HORACE MANN EDUCATORS CORP /DE/
Form DEF 14A
April 07, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)

of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement
Definitive Proxy Statement
Definitive Additional Materials
Soliciting Material Pursuant to §240.14a-12

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Horace Mann Educators Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Springfield, Illinois

April 7, 2017

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Horace Mann Educators Corporation to be held at 9:00 a.m. Central Daylight Saving Time on Wednesday, May 24, 2017, at the Horace Mann Lincoln Auditorium, 1 Horace Mann Plaza, Springfield, Illinois 62715.

We will present a report on Horace Mann s current affairs, and Shareholders will have an opportunity for questions and comments.

We encourage you to read the Proxy Statement and vote your shares as soon as possible. You may vote via the Internet, by telephone or by completing and returning a proxy card. Specific voting instructions are set forth in the Proxy Statement, the Notice of Internet Availability of Proxy Materials and the proxy card. You may revoke your voted proxy at any time prior to the meeting or vote in person if you attend the meeting.

We look forward to seeing you. If you vote by proxy and do not plan to attend, let us know your thoughts about Horace Mann either by letter or by comment on the proxy card.

Sincerely,

Gabriel L. Shaheen	Marita Zuraitis
Chairman of the Board	President and Chief Executive Officer

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ANNUAL MEETING OF SHAREHOLDERS

Meeting Notice

HORACE MANN EDUCATORS CORPORATION

1 Horace Mann Plaza

Springfield, Illinois 62715-0001

The approximate availability date of the Proxy Statement and the proxy card is April 7, 2017. **Your vote is important**. Even if you do not plan to attend the Annual Meeting, the Board of Directors urges you to vote via the Internet, by telephone or by returning a proxy card. If you vote via the Internet or by telephone, do not return your proxy card. You may revoke your proxy at any time before the vote is taken at the Annual Meeting provided that you comply with the procedures set forth in the Proxy Statement which accompanies this Notice of Annual Meeting of Shareholders. If you attend the Annual Meeting, you may either vote by proxy or vote in person.

A broker is not permitted to vote on the election of directors, the advisory resolution to approve Named Executive Officers compensation or the advisory vote on the frequency of future advisory votes on Named Executive Officers compensation without instructions from the beneficial owner. Therefore, if your shares are held in the name of your broker, bank or other nominee, unless you provide your broker, bank or other nominee with voting instructions, your shares will not be voted regarding these proposals.

We encourage you to read the Proxy Statement and vote your shares as soon as possible.

By order of the Board of Directors,

Donald M. Carley

Corporate Secretary

Springfield, Illinois

April 7, 2017

HORACE MANN EDUCATORS CORPORATION

2017 Proxy Statement Summary

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information you should consider. You should read the entire Proxy Statement carefully before voting.

How to Vote

Shareholders of record as of March 28, 2017 may cast their votes in any of the following ways:

Internet	Phone	Mail	In Person
Go to www.proxyvote.com to vote via the Internet. You will need to follow the instructions on your Notice of Internet Availability of Proxy Materials (Notice) or proxy card and the website. If you vote via the Internet, you may incur telephone and Internet access charges.	Call the toll-free telephone number on the proxy card or the website to vote by telephone. You will need to follow the instructions and the voice prompts.	Request, complete and return a paper proxy card, following the instructions on your Notice.	Attend the Annual Meeting, or send a personal representative with an appropriate proxy, to vote by ballot.

Voting Matters and Board Recommendation

Proposal	Board Vote Recommendation
Elect Directors (page 3)	FOR each Director Nominee
Advisory Resolution to Approve Named Executive Officers Compensation (page 11)	FOR
Advisory vote on the frequency of future advisory votes on Named Executive Officers compensation (page 12)	ONE YEAR
Ratification of Independent Registered Public Accounting Firm (page 34)	FOR

Fiscal Year 2016 Business Highlights

The company delivered solid underlying financial results across all three segments of its business in 2016. Full year operating income was $1.97 per diluted share. Book value per share* increased 4% in 2016 driven by the solid operating results and positive contributions from investment portfolio performance. In addition, we achieved broad-based increases in new business sales and solid policy retentions during the past year. Total Shareholder Return was 32.9% in 2016 outperforming key insurance and general market indices.

*Excluding the fair value adjustment for investments

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These results reflect significant progress on numerous strategic initiatives, including:

- Increased sales levels year-over-year in all lines of business excluding retirement
- New auto and property sales premium increased 6% and 5%, respectively
- Strong auto and property retention ratios
- Increased annuity assets under management by 7%

Please see Management s Discussion and Analysis of Financial Condition and Results of Operations in HMEC s 2016 Annual Report on Form 10-K for a more detailed description of these financial results.

Corporate and Executive Compensation Governance Highlights

Director Term: One year

Director Election Standard: Majority vote

Board Meetings in 2016: 5

Board Committees (Meetings in 2016):

Audit (12), Compensation (5), Executive (0); Investment & Finance (4), Nominating & Governance (4), Customer Experience & Technology (4)

Corporate Governance Materials: www.horacemann.com - Investors - Corporate Overview - Governance Documents

Board Communication: By mail to: Board of Directors, c/o Corporate Secretary, 1 Horace Mann Plaza, Springfield, Illinois 62715. By email to: hmecbofd@horacemann.com

Executive Compensation Governance:

- Hedging transactions and pledging shares prohibited for all Directors and Executive Officers
- Clawback provisions applicable to all Executive Officers for both cash and equity awards
- Stock Ownership Requirements for all Directors and Executive Officers
- Stock Option holding requirement post exercise

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ANNUAL MEETING OF SHAREHOLDERS

Proxy Statement

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General Information

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on Wednesday, May 24, 2017. The Proxy Statement and Annual Report to Shareholders and Form 10-K (the Proxy Materials) are available at www.proxyvote.com.

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the Board) of Horace Mann Educators Corporation (HMEC , the Company or Horace Mann) of proxies (that is, the authority to vote shares) from holders of the Company s common stock, par value $.001 per share (Common Stock). The proxies will be voted at the Annual Meeting of Shareholders to be held on Wednesday, May 24, 2017 at 9:00 a.m. Central Daylight Saving Time at the Horace Mann Lincoln Auditorium, 1 Horace Mann Plaza, Springfield, Illinois 62715 and at any adjournment or postponement thereof (the Annual Meeting).

The mailing address of the Company is 1 Horace Mann Plaza, Springfield, Illinois 62715-0001 (telephone number 217-789-2500). This Proxy Statement and the proxy card are being first made available to shareholders of the Company (Shareholders) on or about April 7, 2017.

The Board has fixed the close of business on March 28, 2017 as the record date (the Record Date) for determining the Shareholders entitled to receive notice of and to vote at the Annual Meeting. At the close of business on the Record Date, an aggregate of 40,472,265 shares of Common Stock were issued and outstanding, each share entitling the holder thereof to one vote on each matter to be voted upon at the Annual Meeting. The presence, in person or by proxy, of the holders of a majority of such

outstanding shares entitled to vote at the Annual Meeting is necessary to constitute a quorum for the transaction of business at the Annual Meeting. The Company, through bankers, brokers or other persons, also intends to make a solicitation of beneficial owners of Common Stock.

