

HORACE MANN EDUCATORS CORP /DE/
Form DEF 14A
April 11, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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| <input type="checkbox"/> | Preliminary Proxy Statement | <input type="checkbox"/> | Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
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| <input type="checkbox"/> | Definitive Additional Materials | | |
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Horace Mann Educators Corporation

(Name of Registrant as Specified In Its Charter)

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

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- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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HORACE MANN EDUCATORS CORPORATION

1 Horace Mann Plaza

Springfield, Illinois 62715-0001

ANNUAL MEETING May 23, 2007

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of your corporation to be held at 9:00 a.m. Central Daylight Saving Time on Wednesday, May 23, 2007 at the Crowne Plaza Hotel, 3000 South Dirksen Parkway, Springfield, Illinois.

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

We request that you sign, date and mail your proxy card whether or not you plan to attend the Annual Meeting.

Prompt return of your proxy card will reduce the cost of further mailings and other follow-up work. You may revoke your voted proxy at any time prior to the meeting or vote in person if you attend the meeting.

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

Sincerely,

Joseph J. Melone
Chairman of the Board

Louis G. Lower II
President and

Chief Executive Officer

Springfield, Illinois

April 11, 2007

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HORACE MANN EDUCATORS CORPORATION

1 Horace Mann Plaza

Springfield, Illinois 62715-0001

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

Date: Wednesday, May 23, 2007

Time: 9:00 a.m. Central Daylight Saving Time

Place: Crowne Plaza Hotel

3000 South Dirksen Parkway

Springfield, Illinois

Purpose: 1. Elect seven Directors.

2. Ratify the appointment of KPMG LLP, an independent registered public accounting firm, as the Company's auditors for the year ending December 31, 2007.

3. Conduct other business if properly raised.

Record Date: March 26, 2007 Shareholders registered in the records of the Company or its agents on that date are entitled to receive notice of and to vote at the meeting.

Mailing Date: The approximate mailing date of this Proxy Statement and the accompanying proxy card is April 17, 2007.

Your vote is important. Whether or not you plan to attend the Annual Meeting, the Board of Directors urges you to complete, date, sign and return the enclosed proxy card as soon as possible in the enclosed business reply envelope, which requires no postage if mailed in the United States of America. You may revoke your proxy at any time before the vote is taken at the Annual Meeting provided that you comply with the procedures set forth in the Proxy Statement to which this Notice of Annual Meeting of Shareholders is attached. If you attend the Annual Meeting, you may either vote by proxy or revoke your proxy and vote in person.

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GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the Board) of Horace Mann Educators Corporation (HMEC or the Company) of proxies from holders of the Company's common stock, par value \$.001 per share (Common Stock). The proxies will be voted at the Annual Meeting of Shareholders to be held on Wednesday, May 23, 2007 at 9:00 a.m. Central Daylight Saving Time at the Crowne Plaza Hotel, 3000 South Dirksen Parkway, Springfield, Illinois and through any adjournment or postponement thereof (the Annual Meeting).

The mailing address of the Company is 1 Horace Mann Plaza, Springfield, Illinois 62715-0001 (telephone number (217) 789-2500). This Proxy Statement and the accompanying proxy card are being first transmitted to shareholders of the Company (Shareholders) on or about April 17, 2007.

The Board has fixed the close of business on March 26, 2007 as the record date (the Record Date) for determining the Shareholders entitled to receive notice of and to vote at the Annual Meeting. At the close of business on the Record Date, an aggregate of 43,142,556 shares of Common Stock were issued and outstanding, each share entitling the holder thereof to one vote on each matter to be voted upon at the Annual Meeting. The presence, in person or by proxy, of the holders of a majority of such outstanding shares is necessary to constitute a quorum for the transaction of business at the Annual Meeting. Proxies will be solicited by mail. The Company, through bankers, brokers or other persons, also intends to make a solicitation of beneficial owners of Common Stock.

At the Annual Meeting, Shareholders will be asked to (1) elect seven Directors to hold office until the next Annual Meeting of Shareholders and until their respective successors have been duly elected and qualified and (2) ratify the appointment of KPMG LLP, an independent registered public accounting firm, as the Company's auditors for the year ending December 31, 2007.

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

Copies of the Company's Annual Report on Form 10-K for the year ended December 31, 2006, including the Company's audited consolidated financial statements, were mailed to known Shareholders on or about April 17, 2007.

