Horace Mann Educators Corporation
2010 Annual Report and 10-K

Horace Mann®
Founded by Educators for Educators

Financial Highlights

(Dollars in millions, except per share data)

Year Ended December 31,	**2010**	2009	2008
Operations			
Insurance premiums written and contract deposits	**$ 1,052.0**	$1,003.7	$ 960.1
Net income	**80.9**	73.5	10.9
Return on equity (1)	**9.6%**	12.7%	1.9%
Property & casualty combined loss and expense ratio	**100.9%**	99.5%	100.7%
Total Exclusive Agencies and Employee Agents	**741**	716	670
Per share			
Net income per share:			
Basic	**$ 2.05**	$ 1.88	$ 0.27
Diluted	**$ 1.97**	$ 1.81	$ 0.27
Dividends paid	**$ 0.35**	$ 0.2375	$ 0.3675
Book value (2)	**$ 22.19**	$ 18.36	$ 11.49
Financial position			
Total assets	**$ 7,005.5**	$6,343.1	$5,507.7
Short-term debt	**38.0**	38.0	38.0
Long-term debt	**199.7**	199.6	199.5
Total shareholders' equity	**880.0**	719.5	448.8

(1) Based on 12-month net income and average quarter-end shareholders' equity.

(2) Before the fair value adjustment for investments, book value per share was $19.42 at December 31, 2010, $17.79 at December 31, 2009 and $16.15 at December 31, 2008.

Forward-looking information

It is important to note that the Company's actual results could differ materially from those projected in forward-looking statements. Additional information concerning factors that could cause actual results to differ materially from those in the forward-looking statements is contained from time to time in the Company's SEC filings. Copies of these filings may be obtained by contacting the Company or the SEC.

The Horace Mann Value Proposition

At Horace Mann, we strive to provide lifelong financial well-being for educators and their families through personalized service, advice and a full range of tailored insurance and financial products.

Letter to Shareholders

Solid financial results reflect our core strengths

In 2010, Horace Mann continued to demonstrate the value of our multiline insurance operations as reflected in our earnings and in the quality of our underlying business. As the financial markets continued their recovery from the recession of 2008-09, we were able to increase shareholder value while further validating the company's high-quality, conservative investment portfolio and overall financial strength. Our solid financial ratings were maintained throughout the period and our quarterly dividend payment is now higher than it was pre-financial crisis.

The strong underlying operating results in our annuity, life and auto lines of business in 2010 contributed to operating earnings* of $1.60 per share for the year, an increase of 15 percent compared to 2009. This solid operating performance, along with a significant level of both realized and unrealized investment gains, resulted in reported book value per share of $22.19 at year-end, an increase of 21 percent compared to a year earlier.

Significant growth in annuity revenues and profits, life earnings up

In 2010, our annuity segment top-line and bottom-line growth was better than expected and substantially exceeded the prior year, setting new sales records and building on the momentum established by record sales in 2009. Educator confidence in Horace Mann drove an unprecedented level of annuity sales, led by single premium and rollover deposits. Overall, annuity contract deposit receipts increased 13 percent for the year compared to 2009. Further, the quality of our annuity book of business was bolstered by another year of strong persistency and positive funds flow.

We continued to develop new annuity products and enhance our current product offerings in 2010 to meet the needs of both new and current educator customers. In May, we began offering a new fixed annuity product with a more attractive and competitive first-year premium bonus, providing educators an option for jump-starting their supplemental retirement plans in the current low interest rate environment. We also added new investment options for our variable annuities to expand the range of investment categories for asset allocation.

Life segment top-line and bottom-line growth were consistent with our expectations in 2010, and earnings increased compared to prior year. With life new business levels feeling pressure from current economic forces, premiums and contract deposits were down slightly compared to a year earlier. Persistency of our life insurance business remained strong.

As part of our ongoing efforts to improve the competitiveness of our proprietary life products, in July we introduced our new Life Select product line designed to supplement our popular Life by Design portfolio. Life Select provides added flexibility with coverage choices and, like Life by Design, offers a discount specifically for educators.