At the Annual Meeting, Shareholders will be asked to: (1) elect nine Directors named in the Proxy Statement to hold office until the next Annual Meeting of Shareholders and until their respective successors have been duly elected and qualified; (2) approve the advisory resolution to approve Named Executive Officers compensation; (3) provide an advisory vote on the frequency of future advisory votes on Named Executive Officers compensation; and (4) ratify the appointment of KPMG LLP, an independent registered public accounting firm, as the Company s auditors for the year ending December 31, 2017.

Shareholders may also be asked to consider and take action with respect to such other matters as may properly come before the Annual Meeting.

Copies of the Company s Annual Report on Form 10-K for the year ended December 31, 2016 (Annual Report), including the Company s audited consolidated financial statements, were made available to known Shareholders on or about March 1, 2017.

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Your Proxy Vote

How to Vote

(1) *Via Internet:* Go to www.proxyvote.com to vote via the Internet. You will need to follow the instructions on your Notice of Internet Availability of Proxy Materials (Notice) or proxy card and the website. If you vote via the Internet, you may incur telephone and Internet access charges.

(2) *By Telephone:* Call the toll-free telephone number on the proxy card or the website to vote by telephone. You will need to follow the instructions and the voice prompts.

(3) *By Mail:* Request, complete and return a paper proxy card, following the instructions on your Notice.

(4) *In Person:* Attend the Annual Meeting, or send a personal representative with an appropriate proxy, to vote by ballot.

If you vote via the Internet or by telephone, your electronic vote authorizes the named proxies in the same manner as if you signed, dated and returned your proxy card. **If you vote via the Internet or by telephone, do not return your proxy card.**

If your shares are held in street name (that is, in the name of a bank, broker or other holder of record), you will receive a Notice containing instructions from the holder of record that you must follow in order for your shares to be voted. Internet and/or telephone voting also will be offered to Shareholders owning shares through most banks and brokers.

Participants in the Company s stock fund within the Horace Mann Service Corporation Supplemental Retirement and Savings 401(k) Plan can direct the trustee to vote their shares via the Internet as directed in the Notice, by telephone as provided on the website or proxy card, or by signing and returning a proxy card.

Voting Rules

Solicitation and Revocation

Your proxy is being solicited by and on behalf of the Board. The persons named in the Form of Proxy have been designated as proxies by the Board. Such persons are Directors of the Company.

Shares of Common Stock represented at the Annual Meeting by a properly executed and returned proxy will be voted at the Annual Meeting in accordance with the instructions noted thereon, or if no instructions are noted, the proxy will be voted in favor of the proposals set forth in the Notice of Annual Meeting. A submitted proxy is revocable by a Shareholder at any time prior to it being voted, provided that such Shareholder gives written notice

to the Corporate Secretary at or prior to the Annual Meeting that such Shareholder intends to vote in person or by submitting a subsequently dated proxy. Attendance at the Annual Meeting by a Shareholder who has given a proxy shall not in and of itself constitute a revocation of such proxy.

Further solicitation may be made by officers and other employees of the Company personally, by telephone or otherwise, but such persons will not be specifically compensated for such services. Banks, brokers, nominees and other custodians and fiduciaries will be reimbursed for their reasonable out-of-pocket expenses in forwarding soliciting material to their principals, the beneficial owners of Common Stock. The costs of soliciting proxies will be borne by the Company. It is estimated these costs will be nominal.

Shareholder Approval

Shareholders are entitled to one vote per share of Common Stock on all matters submitted for consideration at the Annual Meeting. Under the Company s Bylaws, the affirmative vote of a majority of the shares of Common Stock represented in person or by proxy at the Annual Meeting is required for the election of Directors, approval of the advisory resolution to approve Named Executive Officers compensation, the advisory vote on the frequency of future advisory votes on Named Executive Officers compensation and the ratification of the appointment of KPMG LLP as the Company s independent registered public accounting firm for the year ending December 31, 2017.

Abstentions have the same effect as a vote against approval of the matter.

Please note that under New York Stock Exchange (NYSE) rules, brokers who hold shares of Common Stock in street name for customers have the authority to vote on certain items when they have not received instructions from beneficial owners. With respect to the matters to come before the Annual Meeting, if brokers are not entitled to vote without instructions and therefore cast broker non-votes, the broker non-votes will have no direct effect on the outcome of the vote. However, because each matter requires a majority vote of the outstanding shares present and entitled to vote, a broker non-vote will indirectly work against the matter for which a broker non-vote is cast.

For this Annual Meeting, if you do not give specific instructions, your broker may cast your vote in its discretion on only Proposal No. 4 - Ratification of Independent Registered Public Accounting Firm.

Other Matters

Other than the matters set forth below, the Board has not received any Shareholder proposal by the deadline prescribed by the rules of the SEC, and otherwise knows of no other matters to be brought before the Annual Meeting. However, should any other matters properly come before the meeting, the persons named in the Form of Proxy will vote or refrain from voting thereon at their discretion.

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Proposals and Company Information

PROPOSAL NO. 1 - ELECTION OF NINE DIRECTORS

The Bylaws of the Company provide for the Company to have not less than five or more than fifteen Directors. The following nine persons currently are serving as Directors of the Company (Directors): Daniel A. Domenech, Stephen J. Hasenmiller, Ronald J. Helow, Beverley J. McClure, H. Wade Reece, Gabriel L. Shaheen, Robert Stricker, Steven O. Swyers and Marita Zuraitis. The terms of these Directors expire at the Annual Meeting.

The Board of Directors believes it is necessary for each of the Company s Directors to possess a variety of qualities and skills. The Nominating & Governance Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of new Board members as well as the composition of the Board as a whole. This assessment includes members qualifications as independent, as well as consideration of skills, experience, diversity and age in the context of the needs of the Board. The Nominating & Governance Committee does not have a formal diversity policy; however, the Board and the Nominating & Governance Committee believe that it is essential that the Board members represent diverse viewpoints. The Nominating & Governance Committee assesses the effectiveness of the criteria described above when evaluating new Board candidates and when assessing the composition of the Board as a whole.

Upon the recommendation of the Nominating & Governance Committee, the Board nominated Dr. Domenech, Mr. Hasenmiller, Mr. Helow, Ms. McClure, Mr. Reece, Mr. Shaheen, Mr. Stricker, Mr. Swyers and Ms. Zuraitis (the Board Nominees) to hold office as Directors. The proxies solicited by and on behalf of the Board will be voted FOR the election of the Board Nominees unless you specify otherwise. The Company has no reason to believe that any of the foregoing Board Nominees is not available to serve or will not serve if elected, although in the unexpected event that any such Board Nominee should become unavailable to serve as a Director, full discretion is reserved to the persons named as proxies to vote for such other persons as may be nominated, or the Board may reduce the size of the Board. Each Director will serve until the next Annual Meeting of Shareholders and until his or her respective successor is duly elected and qualified.