Solicitation and Revocation

Proxies in the form enclosed are solicited by and on behalf of the Board. The persons named in the form of proxy have been designated as proxies by the Board. Such persons are Directors of the Company.

Shares of Common Stock represented at the Annual Meeting by a properly executed and returned proxy will be voted at the Annual Meeting in accordance with the instructions noted thereon, or if no instructions are noted, the proxy will be voted in favor of the proposals set forth in the Notice of Annual Meeting. A submitted proxy is revocable by a Shareholder at any time prior to it being voted, provided that such Shareholder gives written notice to the Corporate Secretary at or prior to the Annual Meeting that such Shareholder intends to vote in person or by submitting a subsequently dated proxy. Attendance at the Annual Meeting by a Shareholder who has given a proxy shall not in and of itself constitute a revocation of such proxy.

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

Shareholder Approval

Shareholders are entitled to one vote per share of Common Stock on all matters submitted for consideration at the Annual Meeting. The affirmative vote of a majority of the shares of Common Stock represented in person or by

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proxy at the Annual Meeting is required for the election of Directors and the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the year ending December 31, 2007.

Abstentions may not be specified with regard to the election of Directors. On other matters, abstentions have the same effect as a vote against approval of the matter.

Please note that under the rules of the New York Stock Exchange (NYSE) brokers who hold shares of Common Stock in street name for customers have the authority to vote on certain items when they have not received instructions from beneficial owners. With respect to the matters to come before the Annual Meeting, if brokers are not entitled to vote without instructions and therefore cast broker non-votes, that will not affect the outcome of such matters.

Other Matters

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

MATTERS TO BE CONSIDERED

Proposal No. 1 Election of Seven Directors

The By-Laws of the Company provide for the Company to have not less than five nor more than fifteen Directors. The following nine persons currently are serving as Directors of the Company: William W. Abbott, Mary H. Futrell, Stephen J. Hasenmiller, Louis G. Lower II, Joseph J. Melone, Jeffrey L. Morby, Shaun F. O Malley, Charles A. Parker and Roger J. Steinbecker. The terms of the current Directors expire at the Annual Meeting. Mr. Abbott and Mr. O Malley are not standing for re-election and as a result the size of the Board is being reduced to seven persons.

Upon the recommendation of the Nominating & Governance Committee, the Board has nominated Dr. Futrell, Mr. Hasenmiller, Mr. Lower, Mr. Melone, Mr. Morby, Mr. Parker and Mr. Steinbecker (the Board Nominees) to hold office as Directors. The Nominating & Governance Committee has specifically found that Mr. Melone, although 75 years of age, should remain able to stand for re-election based on his expertise and experience. The proxies solicited by and on behalf of the Board will be voted FOR the election of the Board Nominees unless such authority is withheld as provided in the proxy. The Company has no reason to believe that any of the foregoing Board Nominees is not available to serve or will not serve if elected, although in the unexpected event that any such Board Nominee should become unavailable to serve as a Director, full discretion is reserved to the persons named as proxies to vote for such other persons as may be nominated. Each Director will serve until the next Annual Meeting of Shareholders and until his or her respective successor is duly elected and qualified.

Board Nominees

The following information, as of March 26, 2007, is provided with respect to each Board Nominee:

Mary H. Futrell, 66

Member of the Compensation and Nominating & Governance Committees of the Board

Dr. Futrell has been a Director of the Company since February 2001. She is currently Dean of the Graduate School of Education and Human Development, and Co-Director of the Center for Curriculum, Standards and Technology, The George Washington University, positions she has held for more than 5 years. In addition, Dr. Futrell is Professor, Department of Education Leadership, a position she has held since 1999. Dr. Futrell is also Founding President, Education International and past President, National Education Association and Virginia Education Association.

Stephen J. Hasenmiller, 57

Member of the Audit and Investment & Finance Committees of the Board

Mr. Hasenmiller has been a Director of the Company since September 2004. In March 2001, he retired after 24 years of service at The Hartford Financial Services Group, Inc., as Senior Vice President Personal Lines.

