

HORACE MANN EDUCATORS CORP /DE/  
Form 10-Q  
November 07, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the quarterly period ended **September 30, 2014**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-10890

**HORACE MANN EDUCATORS CORPORATION**

(Exact name of registrant as specified in its charter)

Delaware 37-0911756  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1 Horace Mann Plaza, Springfield, Illinois 62715-0001

(Address of principal executive offices, including Zip Code)

Registrant's Telephone Number, Including Area Code: 217-789-2500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark the registrant's filer status, as such terms are defined in Rule 12b-2 of the Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Act. Yes  No

As of October 31, 2014, 41,914,409 shares of Common Stock, par value \$0.001 per share, were outstanding, net of 23,308,430 shares of treasury stock.

HORACE MANN EDUCATORS CORPORATION

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2014

INDEX

|  | Page |
|--|------|
| <b>PART I - FINANCIAL INFORMATION</b>  |      |
| Item 1. Financial Statements   |      |
| <u>Report of Independent Registered Public Accounting Firm</u>                                       | 1    |
| <u>Consolidated Balance Sheets</u>   | 2    |
| <u>Consolidated Statements of Operations</u>   | 3    |
| <u>Consolidated Statements of Comprehensive Income (Loss)</u>  | 4    |
| <u>Consolidated Statements of Changes in Shareholders' Equity</u>                                    | 5    |
| <u>Consolidated Statements of Cash Flows</u>   | 6    |
| <u>Notes to Consolidated Financial Statements</u>  |      |
| <u>Note 1 - Basis of Presentation</u>  | 7    |
| <u>Note 2 - Investments</u>  | 10   |
| <u>Note 3 - Fair Value of Financial Instruments</u>  | 17   |
| <u>Note 4 - Debt</u>   | 23   |
| <u>Note 5 - Reinsurance</u>  | 24   |
| <u>Note 6 - Segment Information</u>  | 25   |
| Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 26   |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>                            | 51   |
| Item 4. <u>Controls and Procedures</u>   | 51   |
| <b><u>PART II - OTHER INFORMATION</u></b>  |      |
| Item 1A. <u>Risk Factors</u>   | 52   |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>                           | 52   |

|                                  |    |
|----------------------------------|----|
| Item 5. <u>Other Information</u> | 52 |
| Item 6. <u>Exhibits</u>          | 53 |
| <u>SIGNATURES</u>                | 59 |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

Horace Mann Educators Corporation:

We have reviewed the accompanying consolidated balance sheet of Horace Mann Educators Corporation and subsidiaries (the Company) as of September 30, 2014, the related consolidated statements of operations and comprehensive income (loss) for the three-month and nine-month periods ended September 30, 2014 and 2013, and the related consolidated statements of changes in shareholders' equity and cash flows for the nine-month periods ended September 30, 2014 and 2013. These consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying consolidated financial statements referred to above for them to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Horace Mann Educators Corporation and subsidiaries as of December 31, 2013, and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 3, 2014, we expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

KPMG LLP

Chicago, Illinois

November 7, 2014

-1-

**HORACE MANN EDUCATORS CORPORATION****CONSOLIDATED BALANCE SHEETS****(Dollars in thousands, except per share data)**

|   | September 30,<br>2014<br>(Unaudited) | December 31,<br>2013 |
|---|--------------------------------------|----------------------|
| <b>ASSETS</b>   |                                      |                      |
| Investments   |                                      |                      |
| Fixed maturities, available for sale, at fair value (amortized cost 2014, \$6,323,042; 2013, \$5,784,205) | \$ 6,793,469                         | \$ 6,009,573         |
| Equity securities, available for sale, at fair value (cost 2014, \$97,757; 2013, \$84,754)                | 106,837                              | 91,858               |
| Short-term and other investments  | 406,165                              | 438,042              |
| Total investments   | 7,306,471                            | 6,539,473            |
| Cash  | 41,192                               | 18,189               |
| Deferred policy acquisition costs   | 217,669                              | 245,355              |
| Goodwill  | 47,396                               | 47,396               |
| Other assets  | 243,873                              | 228,264              |
| Separate Account (variable annuity) assets  | 1,786,363                            | 1,747,995            |
| Total assets  | \$ 9,642,964                         | \$ 8,826,672         |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                                      |                      |
| Policy liabilities  |                                      |                      |
| Fixed annuity contract liabilities  | \$ 3,717,277                         | \$ 3,515,865         |
| Interest-sensitive life contract liabilities  | 788,337                              | 777,292              |
| Unpaid claims and claim expenses  | 305,061                              | 291,627              |
| Future policy benefits  | 232,088                              | 223,295              |
| Unearned premiums   | 226,716                              | 221,114              |
| Total policy liabilities  | 5,269,479                            | 5,029,193            |
| Other policyholder funds  | 601,561                              | 346,292              |
| Other liabilities   | 459,309                              | 366,013              |
| Short-term debt   | 38,000                               | 38,000               |
| Long-term debt, current and noncurrent  | 199,923                              | 199,874              |
| Separate Account (variable annuity) liabilities   | 1,786,363                            | 1,747,995            |
| Total liabilities   | 8,354,635                            | 7,727,367            |
| Preferred stock, \$0.001 par value, authorized 1,000,000 shares; none issued                              | -                                    | -                    |
| Common stock, \$0.001 par value, authorized 75,000,000 shares; issued, 2014, 64,194,604; 2013, 63,629,105 | 64                                   | 64                   |
| Additional paid-in capital  | 420,720                              | 407,056              |
| Retained earnings   | 1,045,066                            | 1,000,312            |
| Accumulated other comprehensive income (loss), net of taxes:  |                                      |                      |
| Net unrealized gains on fixed maturities and equity securities  | 270,007                              | 133,990              |
| Net funded status of pension and other postretirement benefit obligations                                 | (11,776 )                            | (11,776 )            |

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|   |              |              |
|---|--------------|--------------|
| Treasury stock, at cost, 2014, 23,308,430 shares; 2013, 23,117,554 shares | (435,752 )   | (430,341 )   |
| Total shareholders' equity  | 1,288,329    | 1,099,305    |
| Total liabilities and shareholders' equity                                | \$ 9,642,964 | \$ 8,826,672 |

See accompanying Notes to Consolidated Financial Statements.