Strong auto profit margin amid a difficult property and casualty environment

Profitability and growth results were mixed for the property and casualty segment in 2010. For the auto line of business, earnings were better than expected and better than prior year, while property profitability continued to be challenged. Property and casualty new business and total premiums were pressured during the year by our auto rate increases and property risk mitigation actions.

*Net income before realized investment gains and losses.

Our auto combined ratio of 93.7 percent in 2010 was excellent, improving nearly 4 percentage points compared to the prior year; however, the auto insurance market continued to be highly competitive and price-sensitive throughout the year, as reflected by the significant advertising expenditures of large-scale insurers. We believe we were ahead of the competition in taking pricing actions in 2010. While our auto policy renewal ratio remains above 90 percent and compares favorably to many in the industry, our pricing actions did adversely impact sales and policy retention, particularly in the latter half of the year. Designed to address this challenge and, ultimately, reverse these trends, in the second quarter of 2011 we began rolling out a variety of state-specific pricing, underwriting and marketing initiatives focused on increasing auto new business sales. We also plan to implement programs in the third quarter of 2011 to improve auto policyholder retention, including enhancements to our automatic payment options. As we look to achieve a more appropriate growth-profit balance in the auto line, we expect new business and retention trends to improve in the latter half of 2011.

On the property side, restoring profitability to acceptable levels remains one of our top priorities. Like the industry, we experienced catastrophe losses – primarily from events concentrated in the Midwestern states – that exceeded the prior year and our expectations in 2010. In addition, Florida sinkhole losses increased significantly and were greater than our expectations. We continued to address property profitability through aggressive pricing and underwriting actions, including our Florida non-renewal program, which is ahead of schedule and is expected to be completed by August 2011. As a result of these actions, we expect to restore the property line to an acceptable level of profitability by the fourth quarter of 2011. Further, as an added benefit of the coastal underwriting actions we've taken over recent years, the reduction of our hurricane loss exposure has provided an opportunity for us to strengthen our reinsurance protection by lowering the attachment point and increasing our total coverage at a reasonable cost.

Building on 2009's infrastructure progress, further improvements continued to shape our property and casualty operations. After a review of our Auto and Property Modernization program, we elected to focus on completing the implementation of our auto front-end underwriting and rating system and defer our work on the property system. By the end of 2010, the auto front-end system was operational in 30 states, which represented approximately 80 percent of our countrywide auto business. We anticipate completing the auto project by the second quarter of 2012. Also, we continue to realize benefits from our Advanced Claim Environment (ACE) and the 2008 consolidation of our claim offices.

Agency force growth, market differentiation continue

Our transition from an employee-based to an independent Exclusive Agent (EA) distribution model is progressing steadily and produced overall agency force growth of 3 percent compared to the end of 2009. While the productivity of our agency force has been affected by economic and competitive pressures, we are encouraged by the number of individuals who are investing in our distribution platform. As a result, 2010 was our second consecutive year of agency force growth following our transition to the EA model. We ended 2010 with a combined total of 741 Exclusive Agencies and employee agents. Of this total, more than 60 percent were operating under our EA agreement and approximately 80 percent were operating in our Agency Business Model (ABM), consisting of Exclusive Agencies as well as employee agents in outside offices with licensed producers.

To help agents realize their full growth potential within ABM, we've bolstered our marketing strategy with initiatives that emphasize opportunities where our agents have distinct competitive advantages in their schools, particularly with 403(b) annuity products, and where we can strengthen business-to-business relationships with targeted school districts.

In support of this strategy, we've reallocated certain marketing resources to services that directly support the educational community and help "educate the educators." We're expanding the reach of programs such as State Teacher Retirement System (STRS) workshops that have proven effective at the local level in positioning our agents as specialists in state retirement programs. Our agents are responding to this additional training and have conducted more than 500 STRS workshops in the first quarter of 2011 alone. At the same time, we're exploring additional opportunities, such as expanding our Section 125 flexible benefits plan administration services to more school districts. And we're enhancing the capabilities of our school payroll deduction service, which provides school officials a unique benefit to pass on to their employees – the option to pay premiums for multiple products (auto, life and annuity) directly from their paychecks.