Board Nominees

The following information, as of March 15, 2017, is provided with respect to each Board Nominee:

Daniel A. Domenech **Age:** 71 **Director Since:** 2015 **Horace Mann Committees:**	Dr. Domenech has served as the Executive Director of American Association of School Administrators (AASA), The School Superintendents Association, since July 2008. He is currently Chairman of the Board of the Communities in Schools of Virginia and the National Student Clearinghouse Research Center and is a member of the Board of Directors of Learning First Alliance, America s Promise, the Center for Naval Analyses, ACT and Universal Service Administrative Company (USAC). Dr. Domenech is also a past President of the New York State Council of School Superintendents, the Suffolk County

Customer Experience & Technology Nominating & Governance	Superintendents Association and the Suffolk County Organization for Promotion of Education, and was the first President and cofounder of the New York State Association for Bilingual Education. In addition, he has served on the U.S. Department of Education s National Assessment Governing Board, on the Advisory Board for the Department of Defense schools, on the Board of Directors for the Baldrige Award and on the National Board for Professional Teaching Standards. Dr. Domenech has more than 40 years of experience in public education. Dr. Domenech s experience in public education provides the Board with valuable insight into the Company s niche market and the challenges and opportunities within that market.

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Stephen J. Hasenmiller **Age:** 67 **Director Since:** 2004 **Horace Mann Committees:** Compensation (Chair) Executive Nominating & Governance	Mr. Hasenmiller retired in March 2001 after 24 years of service at The Hartford Financial Services Group, Inc., as Senior Vice President - Personal Lines. Mr. Hasenmiller s prior affiliations include his tenure as Chairman of the Personal Lines Committee of the American Insurance Association (1999-2001) and membership on the Boards of Directors of the Institute for Business & Home Safety (1996-2001) and the Insurance Institute for Highway Safety (1995-2001). Mr. Hasenmiller s seasoned insurance background in the personal lines business, including both direct sales and agency distribution, as well as his understanding and experience in dealing with complex insurance issues, provides the Board with a valuable perspective.
Ronald J. Helow **Age:** 72 **Director Since:** 2009 **Horace Mann Committees:** Customer Experience & Technology (Chair) Audit Executive	Mr. Helow is managing director of New Course Advisors, a consulting firm he founded in 2008 to advise companies on how to use advanced technologies to create a competitive advantage. Mr. Helow served from 2001 to 2008 as Partner and Chief Technology Officer at NxtStar Ventures, LLC, a firm providing consulting services to life insurance and retail financial services businesses, and founded Registry Systems Corporation in 1990 to custom design and implement mission critical projects using advanced computer technologies for insurance companies. Mr. Helow s past experience in developing and securing solutions to insurance company operating challenges through technology brings to the Board unique knowledge and perspective.

Beverley J. McClure **Age:** 62 **Director Since:** 2013 **Horace Mann Committees:** Audit Compensation Customer Experience & Technology	Ms. McClure retired in 2007 after a 35 year career with United Services Automobile Association (USAA), as Senior Vice President, Enterprise Operations. She is owner of Fresh Perspectives LLC, a firm she founded in 2007 which specializes in executive coaching and small business consulting. Ms. McClure previously served as Senior Advisor of Endeavor Management, a consulting firm specializing in service culture creation, leadership coaching, business transformation, operational execution, and customer experience management, a position she held from 2010 to 2013. She holds the Chartered Life Underwriter and Fellow, Life Management Institute designations and is a certified executive coach through the International Coach Federation. Ms. McClure s broad experience in the areas of service excellence, customer experience, culture creation, employee engagement and quality management provides the Board with a valuable perspective.

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H. Wade Reece **Age:** 60 **Director Since:** 2016 **Horace Mann Committees:** Customer Experience & Technology Investment & Finance	Mr. H. Wade Reece retired in 2015 after a 37 year career with BB&T Corporation (BB&T) where he served as the Chairman of the Board and Chief Executive Officer of BB&T Insurance Services, Inc. and BB&T Insurance Holdings, Inc., the sixth largest insurance broker globally. Until his retirement in 2015, Mr. Reece served as Vice Chairman of the Foundation of Agency Management Excellence (FAME) Board of Directors and a member of the Executive Committee of The Institutes (American Institute for Chartered Property Casualty Underwriters and Insurance Institute of America). He was also a past Chairman of the Council of Insurance Agents & Brokers and past Chairman of the Board of Trustees of The Institutes. Mr. Reece s in-depth knowledge of the insurance industry, leadership skills and broad experience with agency management will provide the Board with industry insight and perspective.
Gabriel L. Shaheen **Age:** 63 **Director Since:** 2007 **Chairman Since:** 2010 **Horace Mann Committees:** Executive (Chair) Nominating & Governance (Chair) Compensation	Mr. Shaheen retired in 1999 after 22 years of service with Lincoln National Corporation, including service as President and Chief Executive Officer of Lincoln National Life Insurance Company, Managing Director of Lincoln UK, and President and Chief Executive Officer of Lincoln National Reinsurance Companies. Since 2000, he has been Chief Executive Officer of GLS Capital Ventures, LLC and Partner of NxtStar Ventures, LLC, firms providing consulting services to life insurance and retail financial services businesses. He is currently a member of the Board of Directors of M Financial Holdings Incorporated and of Steel Dynamics, Inc., one of the largest steel producers and metals recyclers in the United States. Mr. Shaheen holds the Fellow of the Society of Actuaries designation. Mr. Shaheen s insurance experience, technical insurance expertise and leadership background are valuable Board resources and contribute to Board

discussion of issues impacting the Company.

Robert Stricker **Age:** 70 **Director Since:** 2009 **Horace Mann Committees:** Investment & Finance (Chair) Customer Experience & Technology	Mr. Stricker retired from Shenkman Capital Management, Inc., an investment management firm, in March 2009 as Senior Vice President and Principal. Prior to joining Shenkman, he served as Managing Director, Head of U.S. Fixed Income, Citigroup Asset Management at Citigroup, Inc. from 1994 to 2001. Mr. Stricker has over 40 years of experience in the financial services industry. He currently serves as a Director of the CQS Directional Opportunities Feeder Fund Ltd. and on the OPEB Trust Board of the town of Greenwich, Connecticut. Mr. Stricker holds the Chartered Financial Analyst designation. Mr. Stricker s investment knowledge and financial services industry experience provide the Board with financial insights and assist the Board in its oversight responsibilities.