See accompanying Report of Independent Registered Public Accounting Firm.

**HORACE MANN EDUCATORS CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)****(Dollars in thousands, except per share data)**

|   | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |            |
|---|-------------------------------------|------------|------------------------------------|------------|
|   | 2014                                | 2013       | 2014                               | 2013       |
| Revenues  |                                     |            |                                    |            |
| Insurance premiums and contract charges earned                                  | \$ 179,030                          | \$ 173,761 | \$ 533,571                         | \$ 514,480 |
| Net investment income   | 82,591                              | 78,466     | 247,040                            | 233,230    |
| Net realized investment gains (losses)  | 3,511                               | (1,407 )   | 8,673                              | 20,872     |
| Other income  | 388                                 | 1,064      | 2,244                              | 3,470      |
| Total revenues  | 265,520                             | 251,884    | 791,528                            | 772,052    |
| Benefits, losses and expenses   |                                     |            |                                    |            |
| Benefits, claims and settlement expenses  | 117,443                             | 112,701    | 356,589                            | 346,165    |
| Interest credited   | 44,477                              | 42,924     | 131,294                            | 126,430    |
| Policy acquisition expenses amortized   | 24,477                              | 20,911     | 70,027                             | 63,985     |
| Operating expenses  | 39,875                              | 41,407     | 119,033                            | 119,239    |
| Interest expense  | 3,543                               | 3,553      | 10,635                             | 10,656     |
| Total benefits, losses and expenses   | 229,815                             | 221,496    | 687,578                            | 666,475    |
| Income before income taxes  | 35,705                              | 30,388     | 103,950                            | 105,577    |
| Income tax expense  | 10,348                              | 6,789      | 29,775                             | 28,971     |
| Net income  | \$ 25,357                           | \$ 23,599  | \$ 74,175                          | \$ 76,606  |
| Net income per share  |                                     |            |                                    |            |
| Basic   | \$ 0.61                             | \$ 0.59    | \$ 1.79                            | \$ 1.93    |
| Diluted   | \$ 0.60                             | \$ 0.57    | \$ 1.76                            | \$ 1.85    |
| Weighted average number of shares and equivalent shares (in thousands)          |                                     |            |                                    |            |
| Basic   | 41,514                              | 40,001     | 41,353                             | 39,767     |
| Diluted   | 42,319                              | 41,732     | 42,155                             | 41,363     |
| Net realized investment gains (losses)  |                                     |            |                                    |            |
| Total other-than-temporary impairment losses on securities                      | \$(185 )                            | \$(11 )    | \$(637 )                           | \$(974 )   |
| Portion of losses recognized in other comprehensive income                      | -                                   | -          | -                                  | -          |
| Net other-than-temporary impairment losses on securities recognized in earnings | (185 )                              | (11 )      | (637 )                             | (974 )     |

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|                              |         |            |         |          |
|------------------------------|---------|------------|---------|----------|
| Realized gains (losses), net | 3,696   | (1,396 )   | 9,310   | 21,846   |
| Total                        | \$3,511 | \$(1,407 ) | \$8,673 | \$20,872 |

See accompanying Notes to Consolidated Financial Statements.

See accompanying Report of Independent Registered Public Accounting Firm.

-3-

**HORACE MANN EDUCATORS CORPORATION****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)****(Dollars in thousands)**

|   | Three Months Ended<br>September 30, |             | Nine Months Ended<br>September 30, |             |
|---|-------------------------------------|-------------|------------------------------------|-------------|
|   | 2014                                | 2013        | 2014                               | 2013        |
| Comprehensive income (loss)   |                                     |             |                                    |             |
| Net income  | \$25,357                            | \$23,599    | \$74,175                           | \$76,606    |
| Other comprehensive income (loss), net of taxes:                                    |                                     |             |                                    |             |
| Change in net unrealized gains and losses on fixed maturities and equity securities | (11,548 )                           | (36,296 )   | 136,017                            | (221,849)   |
| Change in net funded status of pension and other postretirement benefit obligations | -                                   | -           | -                                  | -           |
| Other comprehensive income (loss)   | (11,548 )                           | (36,296 )   | 136,017                            | (221,849)   |
| Total   | \$13,809                            | \$(12,697 ) | \$210,192                          | \$(145,243) |

See accompanying Notes to Consolidated Financial Statements.

See accompanying Report of Independent Registered Public Accounting Firm.

**HORACE MANN EDUCATORS CORPORATION****CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)****(Dollars in thousands, except per share data)**

|   | Nine Months Ended<br>September 30, |             |
|---|------------------------------------|-------------|
|   | 2014                               | 2013        |
| Common stock, \$0.001 par value   |                                    |             |
| Beginning balance   | \$64                               | \$62        |
| Options exercised, 2014, 386,616 shares; 2013, 766,716 shares                       | -                                  | 1           |
| Conversion of common stock units, 2014, 10,834 shares; 2013, 11,851 shares          | -                                  | -           |
| Conversion of restricted stock units, 2014, 168,049 shares; 2013, 146,407 shares    | -                                  | -           |
| Ending balance  | 64                                 | 63          |
| Additional paid-in capital  |                                    |             |
| Beginning balance   | 407,056                            | 383,135     |
| Options exercised and conversion of common stock units and restricted stock units   | 12,711                             | 15,881      |
| Share-based compensation expense  | 953                                | 1,065       |
| Ending balance  | 420,720                            | 400,081     |
| Retained earnings   |                                    |             |
| Beginning balance   | 1,000,312                          | 921,969     |
| Net income  | 74,175                             | 76,606      |
| Cash dividends, 2014, \$0.69 per share; 2013, \$0.585 per share                     | (29,421 )                          | (24,311 )   |
| Ending balance  | 1,045,066                          | 974,264     |
| Accumulated other comprehensive income (loss), net of taxes                         |                                    |             |
| Beginning balance   | 122,214                            | 367,089     |
| Change in net unrealized gains and losses on fixed maturities and equity securities | 136,017                            | (221,849 )  |
| Change in net funded status of pension and other postretirement benefit obligations | -                                  | -           |
| Ending balance  | 258,231                            | 145,240     |
| Treasury stock, at cost   |                                    |             |
| Beginning balance, 2014, 23,117,554 shares; 2013, 22,943,925 shares                 | (430,341 )                         | (426,452 )  |
| Acquisition of shares, 2014, 190,876 shares; 2013, 173,629 shares                   | (5,411 )                           | (3,889 )    |
| Ending balance, 2014, 23,308,430 shares; 2013, 23,117,554 shares                    | (435,752 )                         | (430,341 )  |
| Shareholders' equity at end of period   | \$1,288,329                        | \$1,089,307 |

See accompanying Notes to Consolidated Financial Statements.

