HORACE MANN EDUCATORS CORP /DE/
Form 10-Q
August 08, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017
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 X 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 X 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	X	Accelerated filer
Non-accelerated filer		Smaller reporting company
Emerging growth company		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of July 31, 2017, the registrant had 40,673,282 shares of Common Stock, par value $0.001 per share, outstanding.

HORACE MANN EDUCATORS CORPORATION
FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2017
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
Horace Mann Educators Corporation:

We have reviewed the consolidated balance sheet of Horace Mann Educators Corporation and subsidiaries (the Company) as of June 30, 2017, the related consolidated statements of operations and comprehensive income for the three-month and six-month periods ended June 30, 2017 and 2016, and the related consolidated statements of changes in shareholders’ equity, and cash flows for the six-month periods ended June 30, 2017 and 2016. 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 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, 2016, 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 1, 2017, we expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP
KPMG LLP

Chicago, Illinois
August 8, 2017

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

	June 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Investments		
Fixed maturity securities, available for sale, at fair value (amortized cost 2017, $7,161,917; 2016, $7,152,127)	$7,578,585	$7,456,708
Equity securities, available for sale, at fair value (cost 2017, $140,553; 2016, $134,013)	156,909	141,649
Short-term and other investments	502,443	401,015
Total investments	8,237,937	7,999,372
Cash	16,006	16,670
Deferred policy acquisition costs	256,878	267,580
Goodwill	47,396	47,396
Other assets	341,684	321,874
Separate Account (variable annuity) assets	1,976,234	1,923,932
Total assets	$10,876,135	$10,576,824
LIABILITIES AND SHAREHOLDERS' EQUITY		
Policy liabilities		
Investment contract and life policy reserves	$5,480,863	$5,447,969
Unpaid claims and claim expenses	352,513	329,888
Unearned premiums	248,123	246,274
Total policy liabilities	6,081,499	6,024,131
Other policyholder funds	713,004	708,950
Other liabilities	495,931	378,620
Long-term debt	247,337	247,209
Separate Account (variable annuity) liabilities	1,976,234	1,923,932
Total liabilities	9,514,005	9,282,842
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, 2017, 65,341,779; 2016, 64,917,683	65	65
Additional paid-in capital	459,317	453,479
Retained earnings	1,150,270	1,155,732
Accumulated other comprehensive income (loss), net of taxes:		
Net unrealized investment gains on fixed maturity and equity securities	243,510	175,738
Net funded status of benefit plans	(11,817)	(11,817)
Treasury stock, at cost, 2017, 24,672,932 shares; 2016, 24,672,932 shares	(479,215)	(479,215)
Total shareholders' equity	1,362,130	1,293,982
Total liabilities and shareholders' equity	$10,876,135	$10,576,824

See Notes to Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues				
Insurance premiums and contract charges earned	$195,718	$188,360	$391,440	$373,810
Net investment income	91,994	91,179	182,705	175,838
Net realized investment gains	2,072	3,080	1,830	2,926
Other income	1,652	939	2,765	2,287
Total revenues	291,436	283,558	578,740	554,861
Benefits, losses and expenses				
Benefits, claims and settlement expenses	165,879	148,408	309,975	267,921
Interest credited	49,348	47,576	98,122	94,266
Policy acquisition expenses amortized	24,808	24,587	49,694	48,639
Operating expenses	46,228	43,345	94,984	86,141
Interest expense	2,945	2,948	5,901	5,883
Total benefits, losses and expenses	289,208	266,864	558,676	502,850
Income before income taxes	2,228	16,694	20,064	52,011
Income tax (benefit) expense	(33)	4,828	2,485	14,992
Net income	$2,261	$11,866	$17,579	$37,019
Net income per share				
Basic	$0.05	$0.29	$0.43	$0.90
Diluted	$0.05	$0.29	$0.42	$0.89
Weighted average number of shares and equivalent shares (in thousands)				
Basic	41,368	41,082	41,268	41,200
Diluted	41,493	41,314	41,416	41,416
Net realized investment gains (losses)				
Total other-than-temporary impairment losses on securities	$(3,564)	$(3,853)	$(6,361)	$(7,526)
Portion of losses recognized in other comprehensive income	—	(290)	—	(290)
Net other-than-temporary impairment losses on securities recognized in earnings	(3,564)	(3,563)	(6,361)	(7,236)
Realized investment gains, net	5,636	6,643	8,191	10,162
Total	$2,072	$3,080	$1,830	$2,926

See Notes to Consolidated Financial Statements.

HORACE MANN EDUCATORS CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
($ in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Comprehensive income				
Net income	$2,261	$11,866	$17,579	$37,019
Other comprehensive income, net of taxes:				
Change in net unrealized investment gains on fixed maturity and equity securities	45,239	84,996	67,772	154,486
Change in net funded status of benefit plans	—	—	—	—
Other comprehensive income	45,239	84,996	67,772	154,486
Total	$47,500	$96,862	$85,351	$191,505

See Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2017	2016
Common stock, $0.001 par value		
Beginning balance	$65	$65
Options exercised, 2017, 127,774 shares; 2016, 94,225 shares	—	—
Conversion of common stock units, 2017, 15,981 shares; 2016, 8,538 shares	—	—
Conversion of restricted stock units, 2017, 280,341 shares; 2016, 171,042 shares	—	—
Ending balance	65	65
Additional paid-in capital		
Beginning balance	453,479	442,648
Options exercised and conversion of common stock units and restricted stock units	1,909	939
Share-based compensation expense	3,929	3,917
Ending balance	459,317	447,504
Retained earnings		
Beginning balance	1,155,732	1,116,277
Net income	17,579	37,019
Cash dividends, 2017, $0.55 per share; 2016, $0.53 per share	(23,041)	(22,174)
Ending balance	1,150,270	1,131,122
Accumulated other comprehensive income, net of taxes		
Beginning balance	163,921	163,373
Change in net unrealized investment gains and losses on fixed maturity and equity securities	67,772	154,486
Change in net funded status of benefit plans	—	—
Ending balance	231,693	317,859
Treasury stock, at cost		
Beginning balance, 2017, 24,672,932 shares; 2016, 23,971,522 shares	(479,215)	(457,702)
Acquisition of shares, 2017, 0 shares; 2016, 701,410 shares	—	(21,513)
Ending balance, 2017, 24,672,932 shares; 2016, 24,672,932 shares	(479,215)	(479,215)
Shareholders' equity at end of period	$1,362,130	$1,417,335

See Notes to Consolidated Financial Statements.

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

	Six Months Ended June 30, 2017	2016
Cash flows - operating activities		
Premiums collected	$392,715	$367,182
Policyholder benefits paid	(274,256)	(268,212)
Policy acquisition and other operating expenses paid	(141,913)	(138,612)
Federal income taxes paid	(8,068)	(15,094)
Investment income collected	185,546	175,541
Interest expense paid	(5,738)	(5,989)
Other	6,167	954
Net cash provided by operating activities	154,453	115,770
Cash flows - investing activities		
Fixed maturities		
Purchases	(723,354)	(834,114)
Sales	229,690	257,033
Maturities, paydowns, calls and redemptions	491,739	475,532
Purchase of other invested assets	(53,716)	(33,809)
Net cash provided by (used in) short-term and other investments	(32,391)	7,925
Net cash (used in) investing activities	(88,032)	(127,433)
Cash flows - financing activities		
Dividends paid to shareholders	(23,041)	(22,174)
Acquisition of treasury stock	—	(21,513)
Proceeds from exercise of stock options	3,130	1,926
Withholding tax payments on RSUs tendered	(2,604)	(3,233)
Annuity contracts: variable, fixed and FHLB funding agreements		
Deposits	234,133	237,265
Benefits, withdrawals and net transfers to Separate Account (variable annuity) assets	(200,845)	(162,575)
Transfer of Company 401(k) assets to a third-party provider	(77,898)	—
Life policy accounts		
Deposits	2,240	1,680
Withdrawals and surrenders	(2,287)	(1,995)
Change in bank overdrafts	87	17,205
Net cash (used in) provided by financing activities	(67,085)	46,586
Net (decrease) increase in cash	(664)	34,923
Cash at beginning of period	16,670	15,509

Cash at end of period	$16,006	$50,432

See Notes to Consolidated Financial Statements.

