# Second Quarter 2019 Investor Presentation

August 6, 2019

Horace Mann®

Information as of June 30, 2019

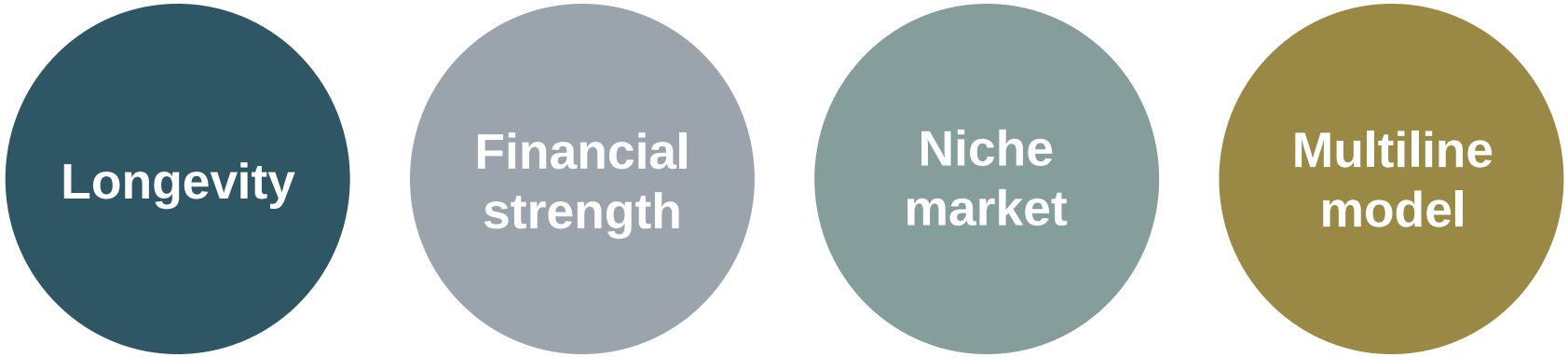
# Safe Harbor Statement and Non-GAAP Measures

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. 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  U.S. (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 10-K and Form 10-Q filed with the SEC and are reconciled to the most directly comparable measures prepared in accordance with accounting principles generally accepted in the U.S. (GAAP) in the Appendix of the Investor Supplement available on our website at investors.horacemann.com.

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




- Founded by Educators for Educators in 1945
- Offering 403(b) tax-qualified annuities since 1961
- NYSE listed (HMN) since 1991

- $11.8B in assets(1)
- $1.2B in premium and contract deposits for 2018
- $1.7B market capitalization(1)
- Highly rated by all four major rating agencies

- Educators have preferred risk profile
- Homogeneous customer set
- Serving about half of school locations(2) in our market footprint

- Business mix balanced between P&C, L&R and supplemental insurance(3)
- 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 June 30, 2019
(2) Includes school buildings and administration locations
(2) Supplemental insurance segment added July 1, 2019

# 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.

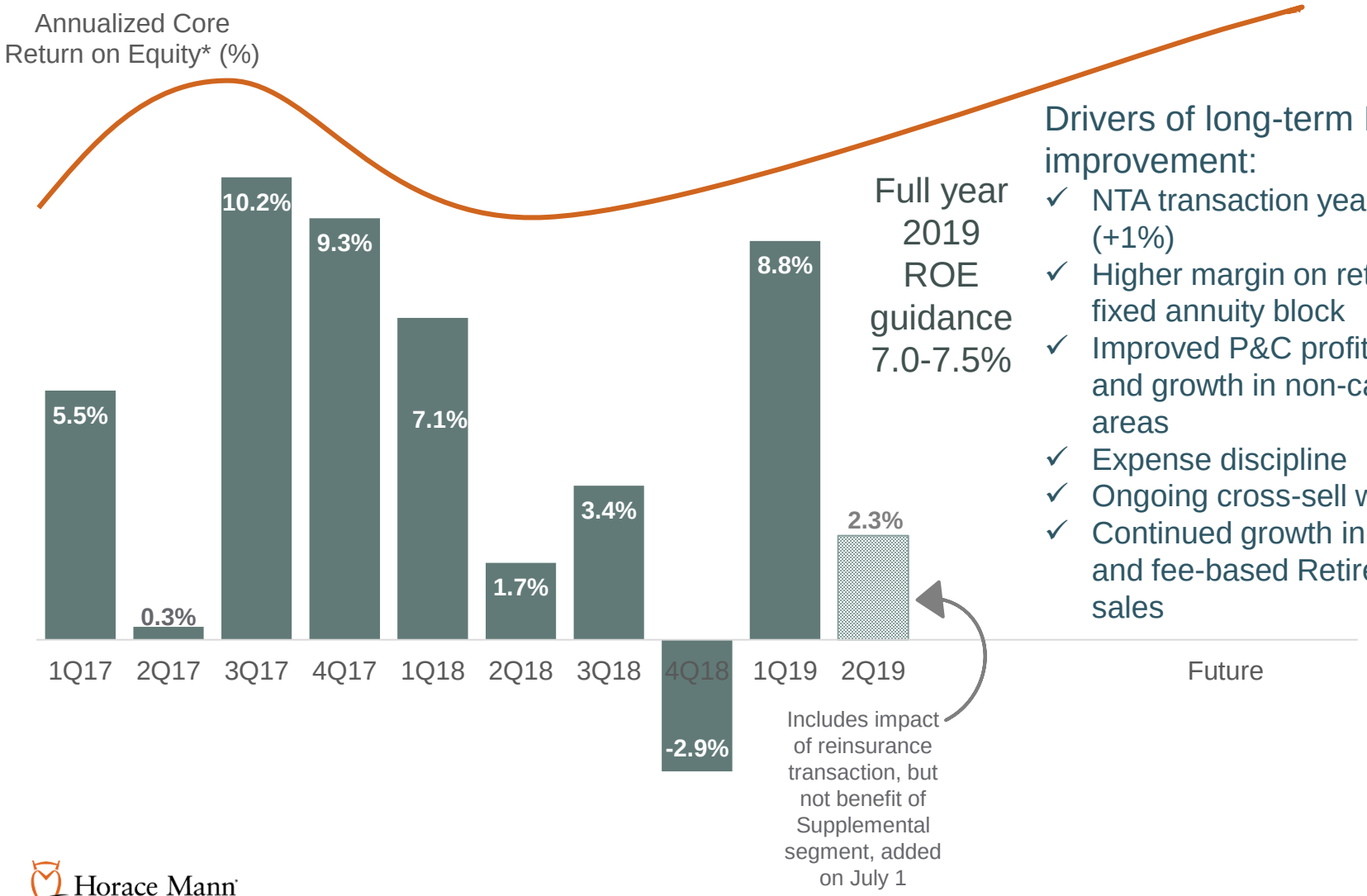
# ‘PDI’ growth strategy targeted to education market

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

Knowledgeable, trusted **distribution** tailored to educator preferences

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

# Path to double-digit ROE: *Organic initiatives/ transactions support education market focus and PDI strategy*




Drivers of long-term ROE improvement:

- ✓ NTA transaction year one (+1%)
- ✓ Higher margin on retained fixed annuity block
- ✓ Improved P&C profitability and growth in non-cat prone areas
- ✓ Expense discipline
- ✓ Ongoing cross-sell with NTA
- ✓ Continued growth in spread- and fee-based Retirement sales

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# Momentum building with addition of NTA

## Full-year 2019 guidance updated:

- Core 2019 EPS* now expected to be $2.05 to $2.25, reflecting strong 2019 Property and Casualty performance

## Key second half 2019 items:

- Supplemental segment (NTA) to be included beginning in Q3; expect quarterly core earnings run rate of about $0.15 to $0.17 per share; cross-sell not expected to add meaningfully in 2019
- Retirement segment quarterly core earnings ex-DAC* run rate expected to be about $0.13 per share (includes Retirement NII) beginning in Q3; reflects reinsurance transaction and capital redeployment