See accompanying Report of Independent Registered Public Accounting Firm.



**HORACE MANN EDUCATORS CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)****(Dollars in thousands)**

|  | Nine Months Ended<br>September 30, |           |
|--|------------------------------------|-----------|
|  | 2014                               | 2013      |
| Cash flows - operating activities  |                                    |           |
| Premiums collected   | \$527,567                          | \$516,404 |
| Policyholder benefits paid   | (368,000)                          | (361,356) |
| Policy acquisition and other operating expenses paid                                     | (202,692)                          | (192,196) |
| Federal income taxes paid  | (17,392 )                          | (24,801 ) |
| Investment income collected  | 240,119                            | 227,716   |
| Interest expense paid  | (7,140 )                           | (7,159 )  |
| Contribution to defined benefit pension plan trust fund                                  | (2,000 )                           | (3,103 )  |
| Other  | (4,817 )                           | (4,581 )  |
| Net cash provided by operating activities  | 165,645                            | 150,924   |
| Cash flows - investing activities  |                                    |           |
| Fixed maturities   |                                    |           |
| Purchases  | (958,561)                          | (907,186) |
| Sales  | 198,191                            | 270,329   |
| Maturities, paydowns, calls and redemptions  | 269,732                            | 361,925   |
| Purchase of other invested assets  | (5,000 )                           | (25,000 ) |
| Net cash provided by (used in) short-term and other investments                          | 29,353                             | (37,911 ) |
| Net cash used in investing activities  | (466,285)                          | (337,843) |
| Cash flows - financing activities  |                                    |           |
| Dividends paid to shareholders   | (29,421 )                          | (24,311 ) |
| Acquisition of treasury stock  | (5,411 )                           | (3,889 )  |
| Exercise of stock options  | 7,324                              | 12,729    |
| Annuity contracts: variable, fixed and FHLB funding agreements                           |                                    |           |
| Deposits   | 611,721                            | 316,780   |
| Benefits, withdrawals and net transfers to<br>Separate Account (variable annuity) assets | (237,016)                          | (202,447) |
| Life policy accounts   |                                    |           |
| Deposits   | 864                                | 1,136     |
| Withdrawals and surrenders   | (3,662 )                           | (3,371 )  |
| Cash received (paid) related to repurchase agreements                                    | (25,848 )                          | 121,285   |
| Change in bank overdrafts  | 5,092                              | (401 )    |
| Net cash provided by financing activities  | 323,643                            | 217,511   |

|                             |          |          |
|-----------------------------|----------|----------|
| Net increase in cash        | 23,003   | 30,592   |
| Cash at beginning of period | 18,189   | 15,181   |
| Cash at end of period       | \$41,192 | \$45,773 |

See accompanying Notes to Consolidated Financial Statements.

See accompanying Report of Independent Registered Public Accounting Firm.

-6-

**HORACE MANN EDUCATORS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**September 30, 2014 and 2013**

**(Dollars in thousands, except per share data)**

**Note 1 - Basis of Presentation**

The accompanying unaudited consolidated financial statements of Horace Mann Educators Corporation (“HMEC”; and together with its subsidiaries, the “Company” or “Horace Mann”) have been prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“GAAP”) and with the rules and regulations of the Securities and Exchange Commission (“SEC”), specifically Regulation S-X and the instructions to Form 10-Q. Certain information and note disclosures which are normally included in annual financial statements prepared in accordance with GAAP but are not required for interim reporting purposes have been omitted. The Company believes that these consolidated financial statements contain all adjustments (consisting of normal recurring accruals) which are, in the opinion of management, necessary to present fairly the Company’s consolidated financial position as of September 30, 2014, the consolidated results of operations and comprehensive income (loss) for the three and nine months ended September 30, 2014 and 2013, and the consolidated changes in shareholders’ equity and cash flows for the nine months ended September 30, 2014 and 2013. The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect (1) the reported amounts of assets and liabilities, (2) disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and (3) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The subsidiaries of HMEC market and underwrite personal lines of property and casualty (primarily personal lines automobile and homeowners) insurance, retirement annuities (primarily tax-qualified products) and life insurance, primarily to K-12 teachers, administrators and other employees of public schools and their families. HMEC’s principal operating subsidiaries are Horace Mann Life Insurance Company, Horace Mann Insurance Company, Teachers Insurance Company, Horace Mann Property & Casualty Insurance Company and Horace Mann Lloyds.

The Company has evaluated subsequent events through the date these consolidated financial statements were issued.

These consolidated financial statements should be read in conjunction with the consolidated financial statements and the related notes to consolidated financial statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

The results of operations for the three and nine months ended September 30, 2014 are not necessarily indicative of the results to be expected for the full year.

-7-

**Note 1 - Basis of Presentation-(Continued)**

*Accounting Policy for Fixed Indexed Annuities*

In 2014, the Company began offering fixed indexed annuity (“FIA”) products with interest crediting strategies linked to the Standard & Poor’s 500 Index and the Dow Jones Industrial Average. The Company purchases call options on the applicable indices as an investment to provide the income needed to fund the annual index credits on the indexed products. These products are deferred fixed annuities with a guaranteed minimum interest rate plus a contingent return based on equity market performance and are considered hybrid financial instruments under the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) Topic 815 “Derivatives and Hedging”. The Company elected to not use hedge accounting for derivative transactions related to the FIA products. As a result, the Company records the purchased call options and the embedded derivative related to the provision of a contingent return at fair value, with changes in fair value reported in the Consolidated Statements of Operations. More information regarding the determination of fair value of the FIA embedded derivative and purchased call options, the only derivative instruments utilized by the Company, is included in “Note 3 — Fair Value of Financial Instruments”.