Steven O. Swyers **Age:** 66 **Director Since:** 2014 **Horace Mann Committees:** Audit (Chair) Investment & Finance	Mr. Swyers retired in 2013 after a 40 year career with PricewaterhouseCoopers LLP (PwC), a public accounting firm. During this time with PwC, he served as the lead engagement partner on many national and international companies, including those in the financial services industry. He has also held various leadership positions at PwC including leader of the Central Region s consumer and industrial products business segment and managing partner of their St. Louis practice. He is currently a member of the Board of Directors of Mercy Health East Communities and Webster University. Mr. Swyers holds the Certified Public Accountant designation. Mr. Swyers has an extensive audit and accounting background and is recognized as a financial expert. His knowledge in these areas assists the Board in its oversight responsibilities.
Marita Zuraitis **Age:** 56 **Director Since:** 2013 **Horace Mann Committees:** Customer Experience & Technology Executive Investment & Finance	Ms. Zuraitis was appointed to her present position as President and Chief Executive Officer in September 2013. She joined the Company in May 2013 as President and Chief Executive Officer-Elect. Ms. Zuraitis joined Horace Mann from The Hanover Insurance Group where she was an Executive Vice President and a member of The Hanover s Executive Leadership Team. From 2004 to 2013, she served as President, Property and Casualty Companies, responsible for the personal and commercial lines operations at Citizens Insurance Company of America, The Hanover Insurance Company and their affiliates. Prior to 2004, Ms. Zuraitis was with The St. Paul/Travelers Companies for six years, where she achieved the position of President and Chief Executive Officer, Commercial Lines. She also held a number of increasingly responsible underwriting and field management positions with United States Fidelity and Guaranty Company and Aetna Life and Casualty. She is a member of the Board of Directors of LL Global, Inc., a trade association with operating divisions LIMRA and LOMA, and a member of the Board of Trustees of The Institutes, the leading provider of risk management and property-casualty

insurance education, whose offerings include the premier CPCU® designation. She is also a member of the Board of Directors of Citizens Financial Group, Inc. Ms. Zuraitis has over 30 years of experience in the insurance industry.

Ms. Zuraitis s knowledge of and extensive background in the insurance industry contribute to Board discussion and understanding of issues impacting the Company.

All of the Board Nominees were elected Directors at the last Annual Meeting of Shareholders of the Company held on May 25, 2016.

The Board recommends that Shareholders vote FOR the election of these nine nominees as Directors.

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Board of Directors and Committees

There were nine members on the Board as of March 15, 2017. The Board met five times during 2016. No Director of the Company attended fewer than 75% of the Board meetings and the committee meetings to which he or she was appointed and served during 2016.

The Chairman of the Board presides over all executive sessions of the Board, including executive sessions of non-employee Directors, and may be contacted as described in Corporate Governance - Communications with Directors . The members of the Board are expected to be present at the Annual Meeting. The following eight Directors serving on the Board at the time of last year s Annual Meeting attended the meeting: Dr. Domenech, Mr. Hasenmiller, Mr. Helow, Ms. McClure, Mr. Shaheen, Mr. Stricker, Mr. Swyers and Ms. Zuraitis.

Committees of the Board

The standing committees of the Board consist of the Executive Committee, Compensation Committee, Nominating & Governance Committee, Investment & Finance Committee and Audit Committee. Each standing committee is governed by a charter that defines its role and responsibilities which are available on the Company s website at www.horacemann.com under Investors - Corporate Overview - Committee Composition and Charters . A printed copy of these charters may be obtained by Shareholders upon written request addressed to Investor Relations, Horace Mann Educators Corporation, 1 Horace Mann Plaza, C-120, Springfield, Illinois 62715-0001. The Board may also form ad hoc committees from time to time.

The **Executive Committee** exercises certain powers of the Board during intervals between meetings of the Board and, as requested by the Chief Executive Officer, acts as a sounding board for discussing strategic and operating issues.

The **Compensation Committee** approves and recommends to the Board the compensation, salaries, bonuses and awards applicable to the Executive Officers and Directors of the Company and oversees the process of Executive Officer leadership development and succession. Each of the current members of this Committee is independent under the listing standards of the NYSE applicable to compensation committee members. The Compensation Committee receives recommendations from management and has unrestricted access to the Company s personnel documents and to reports or evaluations of any independent compensation consultants, specialists or advisors who are retained by the Company or the Compensation Committee to analyze the compensation of the Executive Officers and members of the Board. The Compensation Committee also has access to any other

resources which it needs to discharge its responsibilities, including selecting, retaining and/or replacing, as needed, compensation consultants and other outside consultants to provide independent advice to the Compensation Committee. Additional information regarding the processes and procedures for the consideration and determination of Executive Officer compensation is provided in the Compensation Discussion and Analysis .

The **Nominating & Governance Committee** develops and recommends to the Board corporate governance principles applicable to the Company, oversees the Board succession planning process, and recommends Director candidates to the Board. The Nominating & Governance Committee will consider Director candidates recommended by Shareholders. Candidates may be submitted in writing to the Corporate Secretary, Horace Mann Educators Corporation, 1 Horace Mann Plaza, Springfield, Illinois 62715-0001. There are no differences between the evaluation of candidates recommended by Shareholders and the evaluation of candidates recommended by members of the Nominating & Governance Committee.

The Committee evaluates possible nominees to the Board on the basis of the factors it deems relevant, including the following:

- high standards of personal character, conduct and integrity;
- an understanding of the interests of the Company s Shareholders, clients, employees, agents, suppliers, communities and the general public;
- the intention and ability to act in the interest of all Shareholders;
- a position of leadership and substantial accomplishment in his or her field of endeavor, which may include business, government or academia;
- the ability to understand and exercise sound judgment on issues related to the goals of the Company;
- a willingness and ability to devote the time and effort required to serve effectively on the Board, including preparation for and attendance at Board and committee meetings;
- the absence of interests or affiliations that could give rise to a biased approach to directorship responsibilities and/or a conflict of interest, and the absence of any significant business relationship with the Company except for the employment relationship of an employee Director; and
- the needs of the Board, including skills, experience, diversity and age.

The **Investment & Finance Committee** approves investment strategies, monitors the performance of investments made on behalf of the Company and its subsidiaries, and oversees issues and decisions relating to the Company s capital structure.

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The **Audit Committee** oversees the accounting and financial reporting process, audits of the financial statements, and internal operating controls of the Company. It meets with both the Company s management and the Company s independent registered public accounting firm. Each of the current members of this Committee is independent under the independence standards of the NYSE applicable to audit committee members. No Audit Committee member serves on the audit committee of more than three other publicly traded companies. The Board has determined that Mr. Swyers is a financial expert. Mr. Swyers retired in 2013 from PricewaterhouseCoopers LLP, a public accounting firm, after a 40 year career where he served as the lead engagement partner

on many national and international companies, including those in the financial services industry. He also held various leadership positions including leader of the Central Region s consumer and industrial products business segment and managing partner of their St. Louis practice.

The **Customer Experience & Technology Committee** is an ad hoc committee formed by the Board during 2013. The Committee oversees the Company s goals and strategies related to improving and managing the customer experience, as well as the development and implementation of the Company s technology strategies.