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HORACE MANN EDUCATORS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
June 30, 2017 and 2016
($ 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 disclosures 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 June 30, 2017, the consolidated results of operations and comprehensive income for the three and six months ended June 30, 2017 and 2016, and the consolidated changes in shareholders’ equity and cash flows for the six months ended June 30, 2017 and 2016. 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.

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, 2016.

The results of operations for the three and six months ended June 30, 2017 are not necessarily indicative of the results to be expected for the full year.

The Company reclassified the presentation of certain prior period information to conform to the 2017 presentation. See “Adopted Accounting Standards”.

Investment Contract and Life Policy Reserves

This table summarizes the Company’s investment contract and life policy reserves.

($ in thousands)	June 30, 2017	December 31, 2016
Investment contract reserves	$4,377,759	$4,360,456
Life policy reserves	1,103,104	1,087,513
Total	$5,480,863	$5,447,969

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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 investment gains and losses on fixed maturity and equity securities and the after tax change in net funded status of benefit plans for the period as shown in the Consolidated Statement of Changes in Shareholders' Equity. The following tables reconcile these components.

($ in thousands)	Net Unrealized Investment Gains and Losses on Fixed Maturity and Equity Securities (1)(2)	Benefit Plans (1)	Total (1)
Beginning balance, April 1, 2017	$ 198,271	$ (11,817)	$ 186,454
Other comprehensive income (loss) before reclassifications	46,303	—	46,303
Amounts reclassified from accumulated other comprehensive income (loss)	(1,064)	—	(1,064)
Net current period other comprehensive income	45,239	—	45,239
Ending balance, June 30, 2017	$ 243,510	$ (11,817)	$ 231,693
Beginning balance, January 1, 2017	$ 175,738	$ (11,817)	$ 163,921
Other comprehensive income (loss) before reclassifications	68,633	—	68,633
Amounts reclassified from accumulated other comprehensive income (loss)	(861)	—	(861)
Net current period other comprehensive income	67,772	—	67,772
Ending balance, June 30, 2017	$ 243,510	$ (11,817)	$ 231,693

(1) All amounts are net of tax.

(2) The pretax amounts reclassified from accumulated other comprehensive income (loss), $1,638 thousand and $1,325 thousand, are included in net realized investment gains and losses and the related income tax expenses, $574 thousand and $464 thousand are included in income tax expense in the Consolidated Statements of Operations for the three and six months ended June 30, 2017, respectively.

Note 1 - Basis of Presentation (Continued)

($ in thousands)	Net Unrealized Investment Gains and Losses on Fixed Maturity and Equity Securities (1)(2)	Benefit Plans (1)	Total (1)
Beginning balance, April 1, 2016	$ 244,657	$ (11,794)	$ 232,863
Other comprehensive income (loss) before reclassifications	87,809	—	87,809
Amounts reclassified from accumulated other comprehensive income (loss)	(2,813)	—	(2,813)
Net current period other comprehensive income	84,996	—	84,996
Ending balance, June 30, 2016	$ 329,653	$ (11,794)	$ 317,859
Beginning balance, January 1, 2016	$ 175,167	$ (11,794)	$ 163,373
Other comprehensive income (loss) before reclassifications	157,780	—	157,780
Amounts reclassified from accumulated other comprehensive income (loss)	(3,294)	—	(3,294)
Net current period other comprehensive income	154,486	—	154,486
Ending balance, June 30, 2016	$ 329,653	$ (11,794)	$ 317,859

(1) All amounts are net of tax.

(2) The pretax amounts reclassified from accumulated other comprehensive income (loss), $4,327 thousand and $5,067 thousand, are included in net realized investment gains and losses and the related income tax expenses, $1,514 thousand and $1,773 thousand, are included in income tax expense in the Consolidated Statements of Operations for the three and six months ended June 30, 2016, 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 -- Net Unrealized Investment Gains and Losses on Fixed Maturity and Equity Securities”.

Adopted Accounting Standards

Employee Share-based Payment Accounting

Effective January 1, 2017, the Company adopted new accounting guidance for employee share-based payments which simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The recognition and classification of the excess tax benefit provisions were applied prospectively in the results of operations. This adoption resulted in additional excess tax benefits of $2,638 thousand which reduced the current provision for income taxes in the results of operations. The statutory tax withholding classification, which are cash payments made to taxing authorities for withheld taxes funded through tendered shares, were applied retrospectively and the Company reclassified the statutory tax withholding requirements in the statement of cash flows from Other in operating activities to Withholding tax payments on RSUs tendered in financing activities. This statutory withholding reclassification resulted in $2,604 thousand and $3,233 thousand being included in financing activities for the six months ended June 30, 2017 and 2016, respectively. There were no cumulative effect adjustments upon adoption of the new accounting guidance.

Note 1 - Basis of Presentation (Continued)

Pending Accounting Standards

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued accounting guidance to provide a single comprehensive model in accounting for revenue arising from contracts with customers. The guidance applies to all contracts with customers; however, insurance contracts are specifically excluded from this updated guidance. The guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those years. Early adoption is permitted only for annual reporting periods beginning after December 15, 2016. The Company plans to adopt the guidance as of January 1, 2018. Management believes the adoption of this accounting guidance will not have a material effect on the results of operations or financial position, and related disclosures, of the Company.

Recognition and Measurement of Financial Assets and Liabilities

In January 2016, the FASB issued accounting guidance to improve certain aspects of the recognition, measurement, presentation and disclosure of financial instruments. Among other things, this guidance requires public entities to measure equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) at fair value with changes in fair value recognized in net income and to perform a qualitative assessment to identify impairment for equity investments without readily determinable fair values. Companies are required to apply this guidance by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the year of adoption and, for the guidance related to equity securities without readily determinable fair values, companies are required to apply a prospective approach to equity investments that exist as of the date of adoption. The guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those years. Early application is permitted. The guidance will not have an impact on the Company's financial position and management is evaluating the impact that this guidance will have on the Company's results of operations.

Statement of Cash Flows -- Classification

In August 2016, the FASB issued guidance to reduce diversity in practice in the statement of cash flows between operating, investing and financing activities related to the classification of cash receipts and cash payments for eight specific issues. The FASB acknowledged that current GAAP either is unclear or does not include specific guidance on these eight cash flow classification issues: (1) debt prepayment or extinguishment costs; (2) settlement of zero-coupon bonds (pertains to issuers); (3) contingent consideration payments made after a business combination; (4) proceeds from the settlement of insurance claims (pertains to claimants); (5) proceeds from the settlement of corporate-owned life insurance policies; (6) distributions received from equity method investees; (7)beneficial interests in securitization transactions (pertains to transferors) and (8) separately identifiable cash flows and application of the predominance principle. For public business entities, the guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those years, using a retrospective approach. The guidance allows prospective adoption for individual issues if it is impracticable to apply the amendments retrospectively for those issues. Early application is permitted. Management believes the adoption of this accounting guidance will not have a material effect on the classifications in the Company's consolidated statement of cash flows. The adoption of this accounting guidance will not have any effect on the results of operations or financial position of the Company.

Note 1 - Basis of Presentation (Continued)

Accounting for Leases

In February 2016, the FASB issued accounting and disclosure guidance to improve financial reporting and comparability among organizations about leasing transactions. Under the new guidance, for leases with lease terms of more than 12 months, a lessee will be required to recognize assets and liabilities on the balance sheet for the rights and obligations created by those leases. Consistent with current accounting guidance, the recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or an operating lease. However, while current guidance requires only capital leases to be recognized on the balance sheet, the new guidance will require both operating and capital leases to be recognized on the balance sheet. In transition to the new guidance, companies are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The guidance is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those years. Early application is permitted. Management is evaluating the impact this guidance will have on the results of operations and financial position of the Company.

Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued guidance to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments, including reinsurance receivables, held by companies. The new guidance replaces the incurred loss impairment methodology and requires an organization to measure and recognize all current expected credit losses (“CECL”) for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Companies will need to utilize forward-looking information to better inform their credit loss estimates. Companies will continue to use judgment to determine which loss estimation method is appropriate for their circumstances. Credit losses related to available for sale debt securities -- which represent over 90% of Horace Mann’s total investment portfolio -- will be recorded through an allowance for credit losses with this allowance having a limit equal to the amount by which fair value is below amortized cost. The guidance also requires enhanced qualitative and quantitative disclosures to provide additional information about the amounts recorded in the financial statements. For public business entities that are SEC filers, the guidance is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those years, using a modified-retrospective approach. Early application is permitted for annual reporting periods, and interim periods within those years, beginning after December 15, 2018. Management is evaluating the impact this guidance will have on the results of operations and financial position of the Company.

Simplifying the Test for Goodwill Impairment

In January 2017, the FASB issued guidance to simplify the accounting for goodwill impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. All other goodwill impairment guidance will remain largely unchanged. Entities will continue to have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. The same one-step impairment test will be applied to goodwill at all reporting units, even those with zero or negative carrying amounts. Entities will be required to disclose the amount of goodwill for reporting units with zero or negative carrying amounts. Public business entities should adopt the guidance prospectively for its annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early application is permitted. Management believes the adoption of this accounting guidance will not have a material effect on how it tests goodwill for impairment.

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Note 2 - Investments

The Company's investment portfolio includes free-standing derivative financial instruments (currently over the counter ("OTC") index call option contracts) to economically hedge risk associated with its fixed indexed annuity ("FIA") and indexed universal life ("IUL") products' contingent liabilities. The Company's FIA and IUL products include embedded derivative features that are discussed in "Note 1 -- Summary of Significant Accounting Policies -- Investment Contract and Life Policy Reserves -- Reserves for Fixed Indexed Annuities and Indexed Universal Life Policies" of the Company's Annual Report on Form 10-K for the year ended December 31, 2016. The Company's investment portfolio included no other free-standing derivative financial instruments (futures, forwards, swaps, option contracts or other financial instruments with similar characteristics), and there were no other embedded derivative features related to the Company's investment or insurance products during the six months ended June 30, 2017 and 2016.

Note 2 - Investments (Continued)

Fixed Maturity and Equity Securities

The Company's investment portfolio is comprised primarily of fixed maturity securities and also includes 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 ("AOCI") of all fixed maturity and equity securities in the portfolio were as follows:

($ in thousands)	Amortized Cost or Cost	Unrealized Investment Gains	Unrealized Investment Losses	Fair Value	OTTI in AOCI (1)
June 30, 2017					
Fixed maturity securities					
U.S. Government and federally sponsored agency obligations (2):					
Mortgage-backed securities	$589,643	$ 36,054	$ 2,633	$623,064	$—
Other, including					
U.S. Treasury securities	588,713	23,550	5,913	606,350	—
Municipal bonds	1,659,648	168,001	10,429	1,817,220	—
Foreign government bonds	93,779	6,272	5	100,046	—
Corporate bonds	2,645,268	186,601	4,261	2,827,608	—
Other mortgage-backed securities	1,584,866	26,076	6,645	1,604,297	1,447
Totals	$7,161,917	$ 446,554	$ 29,886	$7,578,585	$1,447
Equity securities (3)	$140,553	$ 17,911	$ 1,555	$156,909	$—
December 31, 2016					
Fixed maturity securities					
U.S. Government and federally sponsored agency obligations (2):					
Mortgage-backed securities	$587,355	$ 34,256	$ 6,720	$614,891	$—
Other, including					
U.S. Treasury securities	458,745	18,518	10,120	467,143	—
Municipal bonds	1,648,252	143,733	22,588	1,769,397	—
Foreign government bonds	93,864	5,102	297	98,669	—
Corporate bonds	2,672,818	152,229	14,826	2,810,221	—
Other mortgage-backed securities	1,691,093	21,153	15,859	1,696,387	1,618
Totals	$7,152,127	$ 374,991	$ 70,410	$7,456,708	$1,618
Equity securities (3)	$134,013	$ 13,210	$ 5,574	$141,649	$—

(1) 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 OTTI losses in AOCI which was not included in earnings; amounts also include net unrealized investment gains and losses on such impaired securities relating to changes in the fair value of those securities subsequent to the impairment measurement date.

(2) Fair value includes securities issued by Federal National Mortgage Association ("FNMA") of $310,403 thousand and $272,668 thousand; Federal Home Loan Mortgage Corporation ("FHLMC") of $368,396 thousand and $378,683 thousand; and Government National Mortgage Association ("GNMA") of $111,458 thousand and $115,627 thousand

as of June 30, 2017 and December 31, 2016, respectively.

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

Note 2 - Investments (Continued)

The following table presents the fair value and gross unrealized losses of fixed maturity and equity securities in an unrealized loss position at June 30, 2017 and December 31, 2016, respectively. The Company views the decrease in value of all of the securities with unrealized losses at June 30, 2017 -- 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 management expects to recover the entire amortized 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.

($ in thousands)	12 Months or Less		More than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
June 30, 2017						
Fixed maturity securities						
U.S. Government and federally sponsored agency obligations:						
Mortgage-backed securities	$ 101,350	$ 2,320	$ 3,480	$ 313	$ 104,830	$ 2,633
Other	223,396	5,913	—	—	223,396	5,913
Municipal bonds	179,314	6,893	10,023	3,536	189,337	10,429
Foreign government bonds	1,980	5	—	—	1,980	5
Corporate bonds	157,230	2,949	26,907	1,312	184,137	4,261
Other mortgage-backed securities	449,341	4,764	133,899	1,881	583,240	6,645
Total fixed maturity securities	1,112,611	22,844	174,309	7,042	1,286,920	29,886
Equity securities (1)	8,748	727	4,863	828	13,611	1,555
Combined totals	$ 1,121,359	$ 23,571	$ 179,172	$ 7,870	$ 1,300,531	$ 31,441
Number of positions with a gross unrealized loss	413		60		473	
Fair value as a percentage of total fixed maturity and equity securities fair value	14.5 %		2.3 %		16.8 %	
December 31, 2016						
Fixed maturity securities						
U.S. Government and federally sponsored agency obligations:						
Mortgage-backed securities	$ 186,439	$ 6,176	$ 3,235	$ 544	$ 189,674	$ 6,720
Other	219,372	10,120	—	—	219,372	10,120
Municipal bonds	408,163	19,006	9,928	3,582	418,091	22,588
Foreign government bonds	24,182	297	—	—	24,182	297
Corporate bonds	459,402	11,056	57,261	3,770	516,663	14,826
Other mortgage-backed securities	640,691	10,470	229,106	5,389	869,797	15,859
Total fixed maturity securities	1,938,249	57,125	299,530	13,285	2,237,779	70,410
Equity securities (1)	56,676	4,567	7,956	1,007	64,632	5,574

Combined totals	$1,994,925	$ 61,692	$307,486	$ 14,292	$2,302,411	$ 75,984
Number of positions with a gross unrealized loss	629		102		731	
Fair value as a percentage of total fixed maturity and equity securities fair value	26.3 %		4.0 %		30.3 %	

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

Note 2 - Investments (Continued)

Fixed maturity and equity securities with an investment grade rating represented 82% of the gross unrealized losses as of June 30, 2017. With respect to fixed maturity 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 OTTI losses on fixed maturity securities held as of June 30, 2017 and 2016 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 OTTI losses were recognized in other comprehensive income:

($ in thousands)	Six Months Ended June 30,	
	2017	2016
Cumulative credit loss (1)		
Beginning of period	$13,703	$7,844
New credit losses	—	300
Increases to previously recognized credit losses	1,910	2,480
Gains related to securities sold or paid down during the period	(2)	—
End of period	$15,611	$10,624

(1) The cumulative credit loss amounts exclude OTTI losses on securities held as of the 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.

