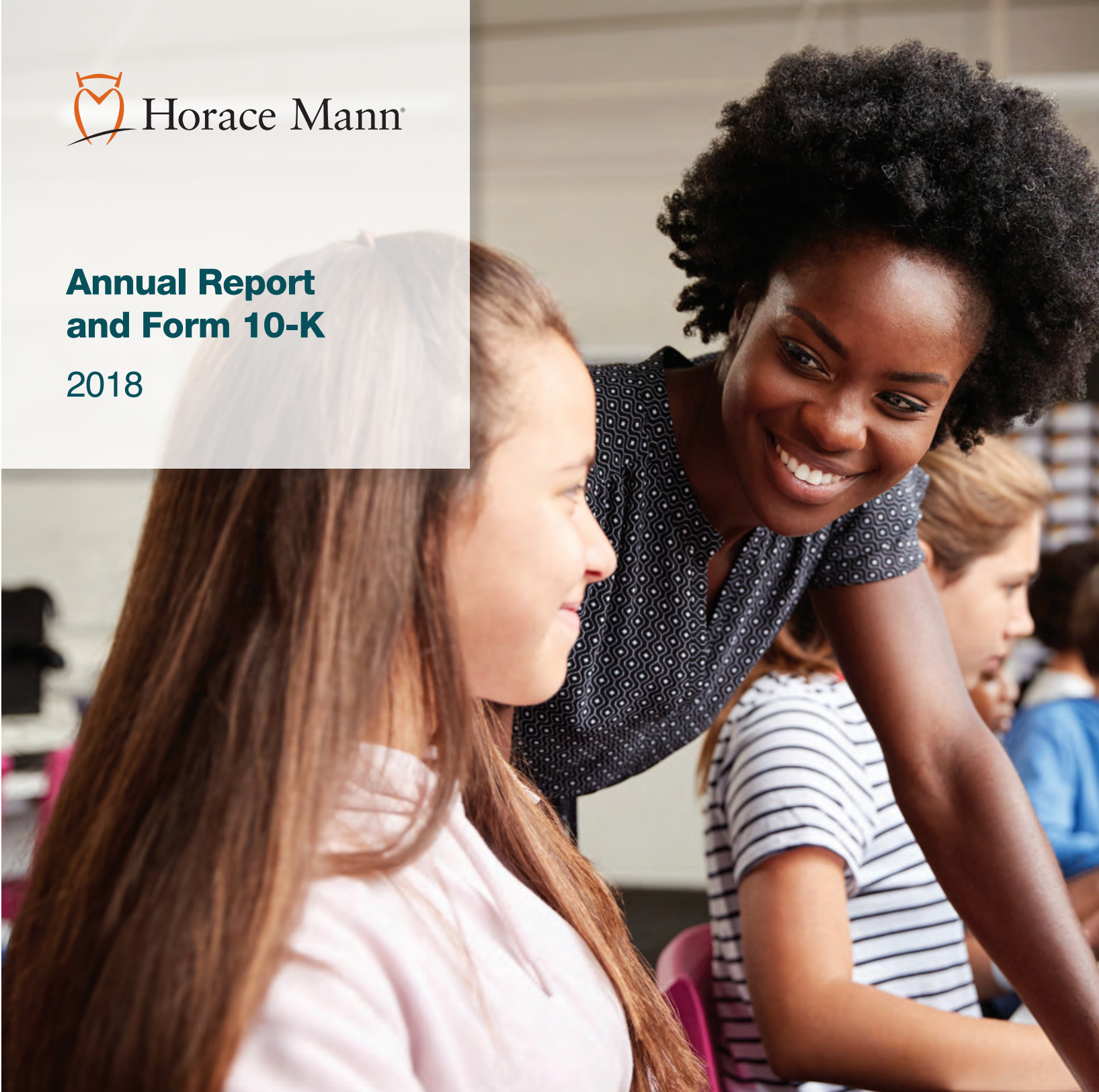




Annual Report and Form 10-K

2018



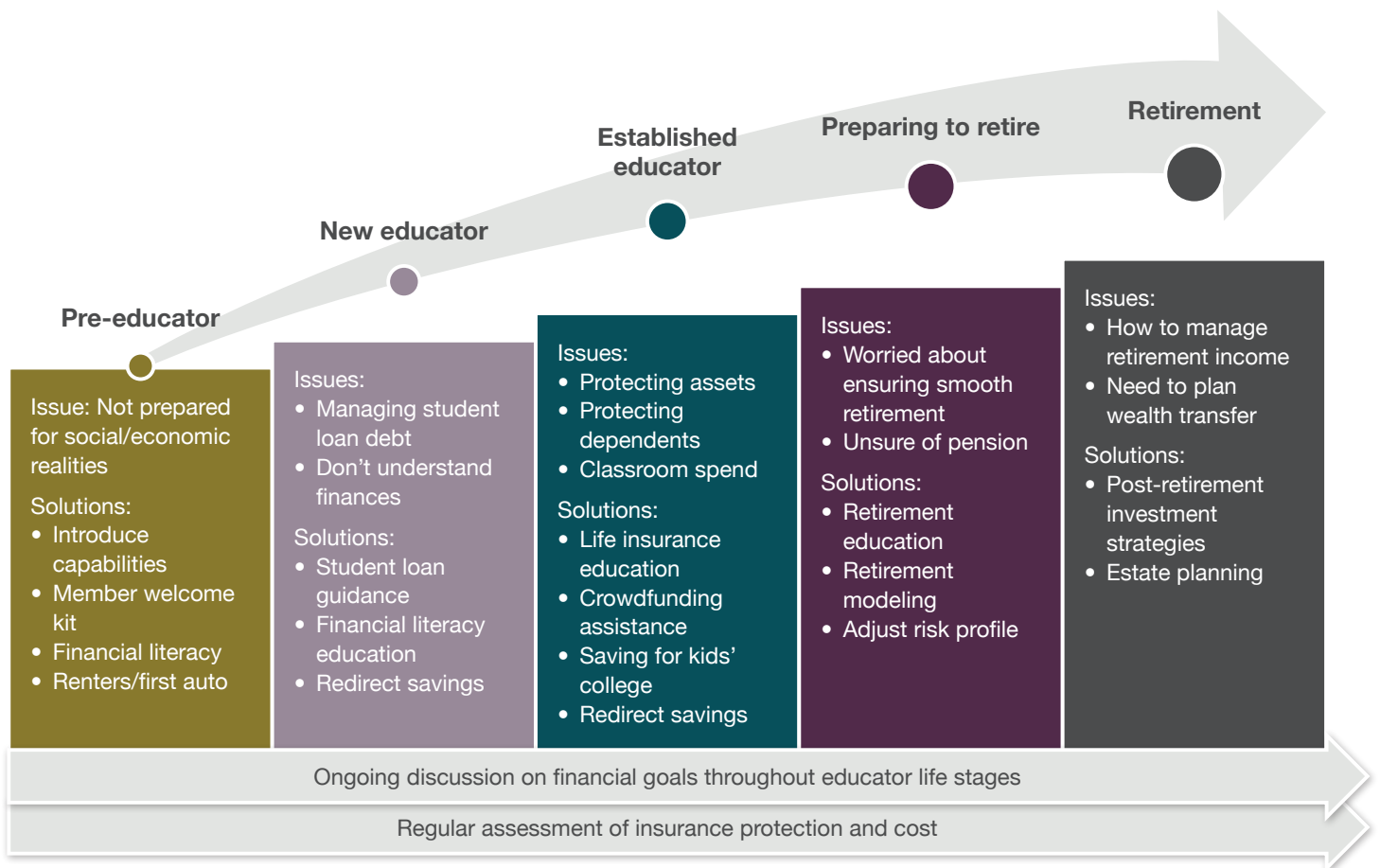
We aspire to be the company of choice to provide financial solutions for all educators and others who serve our communities — to help them protect what they have today and prepare for a successful tomorrow.

Financial solutions for educators at every life stage

Supported by knowledgeable, trusted distribution and modern, scalable infrastructure tailored to educator and school business official preferences.

The Horace Mann vision is to be the company of choice to provide financial solutions for all educators and others who serve their communities. The unique value of the company is to provide solutions tailored for educators at each stage of their lives, empowering them to achieve lifelong financial success. Through its subsidiaries, Horace Mann markets personal automobile and property insurance, retirement products and life insurance.

Horace Mann serves customers in roughly one-third of the K-12 public school districts in the United States, with significant opportunity to grow in this niche market. The U.S. Department of Education estimates that there are about 6.4 million K-12 public teachers, administrators and support staff nationwide, a number that is steadily growing. Horace Mann has a homogeneous customer set with similar characteristics and preferred risk profiles, which allows for more precise underwriting processes and more targeted marketing operations, amplifying the benefits of successful approaches.