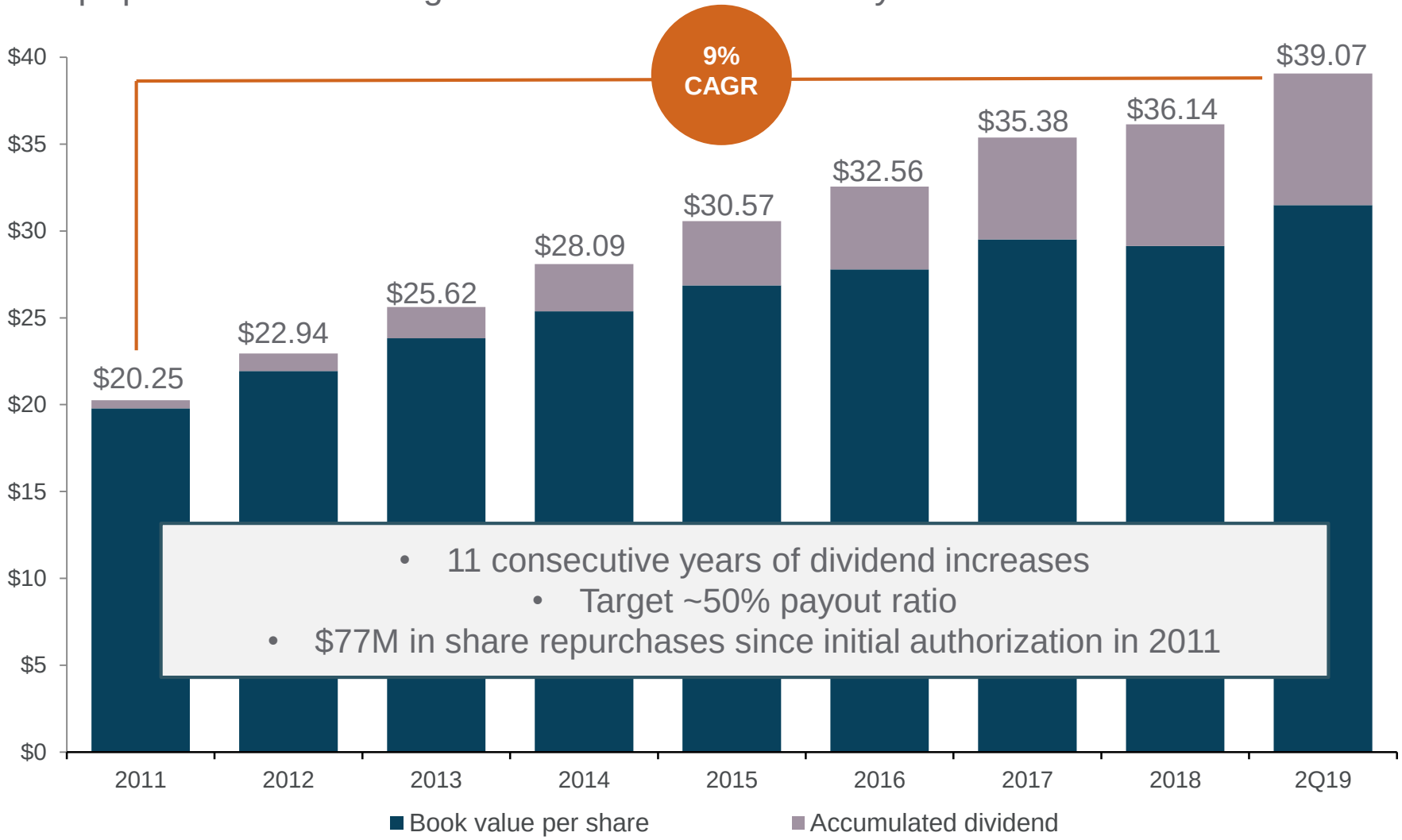
## 2020 baseline reiterated:

- NTA and reinsurance transactions lead to baseline core 2020 EPS growth of 10%

See Page 46 for guidance details

# Focus on long-term shareholder value

Top-quartile book value growth(1) and 2.9% dividend yield(2)




(1) Book value per share excluding net unrealized investment gains/losses. 2011 numbers restated to include retrospective application of new accounting guidelines for deferred policy acquisition costs. Top quartile ranking includes large, mid- and small-cap personal lines and insurance companies.

(2) Based on 6/30/19 closing stock price of $40.29.

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# Update on 2019 Strategic Advancements

# Three transactions advanced long-term growth strategy

**Acquisition of Benefit Consultants Group**

- Added Retirement plan design and administration capabilities that are key to being competitive in B2B space
- Broadened distributor network
- Added efficient and scalable ISO 9001 compliant platform
- Closed on January 2, 2019

**Acquisition of National Teachers Associates**

- Added in-demand, higher-margin Supplemental Insurance products
- Added points of distribution experienced in worksite marketing
- Diversified revenue and earnings base
- Closed on July 1, 2019

**Annuity reinsurance transaction**

- Reinsured $2.9 billion of legacy annuities with RGA
- Reduced ongoing interest rate risk
- Released approximately $200 million of capital
- Effective April 1, 2019

# BCG acquisition expanded Horace Mann's strategic capabilities in the retirement market

- Retirement plan provider with consulting, plan design, administration and recordkeeping capabilities
- Provides flexibility to directly administer retirement plan solutions and other worksite capabilities
- Continues to operate under same name in Cherry Hill, NJ under Retirement segment leadership

**Aligned with "PDI" Growth Strategy in Education Market**

**Products**

- Provides plan design and administration capabilities that are key to being competitive in the B2B space

**Distribution**

- Brings new, well-respected and established network of distributors

**Infrastructure**

- Improves our infrastructure with an efficient and scalable ISO 9001-compliant platform that delivers solutions in the way that employers prefer them

# National Teachers Associates acquisition added high-margin, in-demand products

- Supplemental insurance provider offering heart, cancer, accident and limited supplemental disability coverages
- Serving educator market for nearly 50 years
- Will remain in Dallas under current leadership; operate as separate division
- Diversifies business mix with higher-margin products

**Aligned with "PDI" Growth Strategy in Education Market**

**Products**

- Adds complementary supplemental insurance products designed to meet educators' needs and cover their financial risk

**Distribution**

- Brings trusted, knowledgeable agent network with extensive worksite marketing experience with limited geographic overlap

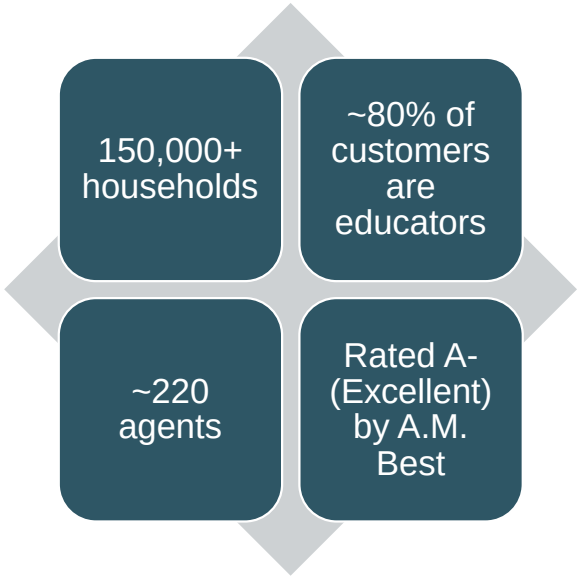
**Infrastructure**

- Strong management team focused on delivering great educator customer experiences, supported by modern and scalable infrastructure

# Supplemental segment product overview

NTA added a full line of supplemental products

## Corporate highlights




### Cancer

- Guaranteed renewable limited benefit, specified disease product with coverage for individuals and families, providing benefits for certain losses directly resulting from the diagnosis and treatment of cancer

### Heart

- Guaranteed renewable limited benefit, specified disease product with coverage for individuals and families, providing benefits for diagnosis and treatment of heart attack, heart disease and stroke

### Accident

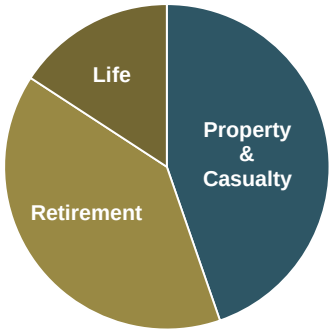
- Guaranteed renewable limited benefit, accident only insurance product with coverages for individuals and families, providing benefits related to injuries resulting from an accident

### Limited short-term supplemental disability

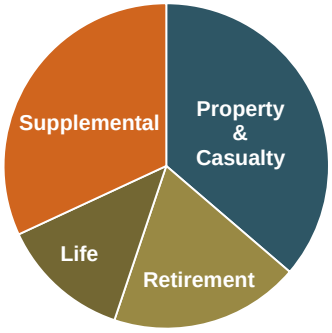
- Provides limited, short-term “own occupation” coverage for individuals, providing benefits for disabilities resulting from injuries or sicknesses

# Reinsurance transaction built on advantages of NTA by reducing exposure to interest-sensitive business

**Pre-transactions:** Retirement business at 40% of earnings[(1)]




**Post-transactions:** Earnings distributed evenly between three business areas, Retirement business less than 20%[(1)]




**NTA:**

- ✓ Adds geographies
- ✓ Supplemental insurance unaffected by weather volatility
- ✓ Morbidity not strongly correlated to mortality risk in Life business
- ✓ More attractive return profile than existing product lines
- ✓ Lower capital profile required

**Reinsurance transaction:**

- ✓ Reduces exposure to interest-sensitive products
- ✓ Alleviates spread compression on annuity block
- ✓ Improves ROE