The following table identifies membership and the Chairman of each of the current committees of the Board, as well as the number of times each committee met during 2016.

Director	Executive Committee	Compensation Committee	Nominating & Governance Committee	Investment & Finance Committee	Audit Committee	Customer Experience & Technology Committee (1)
Daniel A. Domenech			X			X
Stephen J. Hasenmiller	X	Chair	X			
Ronald J. Helow	X				X	Chair
Beverley J. McClure		X			X	X
H. Wade Reece				X		X
Gabriel L. Shaheen	Chair	X	Chair			
Robert Stricker				Chair		X
Steven O. Swyers				X	Chair	
Marita Zuraitis	X			X		X
Meetings in 2016	0	5	4	4	12	4

Chair - Committee Chair

X - Committee member

(1) The Customer Experience & Technology Committee is an ad hoc committee.

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Director Compensation

The compensation program for non-employee Directors is shown in the following table:

Compensation Element	Non-Employee Director Compensation (1)(2)
Board Chairman Annual Retainer	$115,000
Board Member Annual Retainer (other than Board Chairman)	$60,000
Committee Chairman Annual Retainer	$25,000 Audit Committee $15,000 Compensation Committee $12,000 Nominating & Governance Committee $15,000 Customer Experience & Technology Committee $10,000 all other Committees (3)
Committee Member Annual Retainer (other than Committee Chairman)	$10,000 Audit Committee $ 7,500 all other Committees (3)
Share-based Compensation	Fair value on the date of the respective awards is used to determine the number of Restricted Stock Units (RSUs) awarded. An annual award of $95,000 in RSUs following the Annual Shareholder Meeting. $95,000 in RSUs if joining the Board within 6 months after the prior Annual Shareholder Meeting, $47,500 in RSUs if joining more than 6 months after the prior Annual Shareholder Meeting but before the next Annual Shareholder Meeting. All awards have a 1 year vesting period.
Basic Group Term Life Insurance	Premium for $10,000 face amount
Business Travel Accident Insurance	Premium for $100,000 coverage

(1) Annual retainer fees are paid following the Annual Shareholder Meeting each year. The annual retainer fees are prorated to the extent that a non-employee Director joins the Board after the Annual Shareholder Meeting.
(2) Non-employee Directors may elect to defer cash compensation into Common Stock equivalent units (CSUs).
(3) All other Committees except for the Executive Committee which is not paid an Annual Retainer.

Non-employee Directors are required to hold shares of HMEC Common Stock with a book value equal to five times their annual cash retainer.

Until non-employee Directors meet this ownership requirement, they must retain all Common Stock equivalent units and Restricted Stock Units granted as share-based compensation (net of taxes). All non-employee Directors have met the guidelines with the exception of Mr. Swyers, who joined the Board in 2014, Dr. Domenech, who joined the Board in 2015, and Mr. Reece, who joined the Board in 2016. They have 5 years to meet this requirement. Employee Directors do not receive compensation for serving on the Board and are subject to separate stock ownership guidelines. See Compensation Discussion and Analysis Stock Ownership and Holding Requirements .

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The following table sets forth information regarding compensation earned by, or paid to, the non-employee Directors during 2016:

Director	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)	All Other Compensation ($) (2)	Total ($)
Daniel A. Domenech	0	170,000	204	170,204
Stephen J. Hasenmiller	82,500	95,000	204	177,704
Ronald J. Helow	85,000	95,000	204	180,204
Beverley J. McClure	85,000	95,000	51	180,051
H. Wade Reece	75,000	95,000	35	170,035
Gabriel L. Shaheen	134,500	95,000	51	229,551
Robert Stricker	77,500	95,000	204	172,704
Steven O. Swyers	92,500	95,000	204	187,704

(1) Represents fees deferred in 2016 pursuant to the HMEC 2010 Comprehensive Executive Compensation Plan, as well as $95,000 in RSUs (awarded May 25, 2016). As of December 31, 2016, each Director had 2,895 unvested RSUs.

(2) Represents insurance premiums provided by the Company for group term life insurance and business travel accident insurance for each Director. The group term life insurance premiums are age-banded and this is reflected in the lower premiums for Ms. McClure, Mr. Reece and Mr. Shaheen. In addition, Mr. Reece s premiums were pro-rated based on the date that he joined the Board.

Corporate Governance

Director Independence

The Company s Corporate Governance Principles require that the Board consist of a majority of directors who meet the criteria for independence required by the listing standards of the NYSE. Based on the independence requirements of the NYSE and after reviewing any relationships between the Directors and the Company or its management (either directly or indirectly, including as a partner, shareholder or officer of an organization that has a relationship with the Company or its management) that could impair, or appear to impair, the Director s ability to make independent judgments, the Board determined that none of its non-employee Directors have a material relationship with the Company, and therefore all of these Directors are independent. These independence determinations are analyzed at least annually in both fact and appearance to promote arms-length oversight. The current non-employee Directors are Dr. Domenech, Mr. Hasenmiller, Mr. Helow, Ms. McClure, Mr. Reece, Mr. Shaheen, Mr. Stricker and Mr. Swyers.

Board Leadership Structure

The Board is committed to strong, independent Board leadership and believes that objective oversight of management is a critical aspect of effective corporate governance. Accordingly, the Board currently has two separate individuals holding the offices of Chairman and Chief Executive Officer, and the position of Chairman is held by an independent

Director. The Board of Directors believes that having an independent Director serve as

Chairman is in the best interest of the Company at this time as this structure provides a greater role for the independent Directors in the oversight of the Company. However, as described in the Company s Corporate Governance Principles, this situation can change in the future to permit one individual to hold both positions, if the Board deems it to be in the best interests of the Company at a given time.

Board s Role in Risk Oversight

The Board of Directors is responsible for overseeing the processes that management has established for assessing and managing risk. In addition, the Board has delegated oversight of certain categories of risk to designated Board committees. In performing their oversight responsibilities, the Board and relevant committees regularly discuss with management the Company s policies with respect to risk assessment and risk management. The committees report to the Board regularly on matters relating to the specific areas of risk the committees oversee.

In addition, the Company has established an internal Enterprise Risk Management (ERM) Committee, which is composed of certain members of senior management including the President and Chief Executive Officer; Chief Financial Officer; Chief Human Resources Officer; Chief Information Officer; General Counsel and Chief Compliance Officer; and the heads of Field Operations and Distribution and the Life & Retirement and Property & Casualty divisions. The ERM Committee is chaired by the Chief Financial Officer of the Company.

Throughout the year, the Board and the relevant Board committees receive regular reports from the Enterprise Risk Management Committee and its chairman regarding major risks and exposures facing the Company and the steps management has taken to monitor and control such risks and exposures. In addition, throughout the year, the Board and the relevant Board committees dedicate a portion of their meetings to review and discuss specific risk topics in greater detail.