Moving into 2019, Horace Mann has taken steps to increase its “business-to-business” value to administrators and business officials who make decisions on financial solution providers at the district level through its acquisition of Benefit Consultants Group, a retirement plan provider with strong employer plan infrastructure. By mid-year, Horace Mann anticipates completing the acquisition of National Teachers Associates, which will expand the solutions provided to educators to include supplemental insurance products that protect household savings from unexpected events.

Dear fellow shareholders,

In 2018, Horace Mann took important steps to bolster our value proposition for the education market. We continue to build a more diverse product suite, a larger distribution network and more efficient infrastructure to provide targeted solutions to both educators and employers. Despite the challenges of unprecedented catastrophe losses and the broader investments market, we made significant progress on our strategic initiatives, which sets the stage for sustained, profitable growth in the long-term. These actions, coupled with two strategic acquisitions announced late in the year, will ensure that we are well-positioned to execute on our growth strategy in 2019 and beyond.

Strong strategic progress masked by unprecedented catastrophes in 2018

Our full-year core earnings per diluted share were 68 cents, below 2017 primarily due to the impact of catastrophe events throughout the year. These results do not reflect the earnings power of our business or the important progress on each of the three levers that we've identified to drive improved ROE. Most significantly, we made major strides toward restoring profitability in our auto business. We finished the year with an underlying auto loss ratio improvement of 2.6 points, exceeding our 2018 goal for this metric, with a return to underlying auto profitability anticipated in 2019.

Second, Retirement and Life sales continue to build momentum, with a 33% increase in fee-based Retirement sales and a 20% increase in Life sales. And third, we continue to exercise a disciplined approach to expenses, prioritizing initiatives that support our business strategy.



2.6

points of improvement
in underlying auto
loss ratio



1.0

point of improvement
in underlying property
loss ratio



6%

growth in full-year
Retirement sales
deposits



20%

increase in full-year
Life sales



The Camp Fire in California in November accounted for the majority of full-year catastrophe costs, with gross losses of about \$150 million. Situations like this are why we have our conservative reinsurance program, which provides coverage from \$25 million in losses up to \$175 million. The total financial impact for Horace Mann was \$38 million pretax, or 72 cents per diluted share after-tax, which equates to roughly a 3-point reduction in our 2018 core return on equity.

This was not a typical wildfire and it was an unprecedented event for Horace Mann. Even though our losses from the fire were not disproportionate to our implied market share, we're looking carefully at what we can learn from this type of event in the context of the growing frequency of more severe weather events. We are continually evaluating our aggregation management, underwriting standards and reinsurance strategy to ensure our Property line achieves profitability targets in the long term, as it did in both 2016 and 2017.

From making wellness checks on every policyholder in the affected area – regardless of claim status – to delivering new supplies to schools in need, our staff went above and beyond to help the communities of Paradise and Chico begin to rebuild.

We respond when disaster strikes



Horace Mann claims consultant Jaime de León stands at the site of a Horace Mann customer's home after the Camp Fire.

“Listening to peoples’ stories, you can’t help but feel the emotions with them, and that sticks with you for a long time. In some cases, I show them before and after pictures of other disasters I’ve worked on, and let them know that we can get their home back. And I can give them a little bit of hope.”



The Camp Fire destroyed the home of John and Catherine Wiggins in Chico. Catherine said she considers Horace Mann her “insurance family.”

“The personal touch has been pretty amazing – quick follow-through, kindness, making sure we are well-cared for. We are very fortunate to have Horace Mann.”



Horace Mann agent Blake Danielson (right) and his staff delivered backpacks, blankets and stuffed animals to students at the Achieve Charter School of Paradise at its temporary home in a local church. The school’s campus was destroyed in the Camp Fire.

“It’s unfathomable how much upheaval these students have seen in their community and in their own lives. We wanted to help provide comfort and restore some normalcy by giving them a few items to call their own.”



Confident long-term view

While our expectations for 2019 take into account the potential for higher catastrophe losses consistent with changing weather patterns, we are confident in our ability to return to a double-digit ROE in the longer term. Our company's unique value proposition—and the strategy to unlock its potential—reflects solutions we provide to educators, tailored for each stage of their lives and empowering them to achieve lifelong financial success.

To bring this value to more customers and achieve profitable growth, we built our “PDI” long-term growth strategy designed to meet the full range of the education market's financial needs:

- Products designed to meet educators' needs and protect their unique risks;
- Knowledgeable, trusted distribution tailored to educator preferences; and
- Modern, scalable infrastructure that is easy to do business with.