(1) Presumes normalized catastrophe losses

# Timing was right for reinsurance transaction

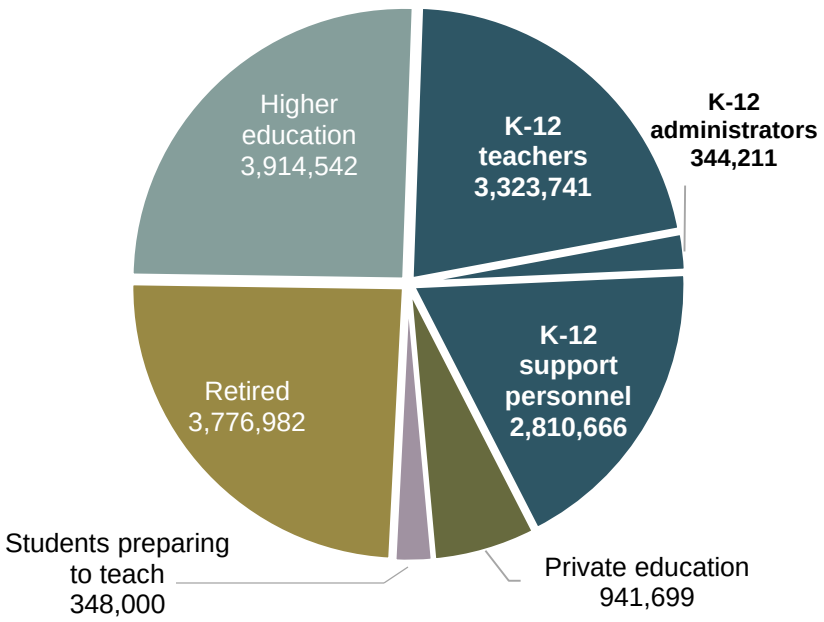
| Transaction Objectives | Strategic Rationale |
| --- | --- |
| Eliminate exposure to high guaranteed crediting rate policies | Long term portfolio modeling indicated this block of business unlikely to achieve target pricing spreads / ROE |
| Reduce proportion of earnings from interest sensitive business | Ability to redeploy capital to support higher ROE products, like supplemental insurance |
| Improve investment spreads on remaining annuities | Market conditions were favorable; interest rates have declined meaningfully in recent months |
| Improve balance of spread and non-spread earnings on retained business | |

# The education market



# Sizeable opportunity within existing K-12 educator market and adjacent segments

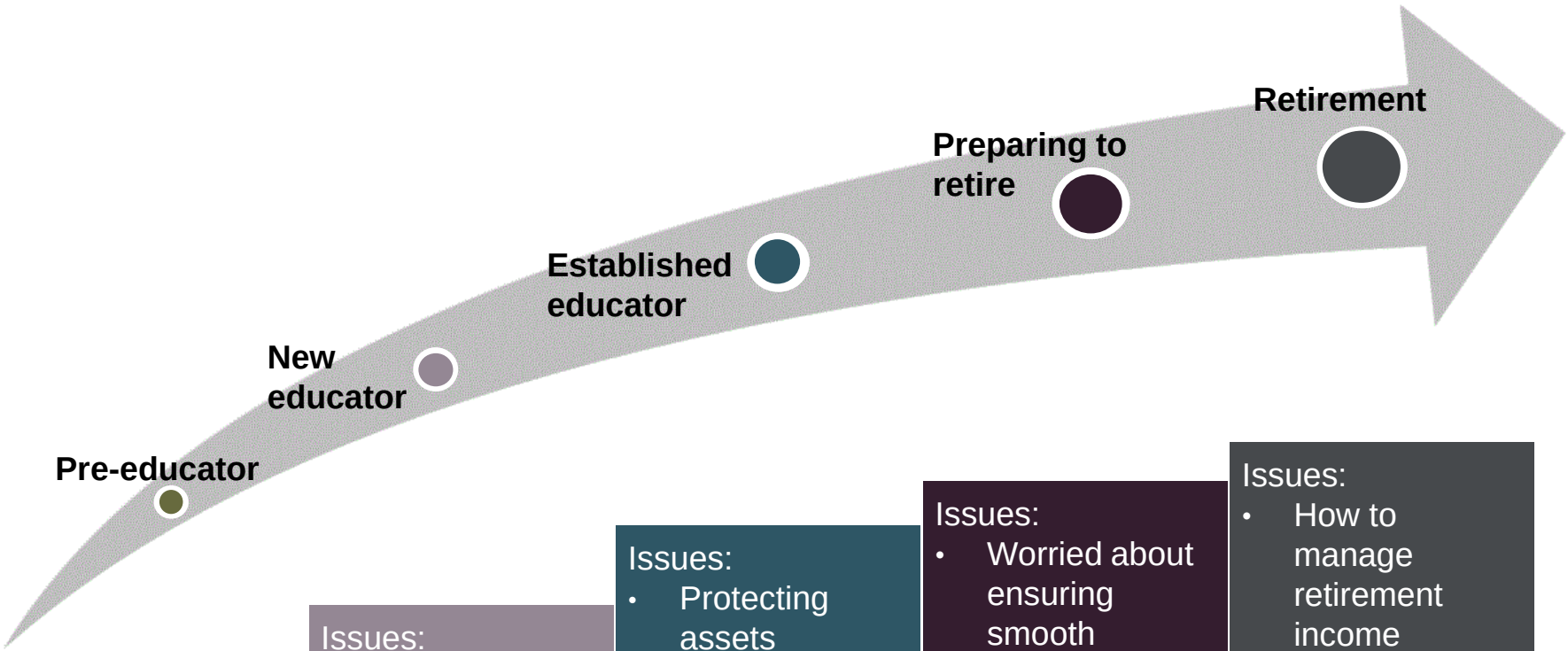
U.S educator market(1)




- 6.4 million K-12 educators nationwide
- Current customer base of roughly 470,000 educator households (600,000+ total households)(2) in about half of the schools(3) in our market footprint
- 6% increase in number of K-12 teachers anticipated between 2014 and 2026(4)
- Sizable demographic shift as Baby Boomers retire and Millennials make up a higher percentage of the workforce

(1) K-12, private education and higher education numbers from U.S. Dept. of Education, National Center for Education Statistics, Digest of Education Statistics, December 2016. Student preparing to teach estimate derived from U.S. Dept. of Education, National Center for Education Statistics, The Condition of Education, 2016 (current year Education major Bachelors Degrees awarded times 4). Retired educator estimate derived from 2017 State Teacher and Public Employee Retirement Plans (public K-12 retirees receiving benefits).
(2) As of July 1, 2019.
(3) Includes school buildings and administration locations
(4) U.S. Department of Education, National Center for Education Statistics, Projections of Education Statistics to 2026, April 2018.

# Educators' needs change at every life stage




| Pre-educator | New educator | Established educator | Preparing to retire | Retirement |
|---|---|---|---|---|
| Issue:<br>• Not prepared for social/ economic realities | Issues:<br>• Managing student loan debt<br>• Don't understand finances | Issues:<br>• Protecting assets<br>• Protecting dependents<br>• Classroom spend | Issues:<br>• Worried about ensuring smooth retirement<br>• Unsure of pension | Issues:<br>• How to manage retirement income<br>• Need to plan wealth transfer |

Issue: Unexpected event could deplete savings
Issue: Education market evolving, changing ways in which products brought to educators

# K-12 educators have similar characteristics and can be reached through a consistent channel




- Usually buy higher insurance limits
- Tend to bundle auto & home insurance
- Loyalty results in strong retention




- Generally live close to school with short commutes
- Off-hour commutes with light traffic
- Tend to be off during adverse weather conditions




- Focused on achieving goals
- Strong desire for guidance and education
- Open to reallocating savings to retirement needs