Code of Ethics, Code of Conduct and Corporate Governance Principles

The Company has adopted a Code of Ethics and a Code of Conduct applicable to all employees, including the Chief Executive Officer, Chief Financial Officer, Controller and Directors (in their capacity as Directors of the Company). The Company has also adopted Corporate Governance Principles. The Codes and Principles are available on the Company s website at www.horacemann.com, under Investors - Corporate Overview - Governance Documents . A printed copy of the Codes and Principles may be obtained by Shareholders upon written request, addressed to Investor Relations, Horace Mann Educators Corporation, 1 Horace Mann Plaza, C-120, Springfield, Illinois 62715-0001.

Director Education

Each Director is required to participate in at least one education program every two years and may choose to participate in up to two education programs in a two year period at the Company s expense. All Directors are in compliance with this requirement.

Communications with Directors

The Company has established various processes to facilitate communications with the Board by Shareholders and other interested parties. Communications to non-employee Directors as a group or to the Chairman of the Board or to an individual Director may be submitted via regular mail addressed to the Board of Directors, c/o the Corporate Secretary, Horace Mann Educators Corporation, 1 Horace Mann Plaza, Springfield, Illinois 62715-0001. Additionally, communications may be emailed to the Board of Directors, c/o the Corporate Secretary at hmecbofd@horacemann.com.

Compensation Committee Interlocks and Insider Participation

There are no Compensation Committee interlocks between the Company and other entities involving the Company s Executive Officers and Directors who serve as executive officers or directors of such other entities. During 2016, no member of the Compensation Committee was a current or former officer or employee of the Company.

Review, Approval or Ratification of Transactions with Related Persons

The Board reviews issues involving potential conflicts of interest of its members and is responsible for reviewing and approving all related party transactions. The Board does not have a formal related party transaction policy but it considers each related party transaction individually.

Related Person Transactions

BlackRock, Inc., which owns beneficially more than 5% of the issued and outstanding shares of Common Stock, provides investment management services to the Company and has done so for more than 10 years. In 2016, the Company paid approximately $227,000 in fees to BlackRock associated with the Company s use of analytical software owned by BlackRock. Other than the BlackRock relationship, the Company does not have any contracts or other transactions with related parties that are required to be reported under the applicable securities laws and regulations.

PROPOSAL NO. 2 - ADVISORY RESOLUTION TO APPROVE NAMED EXECUTIVE OFFICERS COMPENSATION

The Board is asking Shareholders to approve an advisory resolution to approve the compensation of the Company s Named Executive Officers (NEOs) as reported in this Proxy Statement. The Compensation Committee has structured our NEOs compensation program as described below under Compensation Discussion and Analysis .

The Board recommends that Shareholders read the Compensation Discussion and Analysis (CD&A) included in this Proxy Statement, which describes in more detail how our Executive Compensation policies and procedures operate and are designed to achieve our compensation objectives, as well as the Summary Compensation Table and other related compensation tables and narrative included within the CD&A, which provide detailed information on the compensation of our NEOs. The Compensation Committee and the Board of Directors believe that the policies and procedures articulated in the CD&A are effective in achieving our goals.

In accordance with Section 14(a) of the Exchange Act, and as a matter of good corporate governance, the Board is asking Shareholders to approve the following advisory resolution at the 2017 Annual Meeting:

RESOLVED, that the Shareholders of Horace Mann Educators Corporation (the Company) approve, on an

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advisory basis, the compensation of the Company s Named Executive Officers disclosed in the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables, notes and narrative in the Proxy Statement for the Company s 2017 Annual Meeting of Shareholders.

This advisory resolution, commonly referred to as a Say on Pay resolution, is non-binding on the Board of Directors. Although non-binding, the Board and the Compensation Committee will review and consider the voting results when making future decisions regarding our NEOs compensation program.

The Board has adopted a policy providing for an annual advisory vote to approve NEOs compensation. Unless the Board modifies its policy on the frequency of holding such advisory votes, the next advisory vote will occur at the Company s 2018 Annual Meeting of Shareholders.

The Board recommends that Shareholders vote FOR the approval of the advisory resolution to approve Named Executive Officers compensation.

PROPOSAL NO. 3 - ADVISORY VOTE ON THE FREQUENCY OF FUTURE ADVISORY VOTES ON NAMED EXECUTIVE OFFICERS COMPENSATION

Pursuant to Section 14(a) of the Exchange Act, the Board is asking Shareholders to vote on the frequency of future advisory votes on Named Executive Officers compensation of the nature reflected in Proposal No. 2 above. Specifically, whether such votes should occur every year, every two years or every three years.

After careful consideration, the Board of Directors has determined that holding an advisory vote on Named Executive Officers compensation every year is the most appropriate policy for the Company at this time, and recommends that Shareholders vote for future advisory votes on Named Executive Officers compensation to occur every year. While the Company s Executive Compensation

programs are designed to promote a long-term connection between pay and performance, the Board recognizes that Named Executive Officers compensation disclosures are made annually. Holding an annual advisory vote on Named Executive Officers compensation provides the Company with more direct and immediate feedback on our compensation programs. However, Shareholders should note that because the advisory vote on Named Executive Officers compensation occurs well after the beginning of the compensation year, and because the different elements of our Executive Compensation programs are designed to operate in an integrated manner and to complement one another, in many cases it may not be appropriate or feasible to change our Executive Compensation programs in consideration of any one year s advisory vote on Named Executive Officers compensation by the time of the following year s annual meeting of Shareholders. Requesting an annual advisory vote on Named Executive Officers compensation also is consistent with the Company s practice of having all Directors elected annually and providing Shareholders an annual opportunity to ratify the Audit Committee s selection of an independent registered public accounting firm.

The Board understands that the Company s Shareholders may have different views as to what is an appropriate frequency for advisory votes on Named Executive Officers compensation, and will carefully review the voting results on this proposal. Shareholders will be able to specify one of four choices for this proposal on the proxy card: one year, two years, three years, or abstain. Shareholders are not voting to approve or disapprove the Board s recommendation. This advisory vote on the frequency of future advisory votes on Named Executive Officers compensation is non-binding on the Board of Directors. Notwithstanding the Board s recommendation and the outcome of the Shareholder vote, the Board may in the future decide to conduct advisory votes on a less frequent basis and may vary its practice based on factors such as discussions with Shareholders and the adoption of material changes to Executive

Compensation programs.

The Board recommends that you vote to conduct future advisory votes on Named Executive Officers compensation every year.

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Compensation Discussion and Analysis

In this section, we describe the material components of our executive compensation program for our Named Executive Officers (NEOs), whose compensation is displayed in the 2016 Summary Compensation Table and the other compensation tables contained in this Proxy Statement. We also provide an overview of our executive compensation philosophy and we explain how and why the Compensation Committee of our Board (the Committee) arrives at specific compensation policies and decisions.

