After Tax	17.6	14.4	6.9	8.6	3.8
Net Income	$ 103.9	$ 110.9	$ 104.2	$ 93.5	$ 63.9
BV / Share (ex. FAS 115)	$ 21.93	$ 23.83	$ 25.38	$ 26.86	$ 27.54
BV / Share	$ 31.65	$ 27.14	$ 32.65	$ 31.18	$ 35.94

Consolidated GAAP Balance Sheet

($ in Millions)	2012	2013	2014	2015	Q3'16
Assets					
Investments	$ 6,292.1	$ 6,539.5	$ 7,403.5	$ 7,648.0	$ 8,169.2
Cash	15.2	18.2	11.7	15.5	53.6
Separate Account Assets	1,398.3	1,748.0	1,813.6	1,800.7	1,873.6
DAC	196.9	245.3	215.1	253.2	225.8
Goodwill	47.4	47.4	47.4	47.4	47.4
Other Assets	217.8	228.3	277.2	292.2	321.5
Total Assets	$ 8,167.7	$ 8,826.7	$ 9,768.5	$10,057.0	$ 10,691.1
Liabilities					
Policy Liabilities & Other Policyholder Funds	$ 4,839.9	$ 5,375.5	$ 5,958.2	$ 6,376.1	$ 6,672.4
Separate Account Liabilities	1,398.3	1,748.0	1,813.6	1,800.7	1,873.6
Long Term Debt	199.8	199.9	199.9	247.0	247.1
Short Term Debt	38.0	38.0	38.0	0.0	0.0
Other Liabilities	445.9	366.0	422.3	368.5	453.9
Total Liabilities	6,921.9	7,727.4	8,432.0	8,792.3	9,247.0
Shareholders' Equity	1,245.8	1,099.3	1,336.5	1,264.7	1,444.1
Total Liabilities & Equity	$ 8,167.7	$ 8,826.7	$ 9,768.5	$10,057.0	$ 10,691.1

Horace Mann Educators Corporation

National Insurer offering Auto, Property and traditional Annuity and Life products to a niche market of educators through a largely captive agency distribution model	
Exchange ticker symbol	NYSE:HMN
Share Price	$36.65 (1)
Shares Outstanding	40.2 million (1)(2)
Market Capitalization	$1.5 billion (1)
Annualized Dividend Per Share	$1.06 (1)
Dividend Yield Per Share	2.9% (1)
Average Daily Volume	149K shares (52-week average daily volume as of 9/30/16)
Book Value Per Share	$27.54 (1)(3)
Analyst Coverage	Dowling & Partners: Julia Ferguson Janney Montgomery Scott: Robert Glasspiegel Keefe, Bruyette & Woods: Meyer Shields
Company Contacts	Ryan Greenier, Vice President, Investor Relations, 217-788-5738, ryan.greenier@horacemann.com Kristi Niles, Assistant Vice President, Investor Relations, 217-788-5160, kristi.niles@horacemann.com

(1) As of 09/30/2016
(2) 41.3 million weighted average diluted shares for Q3 '16
(3) Excluding unrealized gains/losses on investments