# PDI growth strategy leads to industry-leading cross-sell and retention

# Growth efforts focused on serving education market and aligning with PDI strategy

## Serving K-12 Educator Market

**Homogeneous customer set with attractive risk profiles**

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

## Focused on "PDI" Growth Strategy

### Products

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

### Distribution

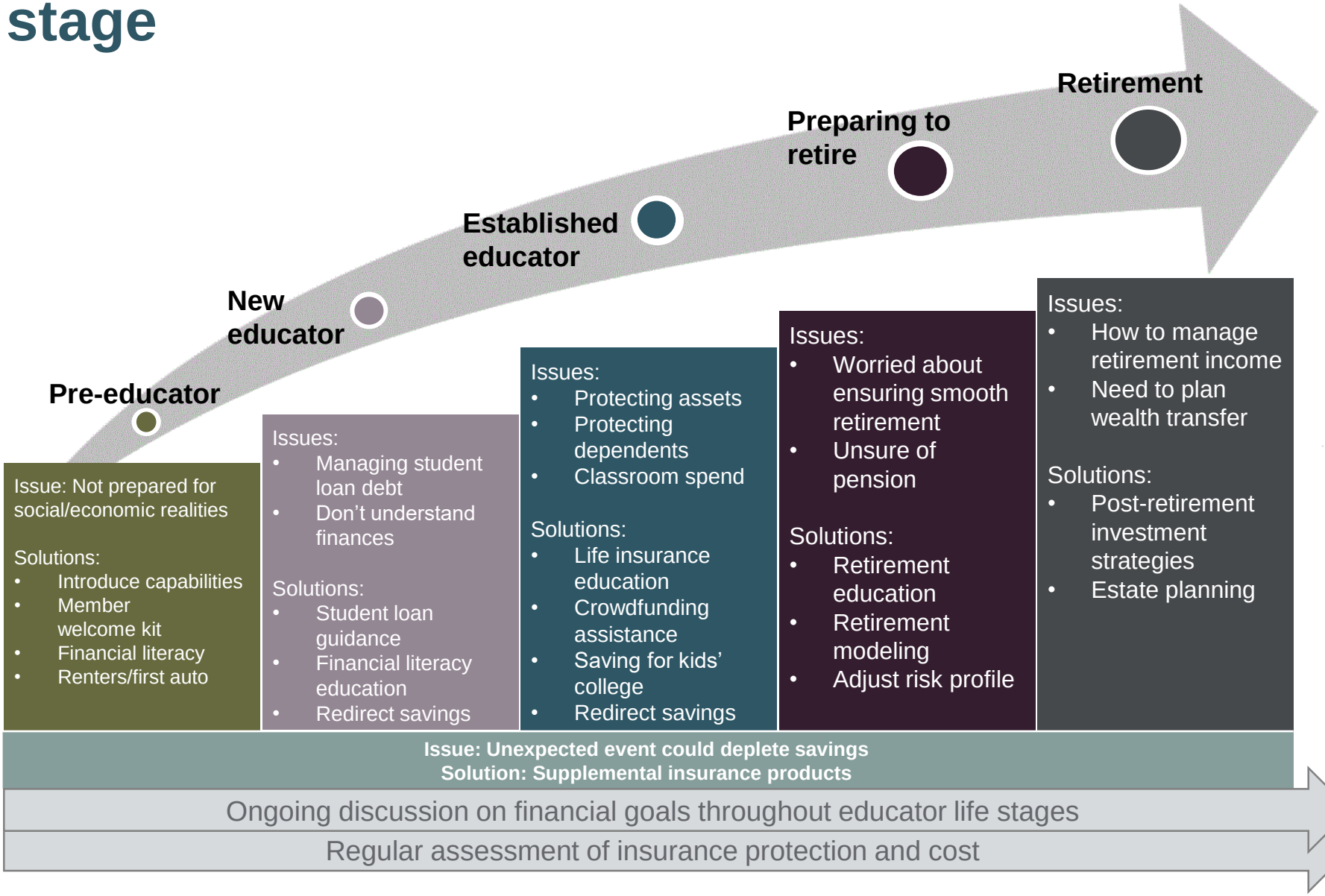
- Knowledgeable, trusted distribution tailored to educator preferences

### Infrastructure

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

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

# Solutions tailored for educators at every life stage



# Our value proposition supports our solutions orientation for consumers



B2C

**Educator audience**

We understand and solve the issues facing educators, including identifying savings in their budget to redirect to retirement.

- Classroom crowdfunding
- Student Loan Solutions
- Financial education













Leveraging our historical strengths with educators …

# Our value proposition supports our solution orientation for employers

B2B

**School district audience**

We have developed solutions for issues facing superintendents and business officials at the district level.

- Increase productivity and morale
- Reduce turnover
- Lower benefit costs













... while also building capabilities to address the unique needs of districts.

# Multi-faceted market access strategy

1

**Superior customer experience delivered through exclusive worksite distributor network**

- Strong relationships with local school districts
- In the schools presenting workshops, supporting school projects
- Community partners

2

**Buildout of complementary distribution channels to address educator preferences**

- Online quoting of auto, property, life
- Direct sales team
- Alternate channels funnel back to trusted advisor for annual review

3

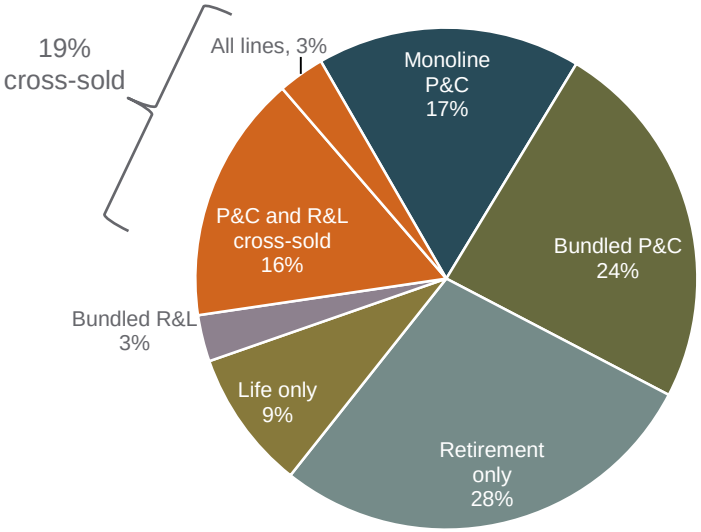
**Strategic association relationships to build brand awareness and affinity**

- Association of School Business Officials (ASBO)
- AASA, The School Superintendents Association
- The NEA Foundation
- Multiple state and local associations

# Targeted marketing efforts drive more cross-line sales, which leads to higher retention

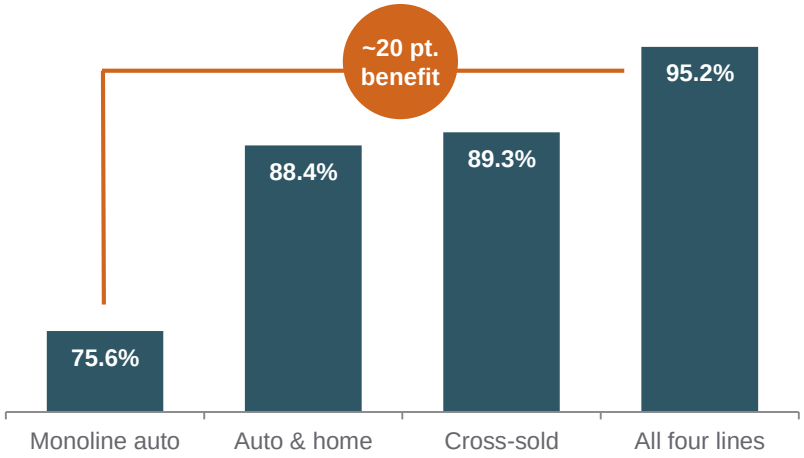
## Strong cross-sell expertise[1]

- Educator customer cross-line penetration of 19% far exceeds industry average of 12%[2]




## Cross-selling improves Horace Mann persistency[3]

- Horace Mann policy retention and persistency exceed industry averages and improve with cross-sell efforts
- Shedding monoline auto customers

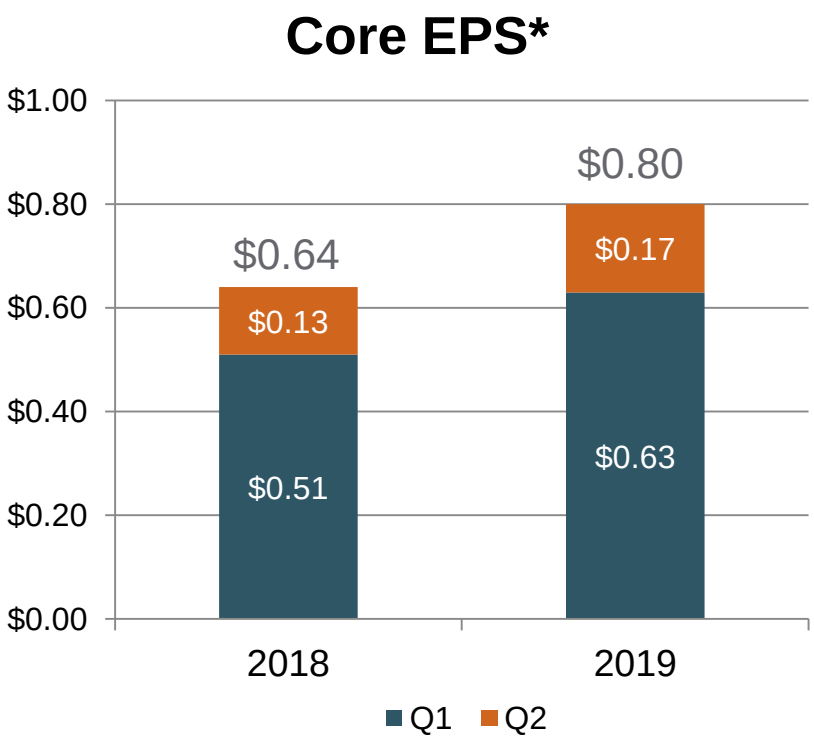



(1) HMN data: ~360k educator households as of June 30, 2019; cross-line households defined as Auto and/or Property plus Retirement, Life and/or Group
(2) Industry data per LIMRA, 2018 multiline exclusive agent average
(3) As of June 30, 2019