**Note 1 - Basis of Presentation-(Continued)***Accumulated Other Comprehensive Income (Loss)*

Accumulated other comprehensive income (loss) represents the accumulated change in shareholders' equity from transactions and other events and circumstances from non-shareholder sources. For the Company, accumulated other comprehensive income (loss) includes the after-tax change in net unrealized gains and losses on fixed maturities and equity securities and the after-tax change in net funded status of pension and other postretirement benefit obligations as shown in the Consolidated Statements of Changes in Shareholders' Equity. The following tables reconcile these components.

|   | Unrealized<br>Gains<br>and Losses on<br>Fixed Maturities<br>and Equity<br>Securities (1)(2) | Defined<br>Benefit Plans<br>(1) | Total (1)  |
|---|---|---------------------------------|------------|
| Beginning balance, July 1, 2014   | \$ 281,555  | \$ (11,776 )                    | \$ 269,779 |
| Other comprehensive income (loss) before reclassifications              | (9,265 )  | -                               | (9,265 )   |
| Amounts reclassified from accumulated other comprehensive income (loss) | (2,283 )  | -                               | (2,283 )   |
| Net current period other comprehensive income (loss)                    | (11,548 )   | -                               | (11,548 )  |
| Ending balance, September 30, 2014                                      | \$ 270,007  | \$ (11,776 )                    | \$ 258,231 |
| Beginning balance, January 1, 2014                                      | \$ 133,990  | \$ (11,776 )                    | \$ 122,214 |
| Other comprehensive income (loss) before reclassifications              | 141,641   | -                               | 141,641    |
| Amounts reclassified from accumulated other comprehensive income (loss) | (5,624 )  | -                               | (5,624 )   |
| Net current period other comprehensive income (loss)                    | 136,017   | -                               | 136,017    |
| Ending balance, September 30, 2014                                      | \$ 270,007  | \$ (11,776 )                    | \$ 258,231 |

(1) All amounts are net of tax.

(2) The pretax amounts reclassified from accumulated other comprehensive income (loss), \$3,512 and \$8,652, are included in net realized investment gains and losses and the related tax expenses, \$1,229 and \$3,028, are included in income tax expense in the Consolidated Statements of Operations for the three and nine months ended September 30, 2014, respectively.



**Note 1 - Basis of Presentation-(Continued)**

|   | Unrealized<br>Gains<br>and Losses on<br>Fixed Maturities<br>and Equity<br>Securities (1)(2) | Defined<br>Benefit Plans<br>(1) | Total (1)   |
|---|---|---------------------------------|-------------|
| Beginning balance, July 1, 2013   | \$ 196,847  | \$ (15,311                      | ) \$181,536 |
| Other comprehensive income (loss) before reclassifications              | (37,211   | ) -                             | (37,211 )   |
| Amounts reclassified from accumulated other comprehensive income (loss) | 915   | -                               | 915         |
| Net current period other comprehensive income (loss)                    | (36,296   | ) -                             | (36,296 )   |
| Ending balance, September 30, 2013                                      | \$ 160,551  | \$ (15,311                      | ) \$145,240 |
| Beginning balance, January 1, 2013                                      | \$ 382,400  | \$ (15,311                      | ) \$367,089 |
| Other comprehensive income (loss) before reclassifications              | (208,283  | ) -                             | (208,283)   |
| Amounts reclassified from accumulated other comprehensive income (loss) | (13,566   | ) -                             | (13,566 )   |
| Net current period other comprehensive income (loss)                    | (221,849  | ) -                             | (221,849)   |
| Ending balance, September 30, 2013                                      | \$ 160,551  | \$ (15,311                      | ) \$145,240 |

(1) All amounts are net of tax.

(2) The pretax amounts reclassified from accumulated other comprehensive income (loss), \$(1,407) and \$20,872, are included in net realized investment gains and losses and the related tax expenses (benefits), \$(492) and \$7,306, are included in income tax expense in the Consolidated Statements of Operations for the three and nine months ended September 30, 2013, respectively.

Comparative information for elements that are not required to be reclassified in their entirety to net income in the same reporting period is located in “Note 2 — Investments — Unrealized Gains and Losses on Fixed Maturities and Equity Securities”.

**Note 2 - Investments**

The Company’s investment portfolio includes free-standing derivative financial instruments (currently over the counter (“OTC”) index options contracts) to economically hedge risk associated with its fixed indexed annuity products’

contingent liabilities. The Company's fixed indexed annuity product includes embedded derivative features that are discussed in "Note 1 — Basis of Presentation — Accounting Policy for Fixed Indexed Annuities". The Company's investment portfolio includes no other free-standing derivative financial instruments (futures, forwards, swaps, option contracts or other financial instruments with similar characteristics), and there are no other embedded derivative features related to the Company's insurance products.

-10-

**Note 2 - Investments-(Continued)***Fixed Maturities and Equity Securities*

The Company's investment portfolio is comprised primarily of fixed maturity securities ("fixed maturities") and equity securities. The amortized cost or cost, unrealized investment gains and losses, fair values and other-than-temporary impairment ("OTTI") included in accumulated other comprehensive income (loss) ("AOCI") of all fixed maturities and equity securities in the portfolio were as follows:

