Horace Mann®
Founded by Educators for Educators

Horace Mann Educators Corporation
2012 Annual Report and 10-K

Financial Highlights

(Dollars in millions, except per share data)

Year Ended December 31,	**2012**	2011 (A)	2010 (A)
Operations			
Insurance premiums written and contract deposits (B)	**$ 1,067.7**	$ 1,078.4	$ 1,052.0
Net income	**103.9**	70.5	80.1
Operating income (B)	**86.3**	46.1	64.7
Return on equity (C)	**9.0%**	7.5%	9.8%
Property & casualty combined loss and expense ratio	**98.3%**	106.6%	100.9%
Per share			
Net income-diluted	**$ 2.51**	$ 1.70	$ 1.95
Operating income (B)-diluted	**$ 2.08**	$ 1.11	$ 1.58
Dividends paid	**$ 0.55**	$ 0.46	$ 0.35
Book value	**$ 31.65**	$ 26.53	$ 21.36
Book value excluding the fair value adjustment for investments (B)	**$ 21.93**	$ 19.79	$ 18.55
Financial position			
Total assets	**$ 8,167.7**	$ 7,435.2	$ 6,945.7
Short-term debt	**38.0**	38.0	38.0
Long-term debt	**199.8**	199.7	199.7
Total shareholders' equity	**1,245.8**	1,055.4	847.1

(A) Reflects the retrospective adoption on January 1, 2012 of new accounting guidance for deferred policy acquisition costs. For additional explanation, see the Company's consolidated financial statements.

(B) For a definition of this non-GAAP measure, see the Company's SEC filings.

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

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

2012 financial results reflect our core strengths

Shareholders were rewarded in 2012, as Horace Mann continued to demonstrate the value of its multiline business model by producing solid underlying earnings across all three segments of our insurance platform while maintaining focus on serving our educator customers. Successful execution of the key performance priorities established for 2012 helped us achieve operating income* of $2.08 per share, an increase of $0.97 compared to prior year.

Our financial performance, coupled with our strong capital position and conservative risk management philosophy, once again contributed to a consistent track record of shareholder value creation. Book value per share excluding the fair value adjustment for investments increased 11 percent in 2012, to end the year at $21.93. Strong stock price performance culminated in a year-end share price of $19.96, which generated a total shareholder return (stock price appreciation plus dividends) of 50 percent in 2012.

Indicative of Horace Mann's strong capital position and sustainable earnings power, a dividend increase of 23 percent was declared in December of 2012. This was followed in March of 2013 by another 22 percent increase, as the Board of Directors transitioned its dividend and capital management review process from the fourth to the first quarter. Shareholder dividends have now increased 86 percent compared to the level preceding the 2008 financial crisis.

In 2012, we utilized $16 million to buy back shares of Horace Mann stock, bringing the total amount repurchased under the current $50 million authorization to nearly $18 million. We plan to remain active, but opportunistic, in our share buy-back activities to at least mitigate some or all of the dilutive impact of our equity incentive programs. However, given the current stock price to book value relationship, we anticipate our level of repurchases to moderate in 2013.

Delivering on our key priorities for 2012

Our solid financial performance in 2012 was driven by the contributions of everyone at Horace Mann toward delivering on the five key performance priorities established at the beginning of the year. At the top of our list was increasing agency productivity levels while also growing the size of our agency force. Horace Mann Exclusive Agencies and employee agents rose to the challenge, producing double-digit sales increases across all product lines, while agency count increased for the fourth consecutive year.

Second, we reversed the negative growth trends in our auto line through state-specific pricing, underwriting and marketing programs, as new business increased 20 percent and policy retention improved 1.7 percentage points.

We also made progress toward a third key priority – improving the profitability of our property line. A 2 percentage point improvement in the property underlying combined ratio** in 2012 reflected the benefits of our pricing, underwriting and claims initiatives.

Fourth, we wanted to build on the positive results we had achieved in our annuity business over the past few years. We recorded our fourth consecutive year of record sales in 2012, in no small part due to the dramatic increase in the number of state teacher retirement seminars conducted by our agents, while annuity segment net income increased significantly compared to the prior year.

* Net income before realized investment gains and losses, a non-GAAP measure.

** Combined ratio excluding catastrophe costs and prior years' reserve development, a non-GAAP measure.

And fifth, we were pleased to have achieved a 40 percent increase in sales of Horace Mann life products, as we initiated a long-term, multi-faceted strategy to grow our underwritten, mortality-based business.