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# Business details and results

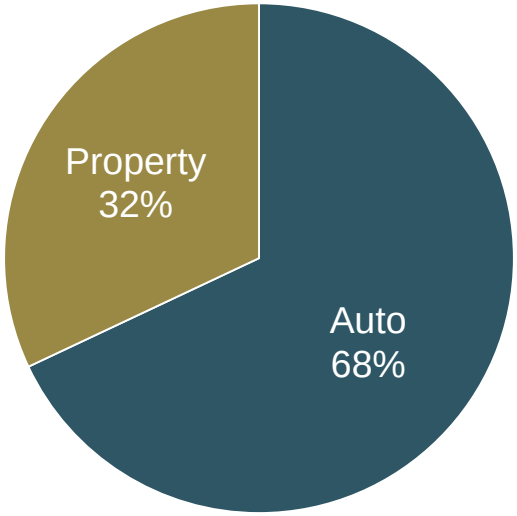
# Q2 core EPS* up 31% on strong P&C results




- **11% increase in book value** per share over 2Q18 reflected higher unrealized gains on investments while book value excluding unrealized gains* rose 5% due to realized gains on transferred assets from recent annuity reinsurance transaction
- **Property and Casualty combined ratio improved by 11 points** over 2Q18, largely due to significant improvements in underlying loss ratios
- **Retirement sales strong**; segment core earnings* reflect annuity reinsurance transaction

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

## P&C Net Written Premium ($688M)[1]




### Opportunity

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

### Products

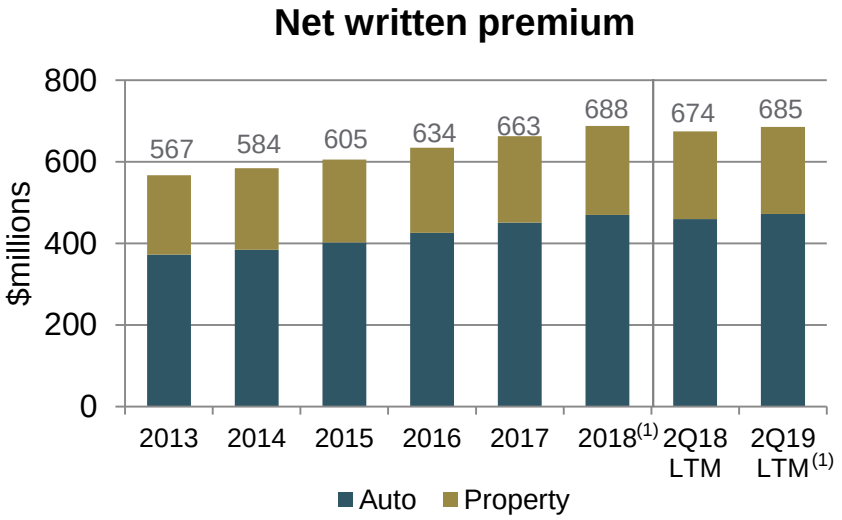
- Auto, homeowners, renters and umbrella
- Majority of P&C business is bundled Auto and Home
- Partnerships through Horace Mann General Agency

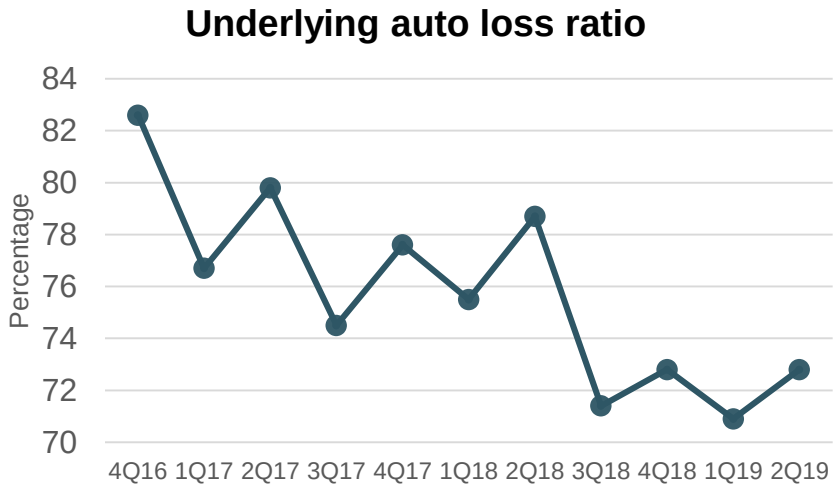
### Strategy

- 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 FY 2018; excluding reinsurance reinstatement premiums of $6.7 million in Q4

# P&C segment: Premium growth on rate increases with significantly improving profitability



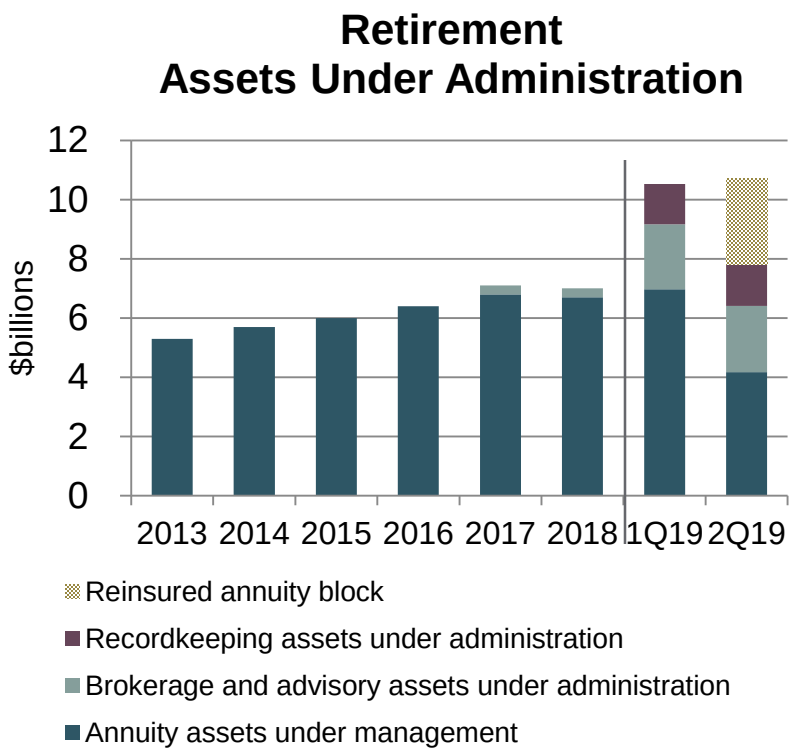




## Q2'19 Results

- 2% increase(1) in written premiums for LTM over prior period
- Continued underlying auto loss ratio improvement
- Auto loss ratio generally runs about 4 points better than industry(2)
- Profitability initiatives ongoing

(1) Excluding reinsurance reinstatement premiums
(2) A.M. Best industry composite based on statutory incurred losses

# 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

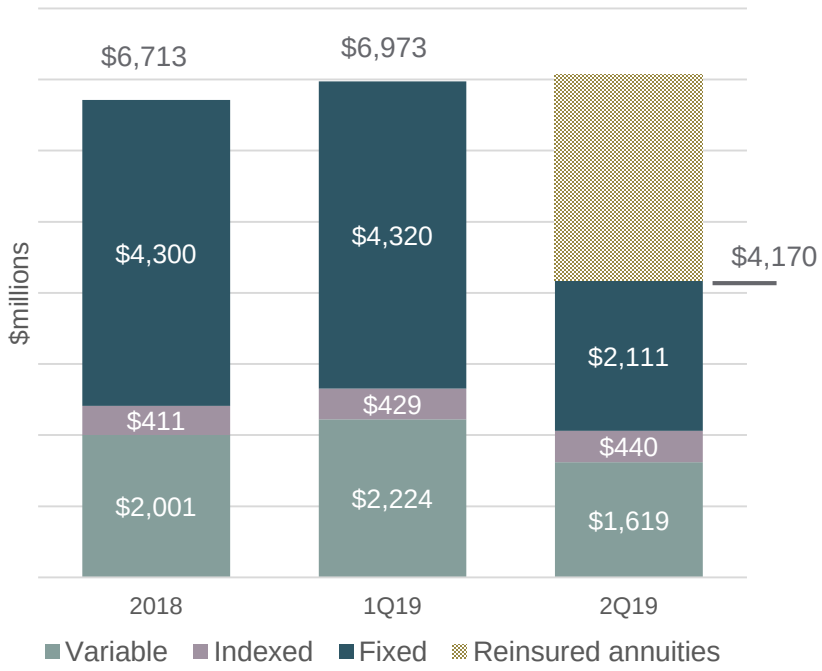
- Fixed annuities, variable annuities and Retirement Advantage mutual fund platform
- 62% of traditional annuities in 403(b)