Through our strategic planning process, we continuously evaluate how to best deliver on that vision. In some cases, that means building capabilities internally when we have the expertise and risk appetite, like we did with our Retirement and Life product suites. In other instances, we may seek to partner with organizations with specific expertise, like we do with many of our specialty coverages through the Horace Mann General Agency.

This year, we took advantage of two unique opportunities to purchase companies that advance our strategy in the education market and make financial sense to move our company forward.



Our company's unique value proposition – and the strategy to unlock its potential – reflects solutions we provide to educators, tailored for each stage of their lives and empowering them to achieve lifelong financial success.



Exciting new capabilities

The acquisitions we announced in 2018 bring exciting capabilities to expand our product set, enhance our distribution channels and further improve our infrastructure.

Retirement plan provider Benefit Consultants Group advances all three components of the PDI strategy. It improves our products by providing plan design and administration capabilities that are key to being competitive in the employer space. BCG also brings a new, well-respected and established network of distributors. And, BCG improves our infrastructure with an efficient and scalable ISO 9001-compliant platform that delivers solutions in the way that employers prefer them.

Taken together, these capabilities will bolster the value proposition we provide to school districts nationwide and support Horace Mann's growth over the next three to five years. The deal closed on January 2, and we are now actively working to integrate our Retirement Advantage product onto BCG's platform.

With the planned acquisition of supplemental insurance provider National Teachers Associates, we will gain roughly 150,000 additional customer households. About 80% are educators, with little expected overlap with our customer base. We gain a complementary product set that enables us to better meet the financial needs of educators, more than 200 additional points of distribution, and an experienced team focused on delivering great customer experiences.



Benefit Consultants Group (BCG), a retirement plan provider with strong employer plan infrastructure and competencies based in Cherry Hill, NJ. BCG expands Horace Mann's strategic capabilities in the retirement market.

From even our initial conversations with NTA, it was clear how complementary our companies are—sharing similar missions, strategies and goals. We have submitted our applications to the relevant Departments of Insurance, and continue to expect the transaction will close in mid-2019. In the meantime, our cross-company integration team is building plans so we can “connect” the companies effectively and efficiently shortly after close.

At that time, Horace Mann will have a new product line that diversifies our revenue mix, reduces earnings volatility and adds geographies. Plus, we expect to see a full point improvement in ROE in the first 12 months after closing, before any cross-sell or other synergies.

Our leadership team is working hard to ensure we take full advantage of the additional opportunities with this acquisition, including leveraging cross-sell and cost savings opportunities. Planned expenses associated with the two transactions had an 8 cent impact on earnings in 2018.

Focused on driving long-term shareholder value

Our board of directors and management remain intently focused on driving long-term shareholder value and being a responsible steward of shareholders' equity. In May 2018, H. Wade Reece became chairman of the board following the retirement of Gabe Shaheen. Gabe had been a champion for our mission, vision and strategy in his 11 years on the board, eight of those as Chairman. Wade, who joined our board in 2016, has stepped in with his in-depth knowledge of the insurance industry, leadership skills and broad experience with agency management.

In March of this year, the board marked its 11th consecutive year of increases in the shareholder dividend. Since 2011, our book value (excluding net unrealized investment gains) and accumulated dividends paid to shareholders have grown at a compound rate of 9% annually.



11

consecutive years of shareholder dividend increases



9%

compound annual growth rate of book value plus dividends



\$77M

in share repurchases since 2011



National Teachers Associates (NTA), a family-owned insurer focused on the education market with complementary products and distribution to Horace Mann. Headquartered in Dallas, NTA specializes in developing, marketing and underwriting supplemental insurance products, including cancer and heart.



Commitment to Corporate Social Responsibility

As a mission-centric organization, a commitment to our educator customers and broader communities has always been part of our corporate identity. We live our core values in our everyday actions.

Compassionate. Trustworthy.
Straightforward. Approachable.
Respectful. Knowledgeable.

We continue to formalize our Corporate Social Responsibility program in order to more clearly articulate areas of focus, increase transparency and encourage dialogue around environmental, social and governance (ESG) topics.

In 2018, we completed our first formal stakeholder engagement effort to help inform our focus and strategy. Through interviews, surveys and research, we identified areas of interest across various stakeholder groups. We are now working to collect and organize data around these topics and integrate evaluation of our progress into our day-to-day business operations and strategy.