As part of our relationship-building efforts, we recently entered into an agreement to become a strategic partner of the Association of School Business Officials International (ASBO), which will help enhance our brand awareness among nearly 6,000 school business management professionals. We also became a national sponsor of DonorsChoose.org, a nonprofit organization that connects teachers to "citizen philanthropists" who want to provide financial support to individual classroom projects. Additionally, we have renewed our sponsorships of the NEA Foundation Awards for Teaching Excellence and the Abraham Lincoln Fellowships, both nationally recognized programs that reward excellence in the teaching profession.

All of these market differentiators help build the Horace Mann brand and distinguish the local Horace Mann agent as a true expert in recognizing and providing for the needs of the education community. With a solid footing in their local markets, our agents can more effectively promote the value of having multiple products with Horace Mann – a company that offers more features, benefits and discounts tailored for educators.

We're also making notable investments in a multi-tiered Web initiative that will be implemented over several years to help educators, agents, employees and investors see how Horace Mann is integrating world-class service with technology. In late November, we began to reap the rewards of our efforts with the launch of our redesigned website, expanding online service capabilities and improving functionality for customers who prefer self-service transactions. The upgraded site features a visually appealing "teacher-centric" look that more effectively delivers the Horace Mann brand experience to our visitors. The next phases of our Web strategy will see even more functionality improvements to benefit customers, agents, school administrators and payroll clerks. Increased use of our online services will provide all clients more immediate results for routine requests and allow local agents and our Customer Care Center representatives to focus on more complex service situations.

Economic environment continues to challenge

Challenging macro-economic conditions remain for the entire insurance and financial services industry, as the nation attempts to maintain its footing during a slow, protracted economic recovery. Like others in the industry, Horace Mann was not immune to these challenges in 2010, as weak auto and home sales nationally affected our property and casualty new business levels and economic uncertainty impacted life insurance sales.

While the financial markets and certain other sectors of the economy have shown improvement, federal, state and local revenue shortages continued to pressure our niche educator market, forcing teacher and school support staff layoffs in some districts. However, a combination of federal stimulus and special discretionary funds used by several states to address budget shortfalls in education during the second half of 2010 are expected to help mitigate fiscal concerns for the coming school year. While public school employment will likely remain under pressure in a number of states in the short run, the U.S. Departments of Labor and Education are calling for annual growth in the total number of public school teachers throughout their projection period.

In the wake of these challenges, Horace Mann continues to seize opportunities to exert itself as one of the leading providers of insurance and retirement products to the educator market. For example, with retirement rates accelerating among educators, teachers entrusted a record volume of single premium and rollover annuity deposits to Horace Mann in 2010. Going forward, we see opportunities to capitalize on our market position and further expand our presence in schools through both established core processes and new strategic programs.

Our outlook for 2011

We believe the strategies we have in place, combined with our strong financial footing, will enable us to build on our strengths and deliver increased profitability in 2011, in spite of ongoing economic and market challenges.

We expect our market reach to further expand through our steadily growing agency force, strengthened business-to-business marketing relationships with key administrator groups, expansion of targeted marketing programs like STRS workshops, and the new opportunities which hold great promise, such as our ASBO partnership and DonorsChoose.org sponsorship. Our Web strategy will also continue to be an integral part of our efforts to attract and retain more educators, particularly those in younger demographics, with our online services complementing the service provided by local agents and their staff.

Building on our strong annuity sales record established over the past two years, as well as our expertise in the 403(b) market and attractive product offerings, we will seek to reach a larger portion of the educator market, from educators just beginning their careers to a growing retiree population. We expect that our combined annuity and life earnings will be comparable to the strong levels delivered in 2010.

For our property and casualty segment, we anticipate a notable improvement in profitability driven by the property line, including a significant reduction in Florida sinkhole losses and a reduced level of catastrophe losses. We expect auto profitability to remain at an acceptable, although somewhat reduced level, as we focus on growth and retention programs designed to gain and retain more educator business in a highly competitive environment.