Auto, property growth and profitability trend positively

Looking more closely at the property and casualty segment, auto results rebounded in 2012 in response to growth and profitability strategies initiated in the prior year. The double-digit increase in true new auto sales units, coupled with the significant improvement in our auto retention ratio, resulted in a stabilization of our auto policies in force. We expect policy growth to emerge by the end of 2013 and rate actions in 2012 and 2013 to drive further improvement in auto underlying profit margins.

To help temper the impact of rate actions on our customers, agent-level communications have focused on promoting available discounts, including discounts for having multiple Horace Mann products, as well as a review of coverage options as part of an annual policy review process. In addition, we expect our policyholder retention and service strategies to contribute to ongoing improvements in the quality of our total property and casualty book of business. Regular email campaigns throughout the year promoted the convenience and advantages of our eDelivery and automatic payment plan options to our customers. We also continue to achieve growth in the number of schools utilizing our payroll deduction programs.

For our property business in particular, our focus remains on achieving and maintaining acceptable levels of profitability. Following our 9,600 policy non-renewal program in Florida which was completed in 2011, we have continued to further mitigate our coastal property risk exposure. For 2012, the property underlying combined ratio** was 76 percent, two points below prior year, reflecting progress from our ongoing underwriting and rate actions, which will continue in 2013. We also achieved a modest level of premium growth in our property business, as the impact of continued rate actions on average premium offset a lower level of policies in force.

Catastrophe losses in 2012 were significantly lower than the industry-wide near record level in 2011 and, compared to most companies in the industry, the impact of Hurricane Sandy was minimal for Horace Mann, as we benefitted from not writing property and casualty business in New York or New Jersey. In addition, we continued to see reserves for prior accident years develop favorably during the year. Full-year 2012 net income for the property and casualty segment was $37.1 million, compared to $5.9 million in the prior year, with an underlying combined ratio** of 93.5 percent for 2012.

Annuity and Life growth momentum continues

While the interest rate environment continues to be challenging, earnings in our annuity segment were well ahead of prior year and exceeded our expectations in 2012, buoyed by the strong performance of our conservative investment portfolio and new business spreads above our pricing targets.

On the growth side, we achieved a fourth consecutive record year of annuity sales. A 14 percent increase in Horace Mann agency sales more than offset a decline in single premium deposits from the independent agency channel, which in part reflected company-initiated reductions. Assets under management increased 10 percent in 2012 and were positively impacted by the improved performance of the financial markets.

** Combined ratio excluding catastrophe costs and prior years' reserve development, a non-GAAP measure.

Our life business segment delivered a solid year overall, led by double-digit growth in sales of Horace Mann-manufactured life products. Strong earnings were driven largely by favorable mortality experience, and life persistency improved approximately one percentage point to 96 percent. As we strive to build on the growth momentum established in our life business, we introduced a new cash value term product in the first quarter of 2013, with positive feedback from the agency force.

Combined annuity and life segment net income exceeded $60 million in 2012, increasing 24 percent over prior year.

Strengthening the customer relationship at all levels

We believe one of the most powerful advantages we have is the Horace Mann brand and how we differentiate ourselves from the competition. To that end, we centered much of our marketing strategy in 2012 on continuous service improvements and emphasizing the customer experience we offer to our niche market, at both the individual customer and school district levels. We will continue to use both internal and J.D. Power survey results to guide us in achieving improved customer experience levels in 2013 and beyond.

The strength of our agency distribution channel is at the heart of the Horace Mann customer experience. In 2012, we achieved our fourth consecutive year of agency force growth, with 760 agencies at the end of the year.

Our agents are helping more customers to see both the monetary advantages and convenience of bundling their insurance products with Horace Mann, which in turn helps improve policy retention. Approximately 75-80 percent of our auto and property policies are cross-sold, over 20 percent of our property and casualty policies earn a tri-line discount – a fairly unique offering in our industry, and nearly one in five Horace Mann customers has both a life or annuity product and a property and casualty product, which exceeds the multiline industry average.

We continue to use our partnerships and educator recognition and support programs to further strengthen and raise awareness of the Horace Mann brand. In 2012, our agency force conducted nearly 8,000 state teacher retirement seminars, compared to only 400 two years ago, along with our new Financial Success seminars which are designed to help younger educators plan their budgets. In addition, our DonorsChoose.org sponsorship continues to reach and benefit a significant portion of the education community. Since 2011, more than 72,000 projects have been funded at schools served by Horace Mann agencies, reaching more than 6.5 million students.