For example, many of our stakeholder groups are interested in learning more about our corporate diversity and inclusion initiatives. Although we have long believed that a diverse and inclusive culture is critical to a successful operation, we seldom shared our data or objectives externally. In November, I joined hundreds of CEOs from across the country to sign the pledge for CEO Action for Diversity & Inclusion, designed to broaden awareness of unconscious bias and encourage difficult conversations about diversity and inclusion in the workplace. In the coming year, our employees will participate in unconscious bias training during a Day of Understanding, designed to encourage an open exchange of ideas and real-life experiences.

In addition, Horace Mann applied for and was selected as one of 230 companies in the 2019 Bloomberg Gender-Equality Index, which distinguishes companies committed to transparency in gender reporting and advancing women's equality. In 2019, we look to build on this momentum to continue to effectively address issues of importance to our stakeholders.

Looking forward to 2019

In summary, the financial results of 2018 were below our expectations, largely due to external factors that don't detract from the viability of our long-term strategy. In fact, we made improvements to our key drivers of higher ROE, and expect our progress will continue. We've announced thoughtful, significant transactions that better position us to meet the product, distribution and infrastructure needs and expectations of the nation's education market. We're prepared to execute on these opportunities in 2019 and beyond, and are excited about what the future holds for Horace Mann.

As always, thank you for your continued investment in Horace Mann.

Sincerely,



President and CEO



Directors

H. Wade Reece, Chairman

Chairman of the Board & Chief Executive Officer (retired)

BB&T Insurance Services, Inc. and BB&T Insurance Holdings, Inc.

Marita Zuraitis

President & Chief Executive Officer
Horace Mann Educators Corporation

Daniel A. Domenech

Executive Director
AASA, The School Superintendents Association

Stephen J. Hasenmiller*

Senior Vice President (retired)
The Hartford Financial Services Group, Inc.

Ronald J. Helow

Managing Director
New Course Advisors

Perry G. Hines

Senior Vice President, Chief Marketing and Communications Officer (retired)
Irwin Mortgage Corporation

Beverley J. McClure*

Senior Vice President, Enterprise Operations (retired)
United Services Automobile Association (USAA)

Robert Stricker

Senior Vice President & Principal (retired)
Shenkman Capital Management, Inc.

Steven O. Swyers*

Managing Partner (retired)
PricewaterhouseCoopers LLP

Officers

Marita Zuraitis

President & Chief Executive Officer

Bret A. Conklin

Executive Vice President & Chief Financial Officer

William J. Caldwell

Executive Vice President, Property & Casualty

Bret L. Benham

Executive Vice President, Life & Retirement

Matthew P. Sharpe

Executive Vice President, Strategy & Business Development

Allan C. Robinson III

Executive Vice President, Field Operations & Sales Management

Donald M. Carley

Senior Vice President, General Counsel & Corporate Secretary

Elizabeth P. Moore

Vice President & Chief Human Resources Officer

Kimberly A. Johnson

Vice President & Controller

* Member of the Audit Committee, each an independent director

Financial highlights

Dollars in millions, except per share data	2018	2017	2016
Earned premiums	\$817.3	\$794.7	\$759.1
Total revenues	\$1,191.6	\$1,171.5	\$1,128.9
Net income	\$18.3	\$169.4	\$83.8
Core earnings*	\$28.4	\$72.1	\$81.5
Total assets	\$11,031.9	\$11,198.3	\$10,576.8
Total shareholders' equity	\$1,290.6	\$1,501.6	\$1,294.0
Per diluted share:			
Net income	\$0.44	\$4.08	\$2.02
Core earnings*	\$0.68	\$1.74	\$1.97
Book value	\$31.50	\$36.88	\$32.15
Book value excluding net unrealized investment gains on securities*	\$29.13	\$29.51	\$27.79
Dividends paid	\$1.14	\$1.10	\$1.06

* For a definition of non-GAAP measures, see the Glossary of Selected Terms included as Exhibit 99.1 in the Company's reports filed with the SEC.

Corporate data

Corporate Office

1 Horace Mann Plaza
Springfield, IL 62715-0001
217-789-2500
horacemann.com

Annual Meeting

May 22, 2019, 9 a.m.
Horace Mann Lincoln Auditorium
1 Horace Mann Plaza
Springfield, IL 62715-0001

Independent Registered Public Accounting Firm

KPMG LLP
200 East Randolph Street
Chicago, IL 60601

Common Stock

HMN Stock is traded on the NYSE

Senior Notes

HMN senior notes are traded in the open market (HMN 4.50)

Transfer Agent

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219

Additional Information

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

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horacemann.com

HA-C00384 (Mar. 19)