Our 2016 NEOs are our Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the three o most highly compensated Executive Officers employed at the end of 2016:

Marita Zuraitis, President and CEO;

Dwayne D. Hallman, Executive Vice President and CFO*;

Matthew P. Sharpe, Executive Vice President, Life & Retirement;

William J. Caldwell, Executive Vice President, Property & Casualty; and

Kelly J. Stacy, Senior Vice President, Field Operations and Distribution.

Note Regarding Chief Financial Officer

On Feb. 3, 2017, our Executive Vice President and Chief Financial Officer, Dwayne D. Hallman, passed away. Bret A. Conklin was named Acting CFO. As of our Proxy Statement filing date, a permanent CFO had not been named. Because Mr. Hallman was our CFO for the entire 2016 fiscal year, we will include the compensation and pay decisions made with respect to him when discussing the compensation of our NEOs throughout this section. We believe that this approach provides our shareholders with a representative view of our pay programs with respect to our executive team.

Executive Summary

This summary highlights information from this Compensation Discussion and Analysis section and may not contain all the information that is necessary to gain a full understanding of our policies and decisions. Please read the entire Compensation Discussion and Analysis section and compensation tables for a more complete understanding of our compensation program.

Our Business

We are a personal insurance and financial services business with approximately $10.6 billion of assets and approximately $1.1 billion in total revenue as of December 31, 2016. *Founded by Educators for Educators*®, we offer our products and services primarily to K-12 teachers, administrators, and other public school employees and their families. We underwrite personal lines of auto, property and life insurance, as well as retirement products in the United States.

2016 Business Highlights

The Company delivered solid underlying financial results across all three segments of its business in 2016. Full year operating income was $1.97 per diluted share. Book value per share* increased 4% in 2016 driven by the solid operating results and positive contributions from investment portfolio performance. In addition, we achieved broad-based increases in new business sales and solid policy retentions during the past year. Total Shareholder Return was 32.9% in 2016 outperforming key insurance and general market indices.

*Excluding the fair value adjustment for investments

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These results reflect significant progress on numerous strategic initiatives, including:

- Increased sales levels year-over-year in all lines of business excluding retirement
- New auto and property sales premium increased 6% and 5%, respectively
- Strong auto and property retention ratios
- Increased annuity assets under management by 7%

Please see Management s Discussion and Analysis of Financial Condition and Results of Operations in HMEC s 2016 Annual Report on Form 10-K for a more detailed description of these financial results.

2016 Executive Compensation Highlights

These elements of the executive compensation program are described more fully below.

Pay mix comprised of base salary, cash annual incentives under the Annual Incentive Plan (AIP), and equity-based long-term incentives under the Long-term Incentive Plan (LTIP)

Over 70% of the CEO s target compensation and over 60% of all other NEOs target compensation linked to performance-based or service-vested incentives

Balanced performance measures designed with a focus on shareholder return, both absolute and relative, and incenting operating growth while managing risk

Performance incentives tied to multiple overlapping performance periods

Annual Cash Incentives tied to Company and business line performance measures

Long-term Incentives entirely equity based:

Performance-based RSUs vest following a 3-year period, based on both relative measures (relative total shareholder return and relative operating return on equity) and an absolute measure (total written premium growth)

Service-vested stock options with a 4-year vesting period

Service-vested RSUs with a 3-year vesting period

One-time, provisional strategic equity grants of performance-based RSUs to promote continuity of leadership

Stock ownership guidelines for NEOs

Twelve-month post-exercise holding requirement for stock options

Clawback policy applicable to both cash and equity awards

Executive change in control plan excludes tax gross-up provision

Limited perks and executive benefits

Pay Governance

Oversight

The Committee oversees our executive compensation program. The current members of the Committee are Mr. Hasenmiller, Ms. McClure, and Mr. Shaheen. Mr. Hasenmiller serves as the Committee Chair. Consistent with the listing standards of the NYSE, the Committee is composed entirely of independent Directors.

The Committee retained Compensation Advisory Partners LLC (CAP) as independent compensation consultants. CAP provides information and advice on the competitive market for executive talent, evolving market practices in our industry and the general employment market, regulatory and other external developments, and our executive compensation philosophy and incentive program design. In this way, CAP assists the Committee with ongoing education. Also, Committee members comply with Directors education requirement to help ensure each remains up to date on current issues relevant to the Company and its business.

The CAP consultants report directly to the Committee, attend the Committee meetings and portions of executive sessions of the Committee at the Chair s request (generally with the Board s outside legal counsel, but without management present). CAP serves at the pleasure of the Committee, and performs no services for management. CAP works with management to obtain necessary data and perspectives on the Company s strategic objectives, business environment, corporate culture, performance, and other relevant factors. This information is used by CAP to formulate its recommendations related to competitive compensation performance targets and overall design. CAP s findings and recommendations are reported directly to the Committee. The services provided by CAP during 2016 are described in more detail throughout this analysis. Pursuant to regulatory requirements, the Committee assessed CAP s independence (along with that of its other direct and indirect consultants and advisors) and concluded that CAP s work did not raise any conflict of interest. In addition, the Committee has the authority to hire other experts and advisors as it deems necessary.

Management also supports the Committee by providing analysis and recommendations. When setting levels of executive compensation, the Committee requests, receives, and considers the recommendations of the CEO regarding the performance of her direct reports and other Executive Officers. Members of management also attend and contribute to Committee meetings as relevant to the Committee agenda.

The Committee discusses its fundamental views on compensation and guiding principles, as well as its expectations of the CEO s performance and annual goals, with the CEO and subsequently proposes the CEO s goals to the Board for approval. The Committee does not include the CEO or other members of management in its discussions with CAP on the CEO s compensation, nor does the CEO or management participate in the Committee s recommendation to the Board on the CEO s compensation.

Favorable Say on Pay

At our 2016 Annual Meeting of shareholders, we received substantial support for the compensation of our NEOs, with 97.2% of the votes cast in favor of the Say on Pay advisory vote on executive compensation. The Committee and the Board were gratified by the favorable vote and value the views of our shareholders. The Committee was pleased that a significant majority of our shareholders approved the proposal, showing strong support for the structure of the compensation plans, the absence of excessive perquisites, the demonstrated pay-for-performance practices, and the strength of the Company s compensation processes and practices.

Executive Compensation Program

Guiding Principles

The Committee has established a set of core principles that underlie our executive compensation program. These core principles provide guidance to the Committee and management in making decisions while administering the program or when considering changes. These core principles include strong alignment between pay and performance, incentive to drive shareholder value, and market competiveness.

Strong pay for performance alignment

We target compensation around the median of the competitive market, with executives earning more or less than median, generally based on the performance of the Company and value delivered to shareholders. Our core executive compensation program includes base salary, an annual cash incentive plan (the Annual Incentive Plan or AIP), and long-term equity awards (the Long-Term Incentive Plan or LTIP). Both AIP and LTIP are administered under the shareholder-approved 2010 Comprehensive Executive Compensation Plan, as amended and restated effective May 20, 2015 (CECP). Incentive awards are earned upon the achievement of short-term and long-term business goals that are reviewed and approved by the Committee at the beginning of each performance period. Performance goals are structured to reward business growth, profitability, relative total shareholder return, balanced with productivity and risk and capital management.