|   | Amortized<br>Cost/Cost | Unrealized<br>Gains | Unrealized<br>Losses | Fair<br>Value | OTTI in<br>AOCI (2) |
|---|------------------------|---------------------|----------------------|---------------|---------------------|
| September 30, 2014  |                        |                     |                      |               |                     |
| Fixed maturity securities                                       |                        |                     |                      |               |                     |
| U.S. Government and federally sponsored agency obligations (1): |                        |                     |                      |               |                     |
| Mortgage-backed securities                                      | \$494,650              | \$44,197            | \$4,334              | \$534,513     | \$ -                |
| Other, including  |                        |                     |                      |               |                     |
| U.S. Treasury securities  | 490,611                | 20,583              | 7,482                | 503,712       | -                   |
| Municipal bonds   | 1,460,938              | 162,032             | 5,865                | 1,617,105     | -                   |
| Foreign government bonds  | 52,571                 | 6,268               | 60                   | 58,779        | -                   |
| Corporate bonds   | 2,624,428              | 240,948             | 9,608                | 2,855,768     | -                   |
| Other mortgage-backed securities                                | 1,199,844              | 29,492              | 5,744                | 1,223,592     | 2,880               |
| Totals  | \$6,323,042            | \$503,520           | \$33,093             | \$6,793,469   | \$2,880             |
| Equity securities   | \$97,757               | \$11,882            | \$2,802              | \$106,837     | \$ -                |
| December 31, 2013   |                        |                     |                      |               |                     |
| Fixed maturity securities                                       |                        |                     |                      |               |                     |
| U.S. Government and federally sponsored agency obligations (1): |                        |                     |                      |               |                     |
| Mortgage-backed securities                                      | \$555,574              | \$33,711            | \$19,560             | \$569,725     | \$ -                |
| Other, including  |                        |                     |                      |               |                     |
| U.S. Treasury securities  | 449,060                | 9,865               | 23,351               | 435,574       | -                   |
| Municipal bonds   | 1,425,441              | 80,701              | 34,615               | 1,471,527     | -                   |
| Foreign government bonds  | 50,641                 | 4,700               | 390                  | 54,951        | -                   |
| Corporate bonds   | 2,457,727              | 188,832             | 32,150               | 2,614,409     | -                   |
| Other mortgage-backed securities                                | 845,762                | 26,477              | 8,852                | 863,387       | 2,812               |
| Totals  | \$5,784,205            | \$344,286           | \$118,918            | \$6,009,573   | \$2,812             |
| Equity securities   | \$84,754               | \$10,723            | \$3,619              | \$91,858      | \$ -                |

(1) Fair value includes securities issued by Federal National Mortgage Association (“FNMA”) of \$319,596 and \$336,193; Federal Home Loan Mortgage Corporation (“FHLMC”) of \$419,913 and \$427,172; and Government National Mortgage Association (“GNMA”) of \$136,379 and \$126,245 as of September 30, 2014 and December 31, 2013, respectively.

(2) Related to securities for which an unrealized loss was bifurcated to distinguish the credit related portion and the portion driven by other market factors. Represents the amount of other-than-temporary impairment losses in AOCI which was not included in earnings; amounts also include unrealized gains/(losses) on such impaired securities relating to changes in the fair value of those securities subsequent to the impairment measurement date.

Compared to December 31, 2013, the increase in net unrealized gains at September 30, 2014 was due to lower yields on U.S. Treasury securities and slightly narrower credit spreads across most asset classes except for below investment grade securities in 2014, the combination of which resulted in an increase in net unrealized gains for virtually all classes of the Company’s fixed maturity securities holdings.

**Note 2 - Investments-(Continued)**

The following table presents the fair value and gross unrealized losses of fixed maturities and equity securities in an unrealized loss position at September 30, 2014 and December 31, 2013, respectively. The Company views the decrease in value of all of the securities with unrealized losses at September 30, 2014 — which was driven largely by changes in interest rates, spread widening, financial market illiquidity and/or market volatility from the date of acquisition — as temporary. For fixed maturity securities, management does not have the intent to sell the securities and it is not more likely than not the Company will be required to sell the securities before the anticipated recovery of the amortized cost bases, and the present value of future cash flows exceeds the amortized cost bases. In addition, management expects to recover the entire cost bases of the fixed maturity securities. For equity securities, the Company has the ability and intent to hold the securities for the recovery of cost and recovery of cost is expected within a reasonable period of time. Therefore, no impairment of these securities was recorded at September 30, 2014.

|   | 12 Months or Less |                               | More than 12 Months |                               | Total       | Gross                |
|---|-------------------|-------------------------------|---------------------|-------------------------------|-------------|----------------------|
|   | Fair Value        | Gross<br>Unrealized<br>Losses | Fair<br>Value       | Gross<br>Unrealized<br>Losses | Fair Value  | Unrealized<br>Losses |
| September 30, 2014  |                   |                               |                     |                               |             |                      |
| Fixed maturity securities   |                   |                               |                     |                               |             |                      |
| U.S. Government and federally sponsored agency obligations:                           |                   |                               |                     |                               |             |                      |
| Mortgage-backed securities  | \$5,215           | \$ 121                        | \$60,111            | \$ 4,213                      | \$65,326    | \$ 4,334             |
| Other   | 39,248            | 195                           | 127,454             | 7,287                         | 166,702     | 7,482                |
| Municipal bonds   | 50,593            | 223                           | 75,448              | 5,642                         | 126,041     | 5,865                |
| Foreign government bonds  | 3,940             | 60                            | -                   | -                             | 3,940       | 60                   |
| Corporate bonds   | 232,074           | 3,571                         | 120,928             | 6,037                         | 353,002     | 9,608                |
| Other mortgage-backed securities  | 431,870           | 2,809                         | 99,814              | 2,935                         | 531,684     | 5,744                |
| Total fixed maturity securities   | 762,940           | 6,979                         | 483,755             | 26,114                        | 1,246,695   | 33,093               |
| Equity securities (1)   | 14,004            | 1,279                         | 26,559              | 1,523                         | 40,563      | 2,802                |
| Combined totals   | \$776,944         | \$ 8,258                      | \$510,314           | \$ 27,637                     | \$1,287,258 | \$ 35,895            |
| Number of positions with a gross unrealized loss                                      |                   |                               |                     |                               |             |                      |
|   | 291               |                               | 149                 |                               | 440         |                      |
| Fair value as a percentage of total fixed maturities and equity securities fair value |                   |                               |                     |                               |             |                      |
|   | 11.3              | %                             | 7.4                 | %                             | 18.7        | %                    |
| December 31, 2013   |                   |                               |                     |                               |             |                      |
| Fixed maturity securities   |                   |                               |                     |                               |             |                      |
| U.S. Government and federally sponsored agency obligations:                           |                   |                               |                     |                               |             |                      |
| Mortgage-backed securities  | \$150,602         | \$ 19,145                     | \$ 1,383            | \$ 415                        | \$151,985   | \$ 19,560            |
| Other   | 249,765           | 22,479                        | 4,450               | 872                           | 254,215     | 23,351               |
| Municipal bonds   | 375,523           | 26,529                        | 42,899              | 8,086                         | 418,422     | 34,615               |