Maturities/Sales of Fixed Maturity 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.

($ in thousands)	Percent of Total Fair Value		June 30, 2017	
	June 30, 2017	December 31, 2016	Fair Value	Amortized Cost
Estimated expected maturity:				
Due in 1 year or less	3.6 %	3.9 %	$275,005	$269,431
Due after 1 year through 5 years	27.4	28.7	2,079,595	1,981,639
Due after 5 years through 10 years	34.1	35.2	2,580,296	2,478,678
Due after 10 years through 20 years	22.8	19.5	1,729,382	1,609,894
Due after 20 years	12.1	12.7	914,307	822,275
Total	100.0%	100.0 %	$7,578,585	$7,161,917

Average option-adjusted duration, in years	6.0	5.9

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Note 2 - Investments (Continued)

Proceeds received from sales of fixed maturity 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:

($ in thousands)	Three Months Ended June 30, 2017	2016	Six Months Ended June 30, 2017	2016
Fixed maturity securities				
Proceeds received	$118,818	$174,944	$229,690	$257,033
Gross gains realized	4,080	8,382	6,569	10,858
Gross losses realized	(496)	(948)	(1,377)	(1,440)
Equity securities				
Proceeds received	$11,507	$6,474	$16,996	$12,622
Gross gains realized	1,702	650	2,750	1,170
Gross losses realized	(236)	(195)	(428)	(841)

Net Unrealized Investment Gains and Losses on Fixed Maturity and Equity Securities

Net unrealized investment gains and losses are computed as the difference between fair value and amortized cost for fixed maturity securities 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:

($ in thousands)	Three Months Ended June 30, 2017	2016	Six Months Ended June 30, 2017	2016
Net unrealized investment gains and losses on fixed maturity securities, net of tax				
Beginning of period	$219,385	$276,381	$197,978	$198,714
Change in net unrealized investment gains and losses	51,523	89,744	73,414	168,085
Reclassification of net realized investment gains to net income	(74)	5,331	(558)	4,657
End of period	$270,834	$371,456	$270,834	$371,456
Net unrealized investment gains and losses on equity securities, net of tax				
Beginning of period	$8,952	$5,030	$4,963	$2,649
Change in net unrealized investment gains and losses	2,670	4,710	5,972	6,898
Reclassification of net realized investment losses to net income	(991)	(1,557)	(304)	(1,364)
End of period	$10,631	$8,183	$10,631	$8,183

Note 2 - Investments (Continued)

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 are reached.

The following table presents the instruments that were subject to a master netting arrangement for the Company.

($ in thousands)	Gross Amounts	Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets/ Liabilities Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets: Financial Instruments	Gross Amounts Not Offset in the Consolidated Balance Sheets: Cash Collateral Received	Net Amount
June 30, 2017						
Asset derivatives:						
Free-standing derivatives	$ 9,969	$ —	$ 9,969	$ —	$ 10,959	$ (990)
December 31, 2016						
Asset derivatives:						
Free-standing derivatives	$ 8,694	$ —	$ 8,694	$ —	$ 8,824	$ (130)

Deposits

At June 30, 2017 and December 31, 2016, fixed maturity securities with a fair value of $18,038 thousand and $18,119 thousand, 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 June 30, 2017 and December 31, 2016, fixed maturity securities with a fair value of $621,068 thousand and $620,489 thousand, 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 $575,000 thousand at both of the respective dates. The deposited securities are included in Fixed maturity securities 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, 2016, specifically in "Note 3 -- Fair Value of Financial Instruments".

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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 June 30, 2017, Level 3 invested assets comprised 3.1% of the Company's total investment portfolio fair value.

($ in thousands)			Fair Value Measurements at Reporting Date Using		
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
June 30, 2017					
Financial Assets					
Investments					
Fixed maturity securities					
U.S. Government and federally sponsored agency obligations:					
Mortgage-backed securities	$623,064	$623,064	$—	$619,479	$3,585
Other, including					
U.S. Treasury securities	606,350	606,350	14,341	592,009	—
Municipal bonds	1,817,220	1,817,220	—	1,768,097	49,123
Foreign government bonds	100,046	100,046	—	100,046	—
Corporate bonds	2,827,608	2,827,608	14,976	2,735,580	77,052
Other mortgage-backed securities	1,604,297	1,604,297	—	1,487,558	116,739
Total fixed maturity securities	7,578,585	7,578,585	29,317	7,302,769	246,499
Equity securities	156,909	156,909	101,847	55,056	6
Short-term investments	104,087	104,087	104,087	—	—
Other investments	21,482	21,482	—	21,482	—
Totals	$7,861,063	$7,861,063	$235,251	$7,379,307	$246,505
Financial Liabilities					
Investment contract and life policy reserves, embedded derivatives	$286	$286	$—	$286	$—
Other policyholder funds, embedded derivatives	67,995	67,995	—	—	67,995
December 31, 2016					
Financial Assets					
Investments					
Fixed maturity securities					
U.S. Government and federally sponsored agency obligations:					
Mortgage-backed securities	$614,891	$614,891	$—	$611,476	$3,415
Other, including					
U.S. Treasury securities	467,143	467,143	13,631	453,512	—
Municipal bonds	1,769,397	1,769,397	—	1,722,900	46,497
Foreign government bonds	98,669	98,669	—	98,669	—
Corporate bonds	2,810,221	2,810,221	13,532	2,736,498	60,191
Other mortgage-backed securities	1,696,387	1,696,387	—	1,595,143	101,244
Total fixed maturity securities	7,456,708	7,456,708	27,163	7,218,198	211,347
Equity securities	141,649	141,649	98,632	43,011	6
Short-term investments	44,918	44,918	44,167	—	751

Other investments	20,194	20,194	—	20,194	—
Totals	$7,663,469	$7,663,469	$169,962	$7,281,403	$212,104
Financial Liabilities					
Investment contract and life policy reserves, embedded derivatives	$158	$158	$—	$158	$—
Other policyholder funds, embedded derivatives	59,393	59,393	—	—	59,393

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Note 3 - Fair Value of Financial Instruments (Continued)

During the six months ended June 30, 2017, an equity security was transferred into Level 1 from Level 2 as a result of increased liquidity in the market and a sustained increase in the market activity for this asset. The following table presents reconciliations for the periods indicated for all Level 3 assets and liabilities measured at fair value on a recurring basis.

($ in thousands)	Financial Assets							Financial Liabilities(1)
	Municipal Bonds	Corporate Bonds	Mortgage-Backed Securities (2)	Total Fixed Maturity Securities	Equity Securities	Short-term Investments	Total	
Beginning balance, April 1, 2017	$53,462	$82,495	$112,794	$248,751	$ 6	$ —	$248,757	$ 64,261
Transfers into Level 3 (3)	—	2,001	9,482	11,483	—	—	11,483	—
Transfers out of Level 3 (3)	(5,557)	(5,853)	—	(11,410)	—	—	(11,410)	—
Total gains or losses								
Net realized investment gains (losses) included in net income related to financial assets	—	—	(1,714)	(1,714)	—	—	(1,714)	—
Net realized (gains) losses included in net income related to financial liabilities	—	—	—	—	—	—	—	1,238
Net unrealized investment gains (losses) included in other comprehensive income	1,287	359	3,093	4,739	—	—	4,739	—
Purchases	—	—	—	—	—	—	—	—
Issuances	—	—	—	—	—	—	—	3,397
Sales	—	—	—	—	—	—	—	—
Settlements	—	—	—	—	—	—	—	—
Paydowns, maturities and distributions	(69)	(1,950)	(3,331)	(5,350)	—	—	(5,350)	(901)
Ending balance, June 30, 2017	$49,123	$77,052	$120,324	$246,499	$ 6	$ —	$246,505	$ 67,995
Beginning balance, January 1, 2017	$46,497	$60,191	$104,659	$211,347	$ 6	$ 751	$212,104	$ 59,393
Transfers into Level 3 (3)	5,214	31,919	24,521	61,654	—	—	61,654	—
Transfers out of Level 3 (3)	(5,557)	(11,963)	—	(17,520)	—	(751)	(18,271)	—
Total gains or losses								
Net realized investment gains (losses) included in net income related to financial assets	—	—	(1,714)	(1,714)	—	—	(1,714)	—
Net realized (gains) losses included in net income related to financial liabilities	—	—	—	—	—	—	—	3,546
Net unrealized investment	3,158	455	2,322	5,935	—	—	5,935	—

gains (losses) included in other comprehensive income								
Purchases	—	—	—	—	—	—	—	—
Issuances	—	—	—	—	—	—	—	6,786
Sales	—	—	—	—	—	—	—	—
Settlements	—	—	—	—	—	—	—	—
Paydowns, maturities and distributions	(189)	(3,550)	(9,464)	(13,203)	—	—	(13,203)	(1,730)
Ending balance, June 30, 2017	$49,123	$77,052	$120,324	$246,499	$ 6	$ —	$246,505	$ 67,995