Executive interests should be aligned with shareholders

To encourage the long-term view, the Committee grants equity awards with multi-year performance periods and multi-year vesting. In 2016, Ms. Zuraitis received approximately 46% of her target compensation in equity. With respect to the other NEOs, approximately 40% to 44% of their compensation was equity-based.

Incentive compensation should drive long-term value creation and reward strong performance

The AIP performance goals are based on premiums and adjusted operating income to reward strong performance. The LTIP performance goals are directly linked to multi-year growth and return measures to keep executives focused on value creation.

A significant portion of compensation should be at risk based on the Company s performance

For 2016, over 70% of the CEO s target total pay (base salary plus target annual incentive plus target long-term incentive) and over 60% of target total pay for all other NEOs is at risk, and is variable from year to year, and for much of it, the level of payout is dependent on the Company s performance.

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Compensation levels should be market competitive

The Committee sets total direct compensation for the NEOs salary and target annual and long-term incentive opportunities within a reasonable range of the median of the competitive market, while providing the ability to decrease or increase compensation if warranted by performance. To determine competitive pay levels, we use comparable survey market data provided by CAP and from published survey sources including Mercer, LOMA, Towers Watson, and proxy data for similar sized insurance companies in the Russell 2000® Index. The data from these surveys is scaled to our size by CAP based on revenues or asset ranges. Annually, CAP provides the Committee with a comparison of the base salary, annual incentives and long-term incentives of the CEO with those of other chief executive officers based on survey data. The other NEOs are assessed against comparable functional matches in the insurance industry and the broader general industry, as appropriate. Based on the data, and CAP s analysis, the Committee deliberates in executive session to determine its recommendation for approval by the Board of Directors. For 2016, CAP s analysis demonstrated that our overall core total direct compensation was consistent with target pay positioning at the median of the market. Core total direct compensation is comprised of salary, annual incentive, and our ongoing long-term incentive. In 2016, we also made a strategic incentive grant, which we do not anticipate making on a regular basis, and therefore have not included in the comparison to market data.

Compensation Mix

Our NEOs annual compensation consists of base salary, annual incentives and long-term incentives. The targeted compensation mix of total direct compensation for the NEOs for 2016 is illustrated below. The mix of 2016 actual compensation varied as a result of actual incentives earned.

Base Salary

Competitive base salaries are critical to attracting and retaining high performing executive talent. The Committee seeks to pay salaries that approximate median salaries for executives of similar companies in like positions. However, in recruiting new executives, we sometimes exceed these guidelines to attract qualified candidates. There may also be instances where an existing executive s compensation deviates from the median, up or down, due to experience, performance, responsibilities, compensation history, internal equity, or retention risk.

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Salaries for the NEOs and other executive officers are reviewed every 12 months in connection with the review of financial results for the prior fiscal year and the annual performance review discussed under Annual Performance and Pay Review. In 2016, Ms. Zuraitis and Mr. Hallman received base salary increases to move overall compensation closer to the market median. The other NEOs did not receive base salary increases in 2016. Base salary adjustments for 2016 are shown in the chart below.

Named Individual	2015 Annualized Salary	2016 Annualized Salary	Percent Increase
Marita Zuraitis	$750,000	$800,000	6.7%
Dwayne D. Hallman	$444,000	$460,000	3.6%
Matthew P. Sharpe	$400,000	$400,000	0.0%
William J. Caldwell	$350,000	$350,000	0.0%
Kelly J. Stacy	$300,000	$300,000	0.0%

Annual Incentive Plan

Our Annual Incentive Plan (AIP) is a cash incentive plan, administered under the CECP, and designed to drive and reward strong performance over a one-year period. Annually, the Committee establishes the performance objectives, threshold, target and maximum performance levels, and the related threshold, target and maximum AIP opportunities for each NEO, expressed as a percentage of base salary. Target incentive opportunity levels for the NEOs are intended to approximate the median of the target bonus potential for similarly situated executives in comparable companies. Maximum incentive opportunities are set at 200% of target.

For 2016, there were four performance measures, with 50% of the award based on Company-wide net operating income, and the remaining 50% divided among specific sales and premiums of the different business lines: P&C (20%), annuities (20%), and life (10%), as shown in the chart below. This provides a balance between shareholder return and growth, while complementing the longer-term LTIP metrics, which focus on long-term shareholder value creation.

<u>2016 Annual Incentive Plan Performance Measures</u>

Adjusted Operating Income - Operating income (GAAP net income after tax, excluding realized investment gains and losses other than those for Fixed Indexed Annuity related options and embedded derivatives) adjusted for Property & Casualty (P&C) catastrophe costs different than Plan, Annuity & Life deferred acquisition costs (DAC) unlocking and change in guaranteed minimum death benefit (GMDB) reserve due to capital gains and losses and market performance different than Plan, the impact on investment income of share repurchases different than Plan, and debt structure/costs including debt retirement different than Plan

P&C Net Premium Written (GAAP) - Amount charged for property and casualty policies issued during the year. (Portions of such amounts may be earned and included in financial reports over future periods.)

Annuity Sales - The amount of new business from the sales of Horace Mann annuity products, from Horace Mann and independent agents, as measured by premiums and deposits to be collected over the 12 months following the sale

Life Sales - The amount of new Horace Mann individual life insurance products sold during the year, as measured by premiums and deposits to be collected over the 12 months following the sale

All the NEOs 2016 annual incentive amounts are based on the same corporate and business line objectives to promote cooperation. The targets for the operating income and sales or premium measures were based on a review of market conditions and expectations of other companies in the industry as well as our financial plan for 2016 (2016 Plan). The 2016

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Plan was the basis of our 2016 earnings guidance, which was publicly disclosed in February 2016 in connection with our release of earnings for the year ended December 31, 2015. The Committee believes that tying the AIP to Company performance provides appropriate alignment for an executive s compensation as it recognizes that the Company as a whole must perform well in order to deliver value to our Shareholders. Further, tying all the NEOs AIP awards to the performance of specific business lines incentivizes cooperation among the business line leaders. It is the goal of the Committee to establish measurements and targets that are reasonable, but not easily achieved. The measures and targets are discussed with the CEO, other NEOs, other members of the Board and CAP before they are set.

Each March, the Committee also certifies performance and determines annual incentive award payouts for the prior year. Based on the 2016 results of 112.28% of target for Ms. Zuraitis and the other NEOs, the 2016 AIP payouts (paid in March 2017) were as follows:

2016 AIP Measures	Target (in $M)	Actual (in $M)	Results	Weighting	Payout
Adjusted Operating Income	92.4	96.5	142%	50%	70.88%
P&C Net Premium Written	633.6	634.3	107%	20%	21.40%
Horace Mann Annuity Sales	380.8	356.9	0%		