## Strategy

- Leverage captive agents to build relationships with homogeneous set of customers
- Advanced planning capabilities & tools
- Build on B2B opportunity

# Retirement segment: Annuity reinsurance agreement reduces go-forward interest rate risk

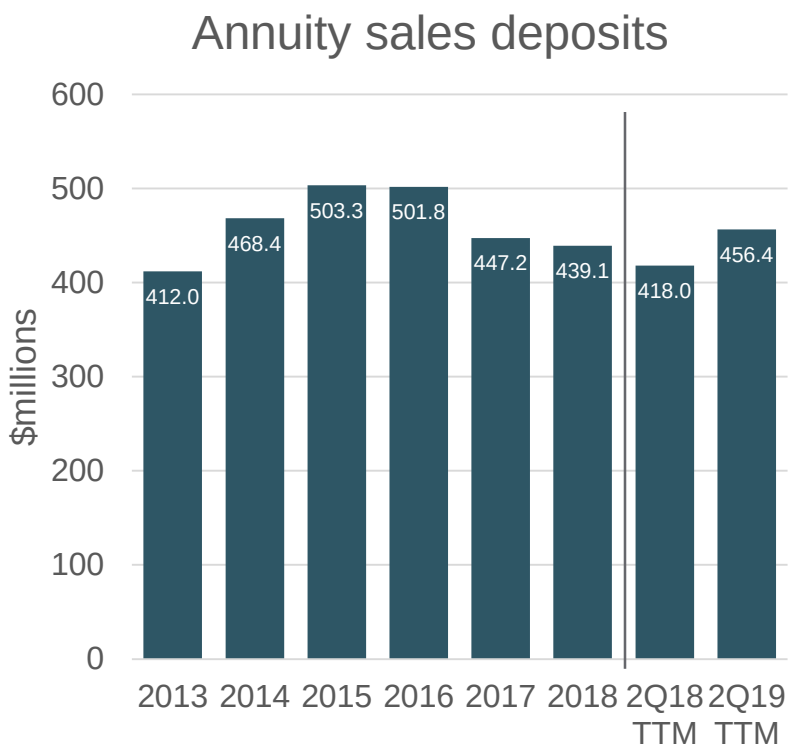
## Total Annuity AUM




## Horace Mann Retained $4.2 Billion in AUM

- RGA reinsured $2.9B legacy block
  - $2.2 of fixed annuities through coinsurance structure
  - $0.7 of variable annuities through Mod-Co structure
- Transferred $2.3 billion of investments to dedicated trust
- Net investment spread of ~215 bps anticipated for second half of 2019 vs. prior guidance of mid-140s for full year
- Average fixed annuity crediting rate declined to 2.5%, down from 3.6% in 1Q19
  - 52% of retained portfolio has crediting rates under 2%; improved from 26% as of 12/31/18
- Portfolio backing retained business maintains investment approach and will be appropriately duration-matched against liabilities

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

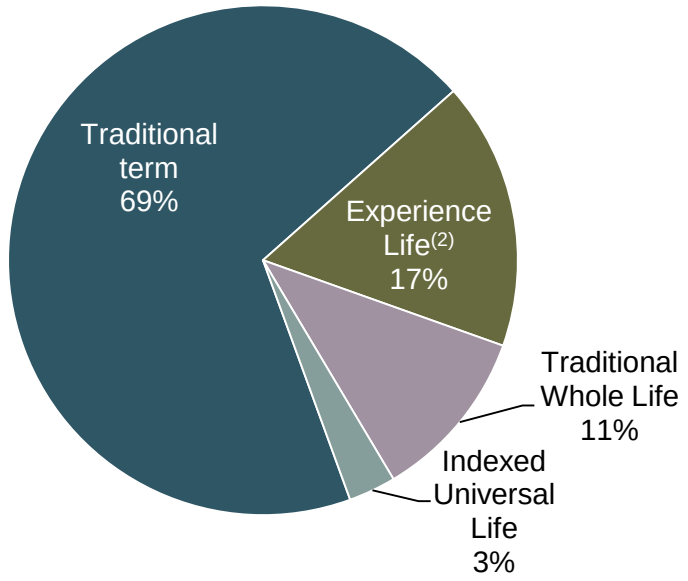



**Q2'19 Results**

- Growth in spread-based and fee-based Retirement businesses
  - Annuity sales rebounding following market disruption from regulatory changes
- Introduced Retirement Advantage open architecture mutual fund platform to meet customer needs
- Acquisition of Benefit Consultants Group added capabilities to meet needs of employer market

# 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

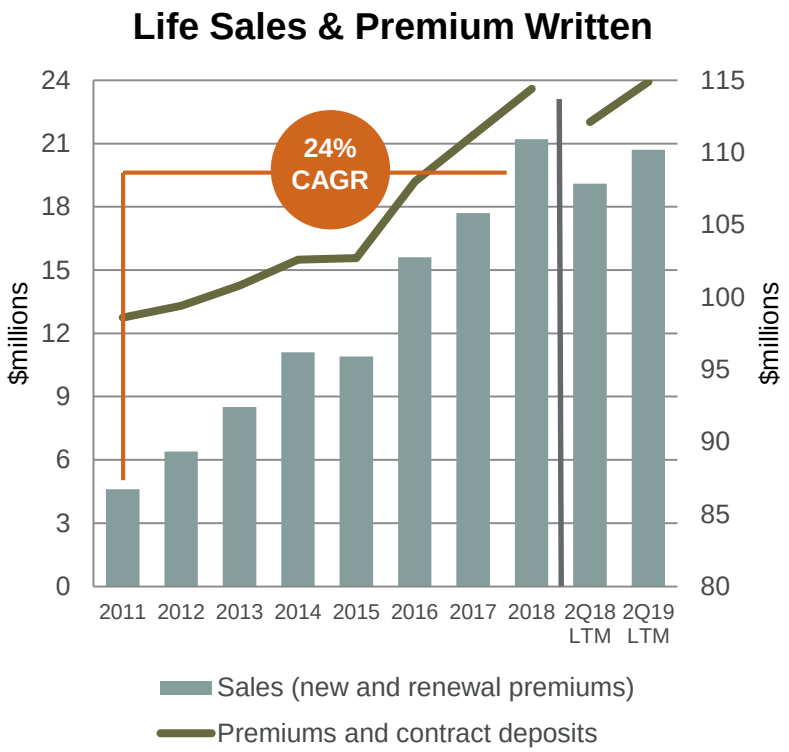
### Strategy

- 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 June 30, 2019
(2) Experience Life is a legacy Whole Life and Term product

# Life segment: Profitable in-force block with double-digit sales growth

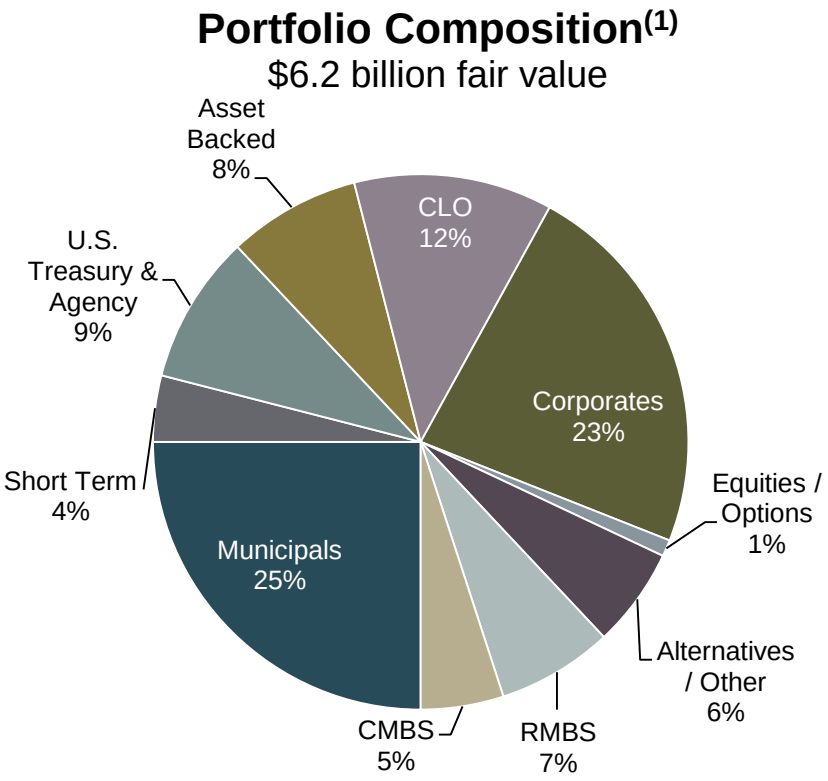



**Q2'19 Results**

- Consistent sales growth year-over-year, spread across all product types
- Face amount persistency above 95%(1)
- Mortality in line with modeled actuarial assumptions