(1) Represents embedded derivatives, all related to the Company’s FIA products, reported in Other policyholder funds in the Company’s Consolidated Balance Sheets.

(2) Includes U.S. Government and federally sponsored agency obligations for mortgage-backed securities and other mortgage-backed securities.

(3) Transfers into and out of Level 3 during the three and six months ended June 30, 2017 were attributable to changes in the availability of observable market information for individual fixed maturity securities and short-term investments. The Company’s policy is to recognize transfers into and transfers out of the levels as having occurred at the end of the reporting period in which the transfers were determined.

Note 3 - Fair Value of Financial Instruments (Continued)

($ in thousands)	Financial Assets							Financial Liabilities(1)
	Municipal Bonds	Corporate Bonds	Mortgage-Backed Securities (2)	Total Fixed Maturity Securities	Equity Securities	Short-term Investments	Total	
Beginning balance, April 1, 2016	$46,493	$70,071	$83,821	$200,385	$ 6	$ —	$200,391	$ 42,085
Transfers into Level 3 (3)	—	5,017	12,984	18,001	—	—	18,001	—
Transfers out of Level 3 (3)	—	—	—	—	—	—	—	—
Total gains or losses								
Net realized investment gains (losses) included in net income related to financial assets	—	(657)	—	(657)	—	—	(657)	—
Net realized (gains) losses included in net income related to financial liabilities	—	—	—	—	—	—	—	1,324
Net unrealized investment gains (losses) included in other comprehensive income	1,297	1,393	229	2,919	—	—	2,919	—
Purchases	—	—	—	—	—	—	—	—
Issuances	—	—	—	—	—	—	—	4,993
Sales	—	—	—	—	—	—	—	—
Settlements	—	—	—	—	—	—	—	—
Paydowns, maturities and distributions	(143)	(2,416)	(453)	(3,012)	—	—	(3,012)	(696)
Ending balance, June 30, 2016	$47,647	$73,408	$96,581	$217,636	$ 6	$ —	$217,642	$ 47,706
Beginning balance, January 1, 2016	$30,379	$67,575	$75,466	$173,420	$ 6	$ —	$173,426	$ 39,021
Transfers into Level 3 (3)	14,751	11,076	24,626	50,453	—	—	50,453	—
Transfers out of Level 3 (3)	—	—	—	—	—	—	—	—
Total gains or losses								
Net realized investment gains (losses) included in net income related to financial assets	—	(657)	—	(657)	—	—	(657)	—
Net realized (gains) losses included in net income related to financial liabilities	—	—	—	—	—	—	—	1,998
Net unrealized investment gains (losses) included in other comprehensive income	2,781	1,781	222	4,784	—	—	4,784	—
Purchases	—	—	—	—	—	—	—	—
Issuances	—	—	—	—	—	—	—	8,484
Sales	—	—	—	—	—	—	—	—
Settlements	—	—	—	—	—	—	—	—
Paydowns, maturities and distributions	(264)	(6,367)	(3,733)	(10,364)	—	—	(10,364)	(1,797)

Ending balance, June 30, 2016	$47,647	$73,408	$96,581	$217,636	$ 6	$ —	$217,642	$ 47,706

(1) Represents embedded derivatives, all related to the Company’s FIA products, reported in Other policyholder funds in the Company’s Consolidated Balance Sheets.

(2) Includes U.S. Government and federally sponsored agency obligations for mortgage-backed securities and other mortgage-backed securities.

(3) Transfers into and out of Level 3 during the three and six months ended June 30, 2016 were attributable to changes in the availability of observable market information for individual fixed maturity securities. The Company’s policy is to recognize transfers into and transfers out of the levels as having occurred at the end of the reporting period in which the transfers were determined.

Note 3 - Fair Value of Financial Instruments (Continued)

At June 30, 2017, the Company impaired two Level 3 securities for a $1,714 thousand realized loss. At June 30, 2016, there were no net realized investment gains or losses included in earnings that were attributable to changes in the fair value of Level 3 assets still held. For the three and six months ended June 30, 2017, net realized losses of $1,238 thousand and $3,546 thousand, respectively, were included in earnings that were attributable to the changes in the fair value of Level 3 liabilities (embedded derivatives) still held; for the three and six months ended June 30, 2016, the respective amounts were $1,324 thousand and $1,998 thousand.

The valuation techniques and significant unobservable inputs used in the fair value measurement for financial assets classified as Level 3 are subject to the control processes as described in “Note 3 -- Fair Value of Financial Instruments -- Investments” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016. Generally, valuation techniques for fixed maturity securities include spread pricing, matrix pricing and discounted cash flow methodologies; include inputs such as quoted prices for identical or similar securities that are less liquid; and are based on lower levels of trading activity than securities classified as Level 2. The valuation techniques and significant unobservable inputs used in the fair value measurement for equity securities classified as Level 3 use similar valuation techniques and significant unobservable inputs as those used for fixed maturity securities.

The sensitivity of the estimated fair values to changes in the significant unobservable inputs for fixed maturity and equity securities included in Level 3 generally relates to interest rate spreads, illiquidity premiums and default rates. Significant spread widening in isolation will adversely impact the overall valuation, while significant spread tightening will lead to substantial valuation increases. Significant increases (decreases) in illiquidity premiums in isolation will result in substantially lower (higher) valuations. Significant increases (decreases) in expected default rates in isolation will result in substantially lower (higher) valuations.

Financial Instruments Not Carried at Fair Value; Disclosure Required

The Company has various other financial assets and financial liabilities used in the normal course of business that are not carried at fair value, but for which fair value disclosure is required. The following table presents the carrying value, fair value and fair value hierarchy of these financial assets and financial liabilities.

($ in thousands)	Carrying Amount	Fair Value	Fair Value Measurements at Reporting Date Using Level 1	Level 2	Level 3
June 30, 2017					
Financial Assets					
Investments					
Other investments	$152,970	$157,530	$—	$—	$157,530
Financial Liabilities					
Investment contract and life policy reserves, fixed annuity contracts	4,377,759	4,288,095	—	—	4,288,095
Investment contract and life policy reserves, account values on life contracts	80,768	86,175	—	—	86,175
Other policyholder funds	645,009	645,009	—	575,475	69,534
Long-term debt	247,337	257,929	—	257,929	—

December 31, 2016
Financial Assets

Investments					
Other investments	$151,965	$156,536	$—	$—	$156,536
Financial Liabilities					
Investment contract and life policy reserves, fixed annuity contracts	4,360,456	4,280,528	—	—	4,280,528
Investment contract and life policy reserves, account values on life contracts	79,591	85,066	—	—	85,066
Other policyholder funds	649,557	649,557	—	575,253	74,304
Long-term debt	247,209	248,191	—	248,191	—

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Note 4 - Derivative Instruments

The Company offers FIA products, which are deferred fixed annuities that guarantee the return of principal to the contractholder and credit interest based on a percentage of the gain in a specified market index, and IUL products, which also credit interest based on a percentage of the gain in a specified market index. When deposits are received for FIA and IUL contracts, a portion is used to purchase derivatives consisting of OTC call options on the applicable market indices to fund the index credits due to FIA and IUL policyholders. For the Company, substantially all of such call options are one-year options purchased to match the funding requirements of the underlying contracts. The call options are carried at fair value with changes in fair value included in Net realized investment gains and losses, a component of Revenues, in the Consolidated Statements of Operations.