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|   |             |            |          |           |             |            |
|---|-------------|------------|----------|-----------|-------------|------------|
| Foreign government bonds  | 6,738       | 390        | -        | -         | 6,738       | 390        |
| Corporate bonds   | 582,849     | 28,634     | 12,948   | 3,516     | 595,797     | 32,150     |
| Other mortgage-backed securities  | 274,983     | 8,300      | 20,008   | 552       | 294,991     | 8,852      |
| Total fixed maturity securities   | 1,640,460   | 105,477    | 81,688   | 13,441    | 1,722,148   | 118,918    |
| Equity securities (1)   | 32,392      | 3,117      | 1,405    | 502       | 33,797      | 3,619      |
| Combined totals   | \$1,672,852 | \$ 108,594 | \$83,093 | \$ 13,943 | \$1,755,945 | \$ 122,537 |
| Number of positions with a gross<br>unrealized loss   | 534         |            | 46       |           | 580         |            |
| Fair value as a percentage of total<br>fixed maturities and equity<br>securities fair value | 27.4        | %          | 1.4      | %         | 28.8        | %          |

(1) Includes nonredeemable (perpetual) preferred stocks, common stocks and closed-end funds.

-12-

**Note 2 - Investments-(Continued)**

Fixed maturities and equity securities with an investment grade rating represented 87% of the gross unrealized loss as of September 30, 2014. With respect to fixed income securities involving securitized financial assets, the underlying collateral cash flows were stress tested to determine there was no adverse change in the present value of cash flows below the amortized cost basis.

*Credit Losses*

The following table summarizes the cumulative amounts related to the Company's credit loss component of the other-than-temporary impairment losses on fixed maturity securities held as of September 30, 2014 and 2013 that the Company did not intend to sell as of those dates, and it was not more likely than not that the Company would be required to sell the securities before the anticipated recovery of the amortized cost bases, for which the non-credit portions of the other-than-temporary impairment losses were recognized in other comprehensive income (loss):

|  | Nine Months Ended<br>September 30, |          |
|--|------------------------------------|----------|
|  | 2014                               | 2013     |
| Cumulative credit loss (1)                                       |                                    |          |
| Beginning of period  | \$ 4,097                           | \$ 2,877 |
| New credit losses  | 280                                | 860      |
| Losses related to securities sold or paid down during the period | -                                  | -        |
| End of period  | \$ 4,377                           | \$ 3,737 |

The cumulative credit loss amounts exclude other-than-temporary impairment losses on securities held as of the (1) periods indicated that the Company intended to sell or it was more likely than not that the Company would be required to sell the security before the recovery of the amortized cost basis.

**Note 2 - Investments-(Continued)***Maturities/Sales of Fixed Maturities and Equity Securities*

The following table presents the distribution of the Company's fixed maturity securities portfolio by estimated expected maturity. Estimated expected maturities differ from contractual maturities, reflecting assumptions regarding borrowers' utilization of the right to call or prepay obligations with or without call or prepayment penalties. For structured securities, including mortgage-backed securities and other asset-backed securities, estimated expected maturities consider broker-dealer survey prepayment assumptions and are verified for consistency with the interest rate and economic environments.

|  | Percent of Total Fair Value |                   | September 30, 2014 |                |
|--|-----------------------------|-------------------|--------------------|----------------|
|  | September 30, 2014          | December 31, 2013 | Fair Value         | Amortized Cost |
| Estimated expected maturity:               |                             |                   |                    |                |
| Due in 1 year or less                      | 4.2 %                       | 4.1 %             | \$288,311          | \$268,346      |
| Due after 1 year through 5 years           | 23.9                        | 20.9              | 1,626,049          | 1,513,450      |
| Due after 5 years through 10 years         | 40.1                        | 38.4              | 2,718,736          | 2,530,472      |
| Due after 10 years through 20 years        | 19.0                        | 20.8              | 1,291,192          | 1,201,781      |
| Due after 20 years                         | 12.8                        | 15.8              | 869,181            | 808,993        |
| Total                                      | 100.0 %                     | 100.0 %           | \$6,793,469        | \$6,323,042    |
| Average option-adjusted duration, in years | 5.9                         | 6.3               |                    |                |

Proceeds received from sales of fixed maturities and equity securities, each determined using the specific identification method, and gross gains and gross losses realized as a result of those sales for each period were:

|                           | Three Months Ended |                    | Nine Months Ended  |                    |
|---------------------------|--------------------|--------------------|--------------------|--------------------|
|                           | September 30, 2014 | September 30, 2013 | September 30, 2014 | September 30, 2013 |
| Fixed maturity securities |                    |                    |                    |                    |
| Proceeds received         | \$98,942           | \$56,343           | \$198,191          | \$270,329          |
| Gross gains realized      | 5,871              | 1,807              | 9,998              | 16,197             |
| Gross losses realized     | (4,421 )           | (4,117 )           | (5,399 )           | (4,598 )           |
| Equity securities         |                    |                    |                    |                    |
| Proceeds received         | \$3,489            | \$3,742            | \$11,980           | \$14,875           |
| Gross gains realized      | 722                | 531                | 2,196              | 3,875              |

Gross losses realized (86 ) (103 ) (267 ) (490 )