Agents continue to gain market access by focusing on establishing solid business relationships at the school district level. In 2012, our agency force expanded its use of our Employer Benefits Review Service – an annual review of the products and services the district provides its employees – as well as marketing Section 125 flexible benefits programs to school districts. Further, we redesigned our school district website for administrators and school business officials, and we continued to strengthen our alliance with the Association of School Business Officials International. With these collective efforts, Horace Mann has at least one approved payroll slot (annuity, auto or life insurance) in more than 40 percent of the nation's 13,600 public school districts.

Additionally, we have launched an extensive social media strategy, which we anticipate will attract a larger portion of the young educator market. We've significantly increased our presence on Twitter and Facebook, substantially growing our number of "likes" in 2012 and building a strong and loyal "social" educator community. Horace Mann Mobile – our first mobile web app – has been well received since its launch in early 2012.

Our outlook for 2013

To build on the momentum established in 2012, we have established five key priorities for 2013 to further improve growth, profitability, and the customer experience.

Our first priority is to maintain the high levels of sales achieved in 2012 for auto and annuity while further increasing property and casualty retention ratios. As we continue the state-specific auto growth initiatives begun in 2012, we're launching additional customer contact programs in 2013 designed to further increase cross-sales and customer retention.

At the same time, we will strive to further improve the total property and casualty combined ratio in 2013 through additional targeted underwriting and rate actions in both auto and property.

Our next two priorities are focused on maintaining the growth momentum established in our annuity and life segments. We intend to continue growing and effectively managing our retirement annuity business in a challenging interest rate environment, while maintaining new business spreads at acceptable levels. At the same time, we expect to maintain a double-digit sales growth rate in 2013 for our Horace Mann-manufactured life insurance products.

In addition to our growth and profitability initiatives, we are making significant investments to further improve the Horace Mann customer experience through a series of service and infrastructure enhancements. We are expanding our annual policy review initiative countrywide and providing customers more service options to meet their varying needs. We have already expanded both staffing levels and service hours in our Customer Care Center to increase our availability for our educator customers. We also are enhancing our auto billing processes to help improve the customer experience.

With the pending retirement of President and Chief Executive Officer Pete Heckman, our succession plan will help ensure business continuity in 2013 and beyond. We continue to operate with the same senior management team and same core strategies that have proven successful and have driven our strong business results in recent years, and remain focused on executing against all of our key performance priorities.

Our long-term goals and strategic mission remain unchanged – profitable growth, conservative investment management and world-class service focused on our educator customers – all designed to reward our shareholders and continue to establish Horace Mann as the premier insurance and financial services provider focusing on the educator market.

Gabriel L. Shaheen
Chairman of the Board of Directors

Peter H. Heckman
President & 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.

Officers

Peter H. Heckman
President & Chief Executive Officer

Dwayne D. Hallman
Executive Vice President
Chief Financial Officer

Stephen P. Cardinal
Executive Vice President
Chief Marketing Officer

Matthew P. Sharpe
Executive Vice President
Annuity & Life

Thomas C. Wilkinson
Executive Vice President
Property & Casualty

Paul D. Andrews
Senior Vice President
Human Resources & Administrative Services

Bret A. Conklin
Senior Vice President
Controller

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**
2012			
Fourth Quarter	$ 19.99	$ 17.44	$ 0.16
Third Quarter	18.88	16.90	0.13
Second Quarter	18.36	16.16	0.13
First Quarter	18.23	13.80	0.13
2011			
Fourth Quarter	$ 14.31	$ 10.51	$ 0.13
Third Quarter	16.11	10.70	0.11
Second Quarter	18.22	14.46	0.11
First Quarter	18.43	15.95	0.11

Corporate Data

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

Annual Meeting
May 22, 2013
9:00 a.m.
Abraham Lincoln Presidential Library
112 North Sixth Street
Springfield, IL 62701

Independent Accountants
KPMG LLP
200 East Randolph Street
Chicago, IL 60601

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

Transfer Agent
American Stock Transfer
& Trust Company, LLC
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
Educators Corporation
1 Horace Mann Plaza, C-120
Springfield, IL 62715-0001

We believe:

Educators are taking care of our children's future, and we need to take care of their future.

Peace of mind should be available to every educator.

In respect – we treat others as we would like to be treated.

We can help advise and educate the educators.

We are here to help educators through a lifetime of changing needs.

We are uniquely qualified to do all this because we were *Founded by Educators for Educators®*.

Horace Mann®