The change in fair value of derivatives includes the gains or losses recognized at the expiration of the option term or early termination and the changes in fair value for open positions. Call options are not purchased to fund the index liabilities which may arise after the next deposit anniversary date. On the respective anniversary dates of the indexed deposits, the index used to compute the annual index credit is reset and new one-year call options are purchased to fund the next annual index credit. The cost of these purchases is managed through the terms of the FIA and IUL contracts, which permit changes to index return caps, participation rates and/or asset fees, subject to guaranteed minimums on each contract's anniversary date. By adjusting the index return caps, participation rates or asset fees, crediting rates generally can be managed except in cases where the contractual features would prevent further modifications.

The future annual index credits on FIA contracts are treated as a "series of embedded derivatives" over the expected life of the applicable contract with a corresponding reserve recorded. For the IUL contracts, the embedded derivative represents a single year liability for the index return.

The Company carries all derivative instruments as assets or liabilities in the Consolidated Balance Sheets at fair value. The Company elected to not use hedge accounting for derivative transactions related to the FIA and IUL products. As a result, the Company records the purchased call options and the embedded derivatives related to the provision of a contingent return at fair value, with changes in the fair value of the derivatives recognized immediately in the Consolidated Statements of Operations. The fair values of derivative instruments, including derivative instruments embedded in FIA and IUL contracts, presented in the Consolidated Balance Sheets were as follows:

($ in thousands)	June 30, 2017	December 31, 2016
Assets		
Derivative instruments, included in Short-term and other investments	$9,969	$ 8,694
Liabilities		
FIA - embedded derivatives, included in Other policyholder funds	$67,995	$ 59,393
IUL - embedded derivatives, included in Investment contract and life policy reserves	286	158

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Note 4 - Derivative Instruments (Continued)

In general, the change in the fair value of the embedded derivatives related to FIA contracts will not correspond to the change in fair value of the purchased call options because the purchased call options are one-year options while the options valued in those embedded derivatives represent the rights of the policyholder to receive index credits over the entire period the FIA contracts are expected to be in force, which typically exceeds 10 years. The changes in fair value of derivatives included in the Consolidated Statements of Operations were as follows:

($ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Change in fair value of derivatives (1):				
Revenues				
Net realized investment gains (losses)	$1,729	$78	$4,166	$(140)
Change in fair value of embedded derivatives:				
Revenues				
Net realized investment losses	$(1,295)	$(1,325)	$(3,661)	$(2,001)

(1) Includes the gains or losses recognized at the expiration of the option term or early termination and the changes in fair value for open options.

The Company's strategy attempts to mitigate potential risk of loss under these agreements through a regular monitoring process, which evaluates the program's effectiveness. The Company is exposed to risk of loss in the event of nonperformance by the counterparties and, accordingly, option contracts are purchased from multiple counterparties, which are evaluated for creditworthiness prior to purchase of the contracts. All of these options have been purchased from nationally recognized financial institutions with a Standard and Poor's Financial Services LLC ("S&P") long-term credit rating of "BBB+" or higher at the time of purchase and the maximum credit exposure to any single counterparty is subject to concentration limits. The Company also obtains credit support agreements that allow it to request the counterparty to provide collateral when the fair value of the exposure to the counterparty exceeds specified amounts.

The notional amount and fair value of call options by counterparty and each counterparty's long-term credit ratings were as follows:

($ in thousands)	June 30, 2017			December 31, 2016	
Counterparty	Credit Rating S&P	Notional Amount	Fair Value	Notional Amount	Fair Value
Bank of America, N.A.	A+	$43,000	$829	$38,500	$1,934
Barclays Bank PLC	A-	83,700	2,837	66,800	1,543
Citigroup Inc.	BBB+	—	—	—	—
Credit Suisse International	A	50,800	4,762	65,200	4,281
Societe Generale	A	44,800	1,541	15,600	936
Total		$222,300	$9,969	$186,100	$8,694

As of June 30, 2017 and December 31, 2016, the Company held $10,959 thousand and $8,824 thousand, respectively, of cash received from counterparties for derivative collateral, which is included in Other liabilities on the

Consolidated Balance Sheets. This derivative collateral limits the Company’s maximum amount of economic loss due to credit risk that would be incurred if parties to the call options failed completely to perform according to the terms of the contracts to $250 thousand per counterparty.

Note 5 - Property and Casualty Unpaid Claims and Claim Expenses

The following table is a summary reconciliation of the beginning and ending Property and Casualty unpaid claims and claim expense reserves for the periods indicated. The table presents reserves on both gross and net (after reinsurance) bases. The total net Property and Casualty insurance claims and claim expense incurred amounts are reflected in the Consolidated Statements of Operations. The end of the period gross reserve (before reinsurance) balances and the reinsurance recoverable balances are reflected on a gross basis in the Consolidated Balance Sheets.

($ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Property and Casualty segment				
Beginning Gross reserves (1)	$316,173	$319,276	$307,757	$301,569
Less: reinsurance recoverables	61,804	60,429	61,199	50,332
Net reserves, beginning of period (2)	254,369	258,847	246,558	251,237
Incurred claims and claim expenses:				
Claims occurring in the current period	148,348	131,355	271,552	234,561
Decrease in estimated reserves for claims occurring in prior periods (3)	(600)	(1,600)	(1,600)	(3,600)
Total claims and claim expenses incurred (4)	147,748	129,755	269,952	230,961
Claims and claim expense payments for claims occurring during:				
Current period	95,645	89,549	148,025	128,630
Prior periods	35,538	38,591	97,551	93,106
Total claims and claim expense payments	131,183	128,140	245,576	221,736
Net reserves, end of period (2)	270,934	260,462	270,934	260,462
Plus: reinsurance recoverables	58,897	60,499	58,897	60,499
Ending Gross reserves (1)	$329,831	$320,961	$329,831	$320,961

(1) Unpaid claims and claim expenses as reported in the Consolidated Balance Sheets also include reserves for the Life and Retirement segments of $22,682 thousand and $23,783 thousand as of June 30, 2017 and 2016, respectively, in addition to Property and Casualty segment reserves.

(2) Reserves net of anticipated reinsurance recoverables.

(3) Shows the amounts by which the Company decreased its reserves in each of the periods indicated for claims occurring in previous periods to reflect subsequent information on such claims and changes in their projected final settlement costs.

(4) Benefits, claims and settlement expenses as reported in the Consolidated Statements of Operations also include amounts for the Life and Retirement segments of $18,131 thousand and $40,023 thousand for the three and six months ended June 30, 2017, respectively, in addition to the Property and Casualty segment amounts. The Life and Retirement segments for the three and six months ended June 30, 2016 were $18,653 thousand and $36,960 thousand, respectively.

Net favorable development of total reserves for Property and Casualty claims occurring in prior years was $1,600 thousand and $3,600 thousand for the six month periods ended June 30, 2017 and 2016, respectively. The favorable development for both of the six month periods ended June 30, 2017 and 2016 was predominantly the result of favorable severity trends in homeowners loss emergence. This favorable development was for accident years 2015 and prior for the six months ended June 30, 2017 and accident years 2014 and prior for the six months ended June 30, 2016.