-14-

**Note 2 - Investments-(Continued)***Unrealized Gains and Losses on Fixed Maturities and Equity Securities*

Net unrealized gains and losses are computed as the difference between fair value and amortized cost for fixed maturities or cost for equity securities. The following table reconciles the net unrealized investment gains and losses, net of tax, included in accumulated other comprehensive income (loss), before the impact on deferred policy acquisition costs:

|   | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|---|-------------------------------------|-----------|------------------------------------|-----------|
|   | 2014                                | 2013      | 2014                               | 2013      |
| Net unrealized investment gains (losses) on fixed maturity securities, net of tax |                                     |           |                                    |           |
| Beginning of period   | \$317,791                           | \$220,668 | \$146,489                          | \$423,004 |
| Change in unrealized investment gains and losses                                  | (10,189 )                           | (41,288 ) | 163,613                            | (231,116) |
| Reclassification of net realized investment (gains) losses to net income          | (1,824 )                            | 1,193     | (4,324 )                           | (11,315 ) |
| End of period   | \$305,778                           | \$180,573 | \$305,778                          | \$180,573 |
| Net unrealized investment gains (losses) on equity securities, net of tax         |                                     |           |                                    |           |
| Beginning of period   | \$7,955                             | \$3,266   | \$4,618                            | \$720     |
| Change in unrealized investment gains and losses                                  | (1,594 )                            | (679 )    | 2,584                              | 3,840     |
| Reclassification of net realized investment (gains) losses to net income          | (459 )                              | (278 )    | (1,300 )                           | (2,251 )  |
| End of period   | \$5,902                             | \$2,309   | \$5,902                            | \$2,309   |

*Repurchase Agreements*

The Company entered into repurchase agreements to earn incremental spread income. A repurchase agreement is a transaction in which one party (transferor) agrees to sell securities to another party (transferee) in return for cash (or securities), with a simultaneous agreement to repurchase the same securities at a specified price at a later date. These transactions are generally short-term in nature, and therefore, the carrying amounts of these instruments approximate fair value.

**Note 2 - Investments-(Continued)**

As part of repurchase agreements, the Company transfers primarily U.S. Government, government agency and corporate securities and receives cash. For the repurchase agreements, the Company receives cash in an amount equal to at least 95% of the fair value of the securities transferred, and the agreements with third parties contain contractual provisions to allow for additional collateral to be obtained when necessary. The cash received from the repurchase program is typically invested in high quality floating rate fixed maturity securities. The Company accounts for the repurchase agreements as collateralized borrowings. The securities transferred under repurchase agreements are included in fixed maturity, available-for-sale securities with the obligation to repurchase those securities recorded in Other Liabilities on the Company's Consolidated Balance Sheets. The fair value of the securities transferred was \$0 and \$24,791 as of September 30, 2014 and December 31, 2013, respectively. The obligation for securities sold under agreement to repurchase was \$0 and \$25,864, including accrued interest, as of September 30, 2014 and December 31, 2013, respectively.

*Offsetting of Assets and Liabilities*

The Company's derivative instruments (call options) are subject to enforceable master netting arrangements. Collateral support agreements associated with each master netting arrangement provide that the Company will receive or pledge financial collateral in the event minimum thresholds have been reached. The Company's repurchase agreements and the embedded derivatives related to the Company's fixed indexed annuity product are not subject to master netting arrangements and there was no offsetting in their presentation in the Company's Consolidated Balance Sheets.

The following table presents the instruments that were subject to a master netting arrangement for the Company. No instruments were subject to master netting arrangements as of December 31, 2013.

|                           | Gross<br>Amounts<br>Offset in the<br>Consolidated<br>Balance<br>Sheet | Net Amounts<br>of Assets/<br>Liabilities<br>Presented<br>in the<br>Consolidated<br>Balance<br>Sheet | Gross Amounts Not Offset<br>in the Consolidated<br>Balance Sheet<br>Cash<br>Financial Collateral<br>Received | Net<br>Amount |
|---------------------------|---|---|--|---------------|
| September 30, 2014        |   |   |  |               |
| Asset derivatives:        |   |   |  |               |
| Free-standing derivatives | \$ 1,276  | \$ -  | \$ 1,276   | \$ -          |
|                           |   |   | \$ 1,145   | \$ 131        |

*Deposits*

At September 30, 2014 and December 31, 2013, securities with a fair value of \$18,338 and \$17,967, respectively, were on deposit with governmental agencies as required by law in various states in which the insurance subsidiaries of HMEC conduct business. In addition, at September 30, 2014 and December 31, 2013, securities with a fair value of \$551,451 and \$274,437, respectively, were on deposit with the Federal Home Loan Bank of Chicago (“FHLB”) as collateral for amounts subject to funding agreements which were equal to \$500,000 and \$250,000, respectively. The deposited securities are included in fixed maturities on the Company’s Consolidated Balance Sheets.

### Note 3 - Fair Value of Financial Instruments

The Company is required under GAAP to disclose estimated fair values for certain financial and nonfinancial assets and liabilities. Fair values of the Company's insurance contracts other than annuity contracts are not required to be disclosed. However, the estimated fair values of liabilities under all insurance contracts are taken into consideration in the Company's overall management of interest rate risk through the matching of investment maturities with amounts due under insurance contracts.

Information regarding the three-level hierarchy presented below and the valuation methodologies utilized by the Company to estimate fair values at a point in time is included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013, specifically in "Note 3 — Fair Value of Financial Instruments". Transactions subsequent to December 31, 2013 have resulted in additional components which are described below.

#### *Short-term and Other Investments*

Short-term and other investments are comprised of short-term fixed income securities, derivative instruments (all call options), policy loans, mortgage loans, and restricted FHLB membership and activity stocks, as well as certain alternative investments which are accounted for as equity method investments and therefore excluded from the fair value tabular disclosures.

In summary, the following investments in this caption are carried at fair value:

Short-term fixed income securities — Because of the nature of these assets, carrying amounts generally approximate fair values.

Derivative instruments, all call options — Fair values are based on the amount of cash expected to be received to settle each derivative instrument on the reporting date. These amounts are obtained from each of the counterparties using industry accepted valuation models and observable inputs. Significant inputs include contractual terms, underlying index prices, market volatilities, interest rates and dividend yields.

· FHLB membership and activity stocks — Fair value is based on redemption value, which is equal to par value.

The following investments in this caption are not carried at fair value; disclosure is provided:

Policy loans — Fair value is based on estimates using discounted cash flow analysis and current interest rates being offered for new loans.