(1) As of June 30, 2019

# Investments: Conservative, well-diversified investment portfolio designed to support product offerings

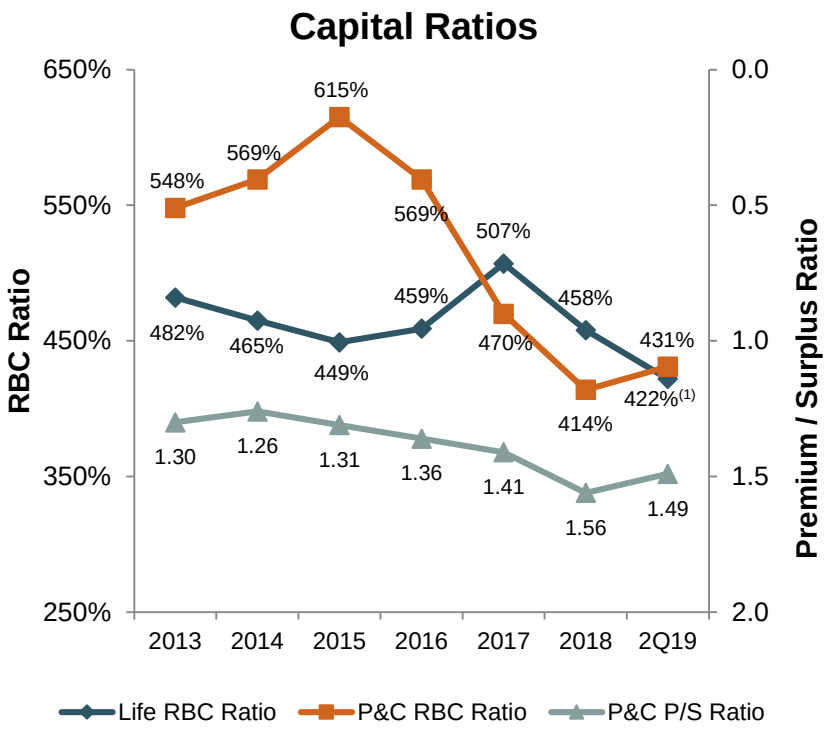



## Q2'19 Results

- High-quality, well-diversified portfolio across fixed income sectors
  - A+ weighted-average quality
  - Average duration 5.6 years
  - 5.14% pre-tax yield
- Focused on risk and asset liability management
  - $5.2 billion portfolio supports long-dated L&R liabilities
  - $1.0 billion portfolio supports P&C
- New purchases focused on improving portfolio quality
  - New money rate of ~4.15%

(1) As of June 30, 2019; excludes policy loans and derivatives

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




- Conservative capital management strategies have resulted in strong capital ratios
  - P&C loss reserves held at top half of independent actuarial range
  - Conservative L&R product design
  - Investment portfolio conservatively positioned
- Debt-to-capital ratio(2) of 24.6% at August 1, 2019

(1) As of August 1 to reflect redeployment of capital for the July acquisition of NTA. Life RBC ratio at June 30, 2019, was 636.
(2) 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

| Current Financial Strength Ratings | | |
|---|---|---|
| **Agency** | **Rating** (affirmed/reviewed) | **Outlook** |
| S&P | A (6/24/19) | Stable |
| Moody's | A2 (7/2/19) | Stable |
| A.M. Best | A (6/6/19) | Stable |
| Fitch | A (6/25/19) | Stable |

**Recent Ratings Actions & Affirmations**

- Following NTA financing announcement, Fitch and Moody's affirmed ratings and removed negative watches placed in 2018 pending financing details
- In Q4 2016, Moody's upgraded our P&C outlook to Positive from Stable
- In Q1 2016, A.M. Best upgraded our P&C rating to "A" from "A-"

# Committed to Corporate Social Responsibility

Implementing ESG best practices

**Environmental**

- Continuously monitoring **climate risk** and adapting our strategy accordingly
- Working to reduce our **environmental footprint,** particularly corporate energy use
- Promoting **electronic delivery** of customer documents

**Social**

- Providing no-cost **financial success resources** to educators
- Committed to **Diversity & Inclusion** through CEO Pledge
- Prioritizing **data security** measures and oversight to protect customer information

**Governance**

- Nominating **diverse board members** in experience, age, ethnicity & gender
- Ensuring **oversight of ESG program** at board level and through Enterprise Risk Management (ERM) committee



To read our award-winning Corporate Social Responsibility report, visit **horacemann.com/csr.**

Horace Mann

# 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 70% 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

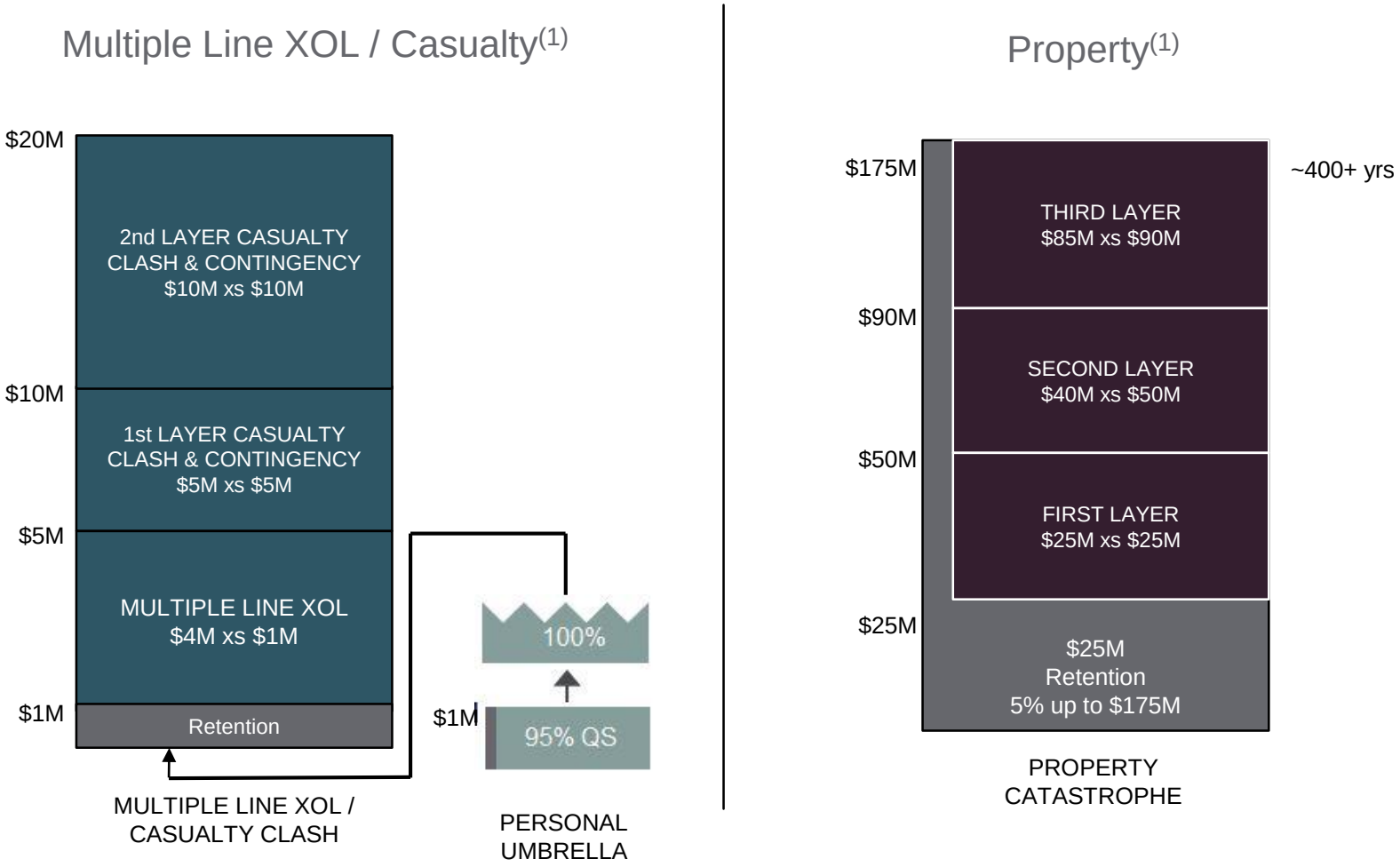
- Clawback provision for both cash & equity awards
- Anti-hedging and pledging policy of company shares
- No single-trigger change in control benefits
- No excise tax gross-ups from change in control
- Limited perquisites and executive benefits
- No poison pill