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Note 6 - Debt

Indebtedness outstanding was as follows:

($ in thousands)	June 30, 2017	December 31, 2016
Short-term debt:		
Bank Credit Facility, expires July 30, 2019	$ —	$ —
Long-term debt:		
4.50% Senior Notes, due December 1, 2025. Aggregate principal amount of $250,000 thousand less unaccrued discount of $575 thousand and $603 thousand (4.5% imputed rate) and unamortized debt issuance costs of $2,088 thousand and $2,188 thousand	247,337	247,209

The Credit Agreement with Financial Institutions (“Bank Credit Facility”) and 4.50% Senior Notes due 2025 (“Senior Notes due 2025”) are described in “Notes to Consolidated Financial Statements -- Note 7 -- Debt” of the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

Note 7 - Reinsurance

The Company recognizes the cost of reinsurance premiums over the contract periods for such premiums in proportion to the insurance protection provided. Amounts recoverable from reinsurers for unpaid claims and claim settlement expenses, including estimated amounts for unsettled claims, claims incurred but not yet reported and policy benefits, are estimated in a manner consistent with the insurance liability associated with the policy. The effects of reinsurance on premiums written and contract deposits; premiums and contract charges earned; and benefits, claims and settlement expenses were as follows:

($ in thousands)	Gross Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount
Three months ended June 30, 2017				
Premiums written and contract deposits	$316,123	$ 5,643	$ 1,134	$311,614
Premiums and contract charges earned	200,351	5,665	1,032	195,718
Benefits, claims and settlement expenses	168,218	3,185	846	165,879
Three months ended June 30, 2016				
Premiums written and contract deposits	$316,798	$ 5,921	$ 1,002	$311,879
Premiums and contract charges earned	193,396	5,952	916	188,360
Benefits, claims and settlement expenses	151,998	4,444	854	148,408
Six months ended June 30, 2017				
Premiums written and contract deposits	$617,635	$ 11,153	$ 1,864	$608,346
Premiums and contract charges earned	400,806	11,199	1,833	391,440
Benefits, claims and settlement expenses	315,489	7,068	1,554	309,975
Six months ended June 30, 2016				
Premiums written and contract deposits	$604,790	$ 11,689	$ 1,947	$595,048
Premiums and contract charges earned	383,629	11,721	1,902	373,810
Benefits, claims and settlement expenses	283,238	17,106	1,789	267,921

Note 8 - Commitments

Investment Commitments

From time to time, the Company has outstanding commitments to purchase investments and/or commitments to lend funds under bridge loans. Unfunded commitments to purchase investments were $139,737 thousand and $135,054 thousand at June 30, 2017 and December 31, 2016, respectively.

Note 9 - Segment Information

The Company conducts and manages its business through four segments. The three operating segments, representing the major lines of business, are: Property and Casualty segment, primarily personal lines automobile and homeowners insurance products; Retirement segment, primarily tax-qualified fixed and variable annuities; and Life segment, life insurance. The Company does not allocate the impact of corporate-level transactions to these operating segments, consistent with the basis for management's evaluation of the results of those segments, but classifies those items in the fourth segment, Corporate and Other. In addition to ongoing transactions such as corporate debt service, net realized investment gains and losses and certain public company expenses, such items also have included corporate debt retirement costs/gains, when applicable. Summarized financial information for these segments is as follows:

($ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Insurance premiums and contract charges earned				
Property and Casualty	$160,460	$153,673	$318,778	$305,793
Retirement	6,759	6,098	13,360	12,166
Life	28,499	28,589	59,302	55,851
Total	$195,718	$188,360	$391,440	$373,810
Net investment income				
Property and Casualty	$8,113	$10,151	$17,290	$18,979
Retirement	65,139	62,727	128,581	120,776
Life	18,928	18,502	37,216	36,486
Corporate and Other	18	14	30	29
Intersegment eliminations	(204)	(215)	(412)	(432)
Total	$91,994	$91,179	$182,705	$175,838
Net income (loss)				
Property and Casualty	$(13,956)	$(4,463)	$(11,221)	$9,332
Retirement	11,800	13,063	23,330	23,616
Life	5,610	4,622	9,495	8,489
Corporate and Other	(1,193)	(1,356)	(4,025)	(4,418)
Total	$2,261	$11,866	$17,579	$37,019

($ in thousands)	June 30, 2017	December 31, 2016
Assets		
Property and Casualty	$1,133,015	$1,110,958
Retirement	7,671,701	7,449,777
Life	1,972,540	1,912,771
Corporate and Other	128,101	140,104
Intersegment eliminations	(29,222)	(36,786)
Total	$10,876,135	$10,576,824

MANAGEMENT’S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (“MD&A”)
(Dollars in millions, except per share data)

Measures within this MD&A that are not based on accounting principles generally accepted in the United States (“non-GAAP”) are marked by an asterisk (“*”). An explanation of these measures is contained in the Glossary of Selected Terms included as an exhibit to this Quarterly Report on Form 10-Q.

Forward-looking Information

Statements made in the following discussion that are not historical in nature are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995 and are subject to known and unknown risks, uncertainties and other factors. Horace Mann Educators Corporation ("HMEC"; and together with its subsidiaries, the "Company" or "Horace Mann") is an insurance holding company. Horace Mann is not under any obligation to (and expressly disclaims any such obligation to) update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. It is important to note that the Company’s actual results could differ materially from those projected in forward-looking statements due to a number of risks and uncertainties inherent in the Company’s business. For additional information regarding risks and uncertainties, see “Item 1A. Risk Factors” in this Quarterly Report on Form 10-Q and in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016. That discussion includes factors such as:

- The impact that a prolonged economic recession may have on the Company’s investment portfolio; volume of new business for automobile, homeowners, retirement and life products; policy renewal rates; and additional annuity contract deposit receipts.
- Fluctuations in the fair value of securities in the Company’s investment portfolio and the related after tax effect on the Company’s shareholders’ equity and total capital through either realized or unrealized investment losses.
- Prevailing low interest rate levels, including the impact of interest rates on (1) the Company’s ability to maintain appropriate interest rate spreads over minimum fixed rates guaranteed in the Company’s annuity and life products, (2) the book yield of the Company’s investment portfolio, (3) unrealized gains and losses in the Company’s investment portfolio and the related after tax effect on the Company’s shareholders’ equity and total capital, (4) amortization of deferred policy acquisition costs and (5) capital levels of the Company’s life insurance subsidiaries.
- The frequency and severity of events such as hurricanes, storms, earthquakes and wildfires, and the ability of the Company to provide accurate estimates of ultimate claim costs in its consolidated financial statements.
- The Company’s risk exposure to catastrophe-prone areas. Based on full year 2016 Property and Casualty direct earned premiums, the Company’s ten largest states represented 57% of the segment total. Included in this top ten group are certain states which are considered more prone to catastrophe occurrences: California, North Carolina, Texas, South Carolina, Florida and Louisiana.
- The ability of the Company to maintain a favorable catastrophe reinsurance program considering both availability and cost; and the collectibility of reinsurance receivables.
- Adverse changes in market appreciation, interest spreads, business persistency and policyholder mortality and morbidity rates and the resulting impact on both estimated reserves and the amortization of deferred policy acquisition costs.
- The Company’s ability to refinance outstanding indebtedness or repurchase shares of the Company’s common stock.
- The Company’s ability to (1) develop and expand its marketing operations, including agents and other points of distribution, (2) maintain and secure access to educators, school administrators, principals and school business officials; and (3) profitably expand its Property and Casualty business in highly competitive environments.
- The effects of economic forces and other issues affecting the educator market including, but not limited to, federal, state and local budget deficits and cut-backs and adverse changes in state and local tax revenues. The effects of these

forces can include, among others, teacher layoffs and early retirements, as well as individual concerns regarding employment and economic uncertainty.

- Changes in federal and state laws and regulations, which affect the relative tax and other advantages of the Company's life and annuity products to customers, including, but not limited to, changes in IRS regulations governing Section 403(b) plans.
- Changes in public employee retirement programs as a result of federal and/or state level pension reform initiatives.
- Changes in federal and state laws and regulations, which affect the relative tax advantage of certain investments or which affect the ability of debt issuers to declare bankruptcy or restructure debt.
- The Company's ability to effectively implement new or enhanced information technology systems and applications.
- Changes in Cybersecurity regulations as a result of state level requirements.