Mortgage loans — Fair value is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and the same remaining maturities.



**Note 3 - Fair Value of Financial Instruments-(Continued)**

*Other Policyholder Funds*

Other policyholder funds are liabilities related to supplementary contracts without life contingencies and dividend accumulations, both of which represent deposits that do not have defined maturities, as well as balances outstanding under funding agreements with the FHLB and embedded derivatives. Except for embedded derivatives, each of these components is carried at cost, which management believes is a reasonable estimate of fair value due to the relatively short duration of these items, based on the Company's past experience.

The fair value of the embedded derivatives, all related to the Company's FIA products, is estimated at each valuation date by (1) projecting policy contract values and minimum guaranteed contract values over the expected lives of the contracts and (2) discounting the excess of the projected contract value amounts at the applicable risk free interest rates adjusted for the Company's nonperformance risk related to those liabilities. The projections of policy contract values are based on the Company's best estimate assumptions for future contract growth and decrements. The assumptions for future contract growth include the expected index credits which are derived from the fair values of the underlying call options purchased to fund such index credits and the expected costs of annual call options that will be purchased in the future to fund index credits beyond the next contract anniversary. Projections of minimum guaranteed contract values include the same best estimate assumptions for contract decrements used to project policy contract values.

**Note 3 - Fair Value of Financial Instruments-(Continued)***Financial Instruments Measured and Carried at Fair Value*

The following table presents the Company's fair value hierarchy for those assets and liabilities measured and carried at fair value on a recurring basis. At September 30, 2014, Level 3 invested assets comprised approximately 2.3% of the Company's total investment portfolio fair value.

|   | Carrying<br>Amount | Fair<br>Value | Fair Value Measurements at<br>Reporting Date Using |           |         |
|---|--------------------|---------------|--|-----------|---------|
|   |                    |               | Level 1  | Level 2   | Level 3 |
| September 30, 2014  |                    |               |  |           |         |
| Financial Assets  |                    |               |  |           |         |
| Investments   |                    |               |  |           |         |
| Fixed maturities  |                    |               |  |           |         |
| U.S. Government and federally sponsored agency obligations: |                    |               |  |           |         |
| Mortgage-backed securities                                  | \$534,513          | \$534,513     | \$-  | \$534,513 | \$-     |
| Other, including  |                    |               |  |           |         |
| U.S. Treasury securities                                    | 503,712            | 503,712       | 17,697   | 486,015   | -       |
| Municipal bonds   | 1,617,105          | 1,617,105     | -  | 1,603,962 | 13,143  |
| Foreign government bonds                                    | 58,779             | 58,779        | -  | 58,779    | -       |
| Corporate bonds   | 2,855,768          | 2,855,768     | 10,441   | 2,779,670 | 65,657  |
| Other mortgage-backed securities                            | 1,223,592          | 1,223,592     | -  | 1,136,351 | 87,241  |
| Total fixed maturities                                      | 6,793,469          | 6,793,469     | 28,138   | 6,599,290 | 166,041 |
| Equity securities   | 106,837            | 106,837       | 88,640   | 18,191    | 6       |
| Short-term investments                                      | 162,217            | 162,217       | 162,217  | -         | -       |
| Other investments   | 11,276             | 11,276        | -  | 11,276    | -       |
| Totals  | 7,073,799          | 7,073,799     | 278,995  | 6,628,757 | 166,047 |
| Separate Account (variable annuity) assets (1)              | 1,786,363          | 1,786,363     | 1,786,363  | -         | -       |
| Financial Liabilities                                       |                    |               |  |           |         |
| Other policyholder funds, embedded derivatives              | 13,082             | 13,082        | -  | -         | 13,082  |
| December 31, 2013   |                    |               |  |           |         |
| Financial Assets  |                    |               |  |           |         |
| Investments   |                    |               |  |           |         |
| Fixed maturities  |                    |               |  |           |         |
| U.S. Government and federally sponsored agency obligations: |                    |               |  |           |         |
| Mortgage-backed securities                                  | \$569,725          | \$569,725     | \$-  | \$569,725 | \$-     |
| Other, including  |                    |               |  |           |         |
| U.S. Treasury securities                                    | 435,574            | 435,574       | 17,757   | 417,817   | -       |

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|  |           |           |           |           |         |
|--|-----------|-----------|-----------|-----------|---------|
| Municipal bonds                                | 1,471,527 | 1,471,527 | -         | 1,468,833 | 2,694   |
| Foreign government bonds                       | 54,951    | 54,951    | -         | 54,951    | -       |
| Corporate bonds                                | 2,614,409 | 2,614,409 | 10,181    | 2,543,402 | 60,826  |
| Other mortgage-backed securities               | 863,387   | 863,387   | -         | 817,378   | 46,009  |
| Total fixed maturities                         | 6,009,573 | 6,009,573 | 27,938    | 5,872,106 | 109,529 |
| Equity securities                              | 91,858    | 91,858    | 74,279    | 17,573    | 6       |
| Short-term investments                         | 206,758   | 206,758   | 206,354   | 404       | -       |
| Other investments                              | 5,000     | 5,000     | -         | 5,000     | -       |
| Totals   | 6,313,189 | 6,313,189 | 308,571   | 5,895,083 | 109,535 |
| Separate Account (variable annuity) assets (1) | 1,747,995 | 1,747,995 | 1,747,995 | -         | -       |
| Financial Liabilities                          |           |           |           |           |         |
| Other policyholder funds, embedded derivatives | -         | -         | -         | -         | -       |

(1) Separate Account (variable annuity) liabilities are set equal to Separate Account (variable annuity) assets.

**Note 3 - Fair Value of Financial Instruments-(Continued)**

The Company transferred one equity security from Level 2 to Level 1 during the nine months ended September 30, 2014. The following tables present reconciliations for the periods indicated for all Level 3 assets and liabilities measured at fair value on a recurring basis.

| Financial Assets |                                  | Financial Liabilities(1) |
|------------------|----------------------------------|--------------------------|
| Municipal Bonds  | Other Mortgage-Backed Securities |                          |
| Corporate Bonds  |                                  |                          |