In 2011 and beyond, we anticipate that a combination of top-line growth, improved margins and our fundamentally conservative investment management approach will reward our customers, shareholders, agents and employees, as Horace Mann further cements its position as the premier multiline insurance and financial services provider for the educator market.

Gabriel L. Shaheen	**Peter H. Heckman**
Chairman of	President &
the Board of Directors	Chief Executive Officer

Directors

Gabriel L. Shaheen
Chairman of the Board of Directors
Horace Mann Educators Corporation
President and Chief Executive Officer (retired)
Lincoln National Life Insurance Company

Peter H. Heckman
President & Chief Executive Officer
Horace Mann Educators Corporation

Dr. Mary H. Futrell
Co-Director, Center for Curriculum,
Standards and Technology
Professor, Department of Education Leadership
The George Washington University

Stephen J. Hasenmiller*
Senior Vice President (retired)
The Hartford Financial Services Group, Inc.

Ronald J. Helow*
Managing Director
New Course Advisors

Roger J. Steinbecker*
Managing Partner (retired)
PricewaterhouseCoopers LLP

Robert Stricker*
Senior Vice President and Principal (retired)
Shenkman Capital Management, Inc.

Charles R. Wright
Senior Executive Vice President and
Chief Agency and Marketing Officer (retired)
State Farm Insurance

*Member of the Audit Committee, each an independent director.

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President & Chief Executive Officer

Dwayne D. Hallman
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Chief Financial Officer

Stephen P. Cardinal
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Chief Marketing Officer

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Executive Vice President
Property & Casualty

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Human Resources and
Administrative Operations

Dennis E. Bianchi
Senior Vice President
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Bret A. Conklin
Senior Vice President
Controller

Brent H. Hamann
Senior Vice President
Annuity & Life

Ann M. Caparrós
General Counsel & Chief
Compliance Officer
Corporate Secretary

Angela S. Christian
Vice President & Treasurer

In November 1991, Horace Mann Educators Corporation completed an initial public offering of its common stock at a price of $9 per share. The Company's common stock is traded on the New York Stock Exchange under the symbol HMN. The following table sets forth the high and low sales prices and the cash dividends paid per share during the periods indicated.

	Market Price		
Fiscal Period	**High**	**Low**	**Dividend Paid**
2010			
Fourth Quarter	$ 19.50	$ 16.07	$ 0.1100
Third Quarter	18.17	14.62	0.0800
Second Quarter	17.98	13.57	0.0800
First Quarter	15.34	11.16	0.0800
2009			
Fourth Quarter	$ 14.81	$ 11.51	$ 0.0800
Third Quarter	14.76	9.53	0.0525
Second Quarter	10.70	7.76	0.0525
First Quarter	11.33	6.09	0.0525

Corporate Data

Corporate Office
1 Horace Mann Plaza
Springfield, IL 62715-0001
Telephone: 217-789-2500
Internet: horacemann.com
reacheverychild.com

Annual Meeting
May 25, 2011
9:00 a.m.
Abraham Lincoln Presidential Library
112 North Sixth Street
Springfield, IL 62701

Independent Accountants
KPMG LLP
303 East Wacker Drive
Chicago, IL 60601

Common Stock
HMEC Stock is traded
on the NYSE (HMN)

Transfer Agent
American Stock Transfer
& Trust Company
59 Maiden Lane
New York, NY 10038

Senior Notes
HMEC senior notes are traded in the open market (HMN 6.05 and HMN 6.85)

Additional Information
Additional financial data on HMEC and its subsidiaries is included in Form 10-K filed with the Securities and Exchange Commission. Electronic copies of HMEC's SEC filings are available at horacemann.com. Printed copies of SEC filings are available upon written request from:

Investor Relations
Horace Mann
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Springfield, IL 62715-0001

Horace Mann – the father of American public education

Horace Mann believed every child should receive a basic education, and as a result worked hard to create a ladder of opportunity for millions of children.

We are proud to share his name.

Horace Mann®

HA-C00365 (Mar. 11)