Executive Summary

Through its subsidiaries, HMEC markets and underwrites personal lines of property and casualty insurance, annuities and life insurance in the U.S. The Company markets its products primarily to K-12 teachers, administrators and other employees of public schools and their families.

For the three months ended June 30, 2017, the Company's net income of $2.3 million decreased $9.5 million million compared to a year ago reflecting a record level of catastrophe losses in the quarter, as well as elevated non-catastrophe weather-related losses.

For the three months ended June 30, 2017, the Property and Casualty segment recorded a net loss of $13.9 million which was $9.4 million higher than the loss recorded in the prior year period. The incremental loss reflects an elevated level of catastrophe losses and non-catastrophe weather-related losses, which resulted in a combined ratio of 118.5% for the quarter. The primary driver of the increase was non-catastrophe weather-related losses in property, as well as a $5.1 million pretax increase in total catastrophe losses, which were $32.4 million on a pretax basis. Prior years' reserves continue to develop favorably; however, the favorable development in the current quarter of $0.6 million pretax was $1.0 million pretax lower than the amount a year ago. On an underlying basis, the auto loss ratio* of 79.8% was in line with the prior year period result on a developed basis despite the elevated level of non-catastrophe weather-related losses in the second quarter of 2017. For property, the increase in the underlying loss ratio* from 41.9% in the prior year period to 56.0% in the current period was largely related to the impact of higher non-catastrophe weather-related losses. Compared to the prior year period, the Property and Casualty expense ratio decreased slightly. Total Property and Casualty written premiums* of $167.9 million increased 5.1% compared to the prior year period. The growth was driven primarily by rate actions which resulted in an increase in the average premium per policy for both auto and property. Total Property and Casualty sales* increased 6.4% compared to the prior year period. Auto sales increased 6.8% while property sales increased 4.4% compared to the prior year period. The sales growth was also driven primarily by rate actions. Policy retention continues to be strong with auto and property policy retention rates of 82.9% and 87.4%, respectively.

For the three months ended June 30, 2017, Retirement segment net income of $11.8 million decreased $1.2 million or 9.2% compared to the prior year period which is primarily due to a $3.2 million pretax increase in operating expenses including costs related to the Company's continued infrastructure and strategic investments, offset by a $0.9 million pretax increase in net interest margin. Annuity deposits of $116.8 million decreased 6.3% compared to the prior year period.

For the three months ended June 30, 2017, Life segment net income of $5.6 million increased $1.0 million compared to the prior year period primarily due to favorable mortality. Life segment insurance premiums and contract deposits* of $26.9 million decreased 1.5% compared to the prior year period. Life sales* of $3.7 million decreased 9.8% compared to the prior year period due to a decrease in single premium sales.

For the six months ended June 30, 2017, the Company's net income of $17.6 million decreased $19.4 million compared to a year ago reflecting a record level of catastrophe losses, as well as elevated non-catastrophe weather-related losses.

For the six months ended June 30, 2017, the Property and Casualty segment recorded a net loss of $11.2 million compared to net income of $9.3 million in the prior year period as a result of elevated catastrophe losses and non-catastrophe weather-related losses. The combined ratio of 112.0% increased 9.2 points compared to a year ago. Pretax catastrophe losses were $9.6 million higher than the prior year period; favorable prior years' reserve development was $2.0 million pretax less than the prior year amount. On an underlying basis, the six month auto loss ratio* of 78.2% increased 2.4 points compared to the prior year period. For property, the underlying six month loss ratio of 51.3% increased 12.4 points compared to the prior year period for reasons similar to the three month comparison above. The expense ratio for Property and Casualty of 27.3% was comparable to the prior year period. Total Property and Casualty written premiums* of $320.8 million increased 4.7% compared to the prior year period. The growth was driven primarily by rate actions which resulted in an increase in the average premium per policy for both auto and property. Total Property and Casualty sales* increased 7.5% compared to prior year period. Auto sales increased 8.0% while property sales increased 4.8% compared to the prior year period driven primarily by rate actions.

For the six months ended June 30, 2017, Retirement segment net income of $23.3 million decreased $0.3 million compared to the prior year period which is primarily due to a $5.8 million pretax increase in operating expenses including costs related to the Company's continued infrastructure and strategic investments, offset by a $4.3 million pretax increase in net interest margin. The six month 2017 annualized net interest spread on fixed annuity assets was 189 basis points, an increase of 4 basis points compared to a year ago. Total Retirement assets under management of $6.5 billion increased 6.5% compared to a year ago, and total cash value persistency remained strong at 89.6% for variable annuities and 92.5% for fixed annuities. Annuity deposits of $234.1 million decreased 1.3% compared to the prior year period.

For the six months ended June 30, 2017, Life segment net income of $9.5 million increased $1.0 million compared to the prior year period. Life segment insurance premiums and contract deposits* increased 4.3%, to $53.4 million compared to the prior year period. Life sales* of $8.4 million increased 18.3% compared to the prior year period due to an increase in single premium sales. Life persistency of 95.3% was comparable to 12 months earlier.

The Company’s book value per share was $33.49 at June 30, 2017, an increase of 4.2% compared to December 31, 2016 and a decrease of 5.2% compared to a year ago.

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States (“GAAP”) requires the Company's management to make estimates and assumptions based on information available at the time the consolidated financial statements are prepared. These estimates and assumptions affect the reported amounts of the Company's consolidated assets, liabilities, shareholders' equity, net income and cash flows. Certain accounting estimates are particularly sensitive because of their significance to the Company's consolidated financial statements and because of the possibility that subsequent events and available information may differ markedly from management's judgments at the time the consolidated financial statements were prepared.

Management has discussed with the Audit Committee the quality, not just the acceptability, of the Company's accounting principles as applied in its financial reporting. The discussions generally included such matters as the consistency of the Company's accounting policies and their application, and the clarity and completeness of the Company's consolidated financial statements, which include related disclosures. For the Company, areas most subject to significant management judgments include: fair value measurements, other-than-temporary impairment of investments, goodwill, deferred policy acquisition costs for investment contracts and life insurance products with account values, liabilities for property and casualty claims and claim expenses, liabilities for future policy benefits, deferred taxes and valuation of assets and liabilities related to the defined benefit pension plan.

Compared to December 31, 2016, at June 30, 2017, there were no material changes to accounting policies for areas most subject to significant management judgments identified above. In addition to disclosures in “Notes to Consolidated Financial Statements” in the Company’s Annual Report on Form 10-K for the year ended

December 31, 2016, discussion of accounting policies, including certain sensitivity information, was presented in “Management’s Discussion and Analysis of Financial Condition and Results of Operations -- Critical Accounting Policies” in that Form 10-K.

Results of Operations

Insurance Premiums and Contract Charges

($ in millions)	Three Months Ended June 30,		Change From Prior Year		Six Months Ended June 30,		Change From Prior Year	
	2017	2016	Percent	Amount	2017	2016	Percent	Amount
Insurance premiums written and contract deposits* (includes annuity and life contract deposits)								
Property and Casualty	$167.9	$159.8	5.1 %	$ 8.1	$320.8	$306.5	4.7 %	$ 14.3
Retirement (annuity)	116.8	124.7	-6.3 %	(7.9)	234.1	237.3	-1.3 %	(3.2)
Life	26.9	27.3	-1.5 %	(0.4)	53.4	51.2	4.3 %	2.2
Total	$311.6	$311.8	-0.1 %	$ (0.2)	$608.3	$595.0	2.2 %	$ 13.3
Insurance premiums and contract charges earned (excludes annuity and life contract deposits)								
Property and Casualty	$160.4	$153.7	4.4 %	$ 6.7	$318.7	$305.8	4.2 %	$ 12.9
Retirement (annuity)	6.8	6.1	11.5 %	0.7	13.4	12.2	9.8 %	1.2
Life	28.5	28.5	— %	—	59.3	55.8	6.3 %	3.5
Total	$195.7	$188.3						