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

| Net P&C Reserve Position | | | |
|---|---|---|---|
| | Independent Actuary | | HMN |
| ($M) | Low | High | Held |
| 2018 | $240.7 | $291.4 | $277.5 |
| 2017 | $234.1 | $277.0 | $261.8 |
| 2016 | $219.8 | $260.0 | $246.6 |

- **Appropriate conservatism**
  - Disciplined reserving practices
  - Recent favorable reserve development consistent with independent observations
- **Strong claims organization/capabilities**
  - Centralized claim offices
  - Technology/infrastructure
  - Implementation of best practices and procedures

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






(1) 2019 Reinsurance Program, based on current AIR model

# Consolidated GAAP income statement

| ($ in Millions) | 2014 | 2015 | 2016 | 2017 | 2018 | 1H19 |
|---|---|---|---|---|---|---|
| **Written premiums and contract deposits** | **$1,167.7** | **$1,256.5** | **$1,262.5** | **$1,227.1** | **$1,235.0** | **$607.1** |
| Insurance premiums and contract charges earned | $715.8 | $731.9 | $759.1 | $794.7 | $817.3 | $417.9 |
| Net investment income | 329.8 | 332.6 | 361.2 | 373.6 | 376.5 | 186.3 |
| Net investment gains (losses) | 10.9 | 12.7 | 4.1 | (3.4) | (12.5) | 153.7 |
| Other income | 4.2 | 3.2 | 4.5 | 6.6 | 10.3 | 6.8 |
| Total revenues | 1,060.7 | 1,080.4 | 1,128.9 | 1,171.5 | 1,191.6 | 764.7 |
| Benefits, claims and settlement expenses | 468.4 | 496.4 | 541.1 | 582.3 | 637.6 | 292.1 |
| Interest credited | 176.1 | 182.8 | 192.0 | 198.6 | 206.2 | 106.5 |
| Policy acquisition expenses amortized | 93.8 | 98.9 | 96.7 | 102.2 | 109.9 | 56.6 |
| Operating expenses, including interest expense | 176.3 | 172.8 | 184.9 | 199.7 | 218.4 | 115.9 |
| Other expense – Goodwill impairment | — | — | — | — | — | 28.0 |
| Total benefits, losses and expenses | 914.6 | 950.9 | 1,014.7 | 1,082.8 | 1,172.1 | 599.1 |
| Income before income taxes | 146.1 | 129.5 | 114.2 | 88.7 | 19.5 | 165.6 |
| Income tax expense (benefit) | 41.9 | 36.0 | 30.4 | (80.7) | 1.2 | 39.6 |
| Net income (loss) | $104.2 | $93.5 | $83.8 | $169.4 | $18.3 | $126.0 |
| DTL re-measurement and net investment gains/losses after tax | 6.9 | 8.6 | 2.3 | 97.3 | (10.1) | 148.5 |
| **Core Earnings*** | **$97.3** | **$84.9** | **$81.5** | **$72.1** | **$28.4** | **$33.5** |
| **Core EPS*** | **$2.30** | **$2.00** | **$1.97** | **$1.74** | **$0.68** | **$0.80** |
| Book value per share excluding net unrealized investment gains on securities* | $25.38 | $26.86 | $27.79 | $29.51 | $29.13 | $31.48 |

# Consolidated GAAP balance sheet

| ($ in Millions) | 2014 | 2015 | 2016 | 2017 | 2018 | At 6/30/19 |
|---|---|---|---|---|---|---|
| Assets | | | | | | |
| Investments | $7,403.5 | $7,648.0 | $7,999.3 | $8,352.3 | $8,250.7 | $6,419.6 |
| Cash | 11.7 | 15.5 | 16.7 | 7.6 | 11.9 | 7.6 |
| Separate account assets | 1,813.6 | 1,800.7 | 1,923.9 | 2,152.0 | 2,001.1 | 2,310.9 |
| DAC | 215.1 | 253.2 | 267.6 | 257.8 | 298.7 | 279.0 |
| Deposit asset on reinsurance | — | — | — | — | — | 2,315.3 |
| Goodwill | 47.4 | 47.4 | 47.4 | 47.4 | 47.4 | 29.5 |
| Other assets | 277.2 | 292.2 | 321.9 | 381.2 | 422.1 | 417.5 |
| **Total assets** | **$9,768.5** | **$10,057.0** | **$10,576.8** | **$11,198.3** | **$11,031.9** | **$11,779.4** |
| Liabilities | | | | | | |
| Policy liabilities & other policyholder funds | $5,958.2 | $6,376.1 | $6,733.1 | $6,906.3 | $7,152.1 | $7,267.2 |
| Separate account liabilities | 1,813.6 | 1,800.7 | 1,923.9 | 2,152.0 | 2,001.1 | 2,310.9 |
| Long term debt | 199.9 | 247.0 | 247.2 | 297.5 | 297.7 | 297.9 |
| Short term debt | 38.0 | — | — | — | — | — |
| Other liabilities | 422.3 | 368.5 | 378.6 | 340.9 | 290.4 | 403.7 |
| Total liabilities | 8,432.0 | 8,792.3 | 9,282.8 | 9,696.7 | 9,741.3 | 10,279.7 |
| Shareholders' equity | 1,336.5 | 1,264.7 | 1,294.0 | 1,501.6 | 1,290.6 | 1,499.7 |
| **Total liabilities and shareholders' equity** | **$9,768.5** | **$10,057.0** | **$10,576.8** | **$11,198.3** | **$11,031.9** | **$11,779.4** |

# Recap of 2019 Segment and Metric Guidance

| | 2018 Actual | 2019 Guidance | Comments |
|---|---|---|---|
| **Property and Casualty** | | | |
| Net written premiums | $681.5 million | Low single-digit growth | Unchanged |
| Auto underlying loss ratio | 74.6% | Improve 3 to 3.5 points | Increased from ~2 points of improvement |
| Property underlying loss ratio | 46.2% | Improve ~3 points | Unchanged |
| Expense load | 27.0% | +/- 0.5% of 27% | Unchanged |
| Catastrophe cost load | 17.1 points | 7-7.5 points ($45-55 million) | Unchanged |
| Total P&C combined ratio | 109.3% | High 90s | Unchanged |
| **Retirement** | | | |
| Net interest spread | 171 points | ~190-200 points | Net interest spread in 2H 2019 expected to be in low 200s |
| Ex-DAC earnings (after tax) | $44.8 million | $25 to $27 million | Retirement segment quarterly core earnings ex DAC run rate of ~$5 million (includes Retirement NII) for 2H 2019 reflects capital redeployment and reinsurance transaction |
| **Life** | | | |
| Sales | $21.2 million | Double-digit growth | Unchanged |
| Mortality costs | $35.1 million | Modest increase | Unchanged |
| Ex-DAC earnings (after tax) | $19.0 million | $15 to $17 million | Unchanged |
| **Supplemental** | | | |
| Core earnings | n/a | $12 to $14 million | Begins in Q3; no meaningful cross-sell expected in 2019 |
| **Corporate** | | | |
| Net investment income | $376.5 million | Down $5 to $6 million | Unchanged in aggregate; quarterly accreted investment income on reinsurance deposit receivable should be ~$23 million beginning in Q2 2019; net investment income on investment portfolio expected to be ~$300 million for full year |
| Interest expense | $13.0 million | Up ~$2 million | Borrowing on line of credit adds ~$1 million to quarterly interest expense beginning in Q3 |
| Effective tax rate | 6.2% | 16% to 18% | Unchanged |

# Horace Mann at a glance

| | |
|---|---|
| **Exchange ticker symbol** | NYSE:HMN |
| **Share Price** | $40.29(1) |
| **Shares Outstanding** | 41.2 million(1)(2) |
| **Market Capitalization** | $1.7 billion(1) |
| **Annualized Dividend Per Share** | $1.15(1) |
| **Dividend Yield Per Share** | 2.9%(1) |
| **Average Daily Volume** | 148K shares (52-week average daily volume as of 6/30/19) |
| **Book Value Per Share*** | $31.48(1)(3) |
| **Analyst Coverage** | Dowling & Partners: Gary Ransom<br>JMP Securities: Matt Carletti<br>Keefe, Bruyette & Woods: Christopher Campbell<br>Sandler, O'Neill & Partners: John Barnidge |
| **Contact** | Heather J. Wietzel<br>Vice President, Investor Relations<br>heather.wietzel@horacemann.com<br>217.788.5144<br>investors.horacemann.com |

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(1) As of June 30, 2019
(2) 41.9 million weighted average diluted shares for Q2'19
(3) Excluding net unrealized investment gains/losses on fixed maturity securities