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Louis G. Lower II, 61

President and Chief Executive Officer;
Member of the Executive and Investment &
Finance Committees of the Board

Mr. Lower joined the Company as Director, President and Chief Executive Officer in February 2000. Prior to that, he served as Chief Executive Officer of Allstate Life Insurance Company, a position he held from January 1990 through January 2000. He currently serves as a member of the Boards of Directors of the Illinois Life Insurance Council, Insurance Marketplace Standards Association, NEA Foundation for the Improvement of Education, Abraham Lincoln Presidential Library and Museum, and The PMI Group, Inc. Mr. Lower has over 30 years of experience in the insurance industry.

Joseph J. Melone, 75

Chairman of the Board; Chairman of the
Executive and Nominating & Governance
Committees; Member of the Compensation
Committee of the Board

Mr. Melone has been a Director of the Company since February 2001. Prior to his retirement in 1998, he served as President and Chief Executive Officer of The Equitable Companies Inc. (1996-1998), Chairman and Chief Executive Officer of The Equitable Life Assurance Society (1994-1998) and Chairman and Chief Executive Officer of The Equitable Variable Life Insurance Company (1990-1998). Prior to 1990, Mr. Melone served as President of Prudential Insurance Company. He currently serves as a member of the Board of Directors of Bysis, Inc.

Jeffrey L. Morby, 69

Member of the Audit and Investment &
Finance Committees of the Board

Mr. Morby has been a Director of the Company since September 1996. He is currently self-employed as a business consultant and investor. Mr. Morby serves as Managing Director of Amarna Corporation, LLC and makes investments through private subsidiaries and affiliates of Amarna Corporation. Mr. Morby retired on June 30, 1996 as Vice Chairman of Mellon Bank Corporation and Mellon Bank, N.A. Mr. Morby currently serves as a member of the Boards of Directors of Restaurant Insurance Holdings, Inc., Pittsburgh Cultural Trust and the Board of International Advisors of the City of Wuhan, China. He is also Chairman of the Cure Alzheimer's Fund, a non-profit public charity; Chairman of the Morby Family Charitable Foundation, a private non-profit foundation; a member of the Council of World Wildlife Fund, a non-profit public charity; a member of the Board of Directors of the Pittsburgh City Theater; and Vice President of the Andrew and Velda Morby Educational Foundation, a private non-profit foundation.

Charles A. Parker, 72

Chairman of the Investment & Finance
Committee; Member of the Audit and
Executive Committees of the Board

Mr. Parker has been a Director of the Company since September 1997. He retired in 1995 after 17 years of service at The Continental Corporation, including service as Executive Vice President, Chief Investment Officer and Director. He currently serves as a member of the Boards of Directors of T.C.W. Mutual Funds, Inc. and T.C.W. Strategic Income Fund, Inc. and as a Governor of the Burrige Center for Research in Security Prices (The Leeds School of Business of the University of Colorado).

Roger J. Steinbecker, 64

Member of the Audit and Investment &
Finance Committees of the Board

Mr. Steinbecker has been a Director of the Company since July 2006. He retired in 2001 after a 35 year career with PricewaterhouseCoopers LLP (PwC), an auditing and accounting firm. During this time with PwC, he was the partner responsible for the audits of many national and international companies, served as leader of the firm's Southeast Region's consumer and industrial products business segment, and was managing partner of their Philadelphia and Denver practices. For more than 20 years, he served as the chair of the board and/or audit committee of numerous prominent not-for-profit organizations. He is currently a member of the Board of Directors of Xedar Corporation, St. John's Mercy Medical Center and the Jefferson Club of the University of Missouri (Columbia).

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All of the Board Nominees, except for Roger J. Steinbecker, were elected Directors at the last Annual Meeting of Shareholders of the Company held on May 24, 2006. Mr. Steinbecker was elected as a Director by the Board on July 13, 2006.

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

Proposal No. 2 Ratification of Independent Registered Public Accounting Firm

The independent registered public accounting firm selected by the Audit Committee of the Board to serve as the Company's auditors for the year ending December 31, 2007 is KPMG LLP. KPMG LLP served in that capacity for the year ended December 31, 2006. A representative from KPMG LLP is expected to be present at the Annual Meeting. The representative will be given an opportunity to make a statement to Shareholders and is expected to be available to respond to appropriate questions from Shareholders.

The Board recommends that Shareholders vote FOR the ratification of KPMG LLP, an independent registered public accounting firm, as the Company's auditors for the year ending December 31, 2007.

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EXECUTIVE OFFICERS

Set forth below is certain information, as of March 26, 2007, with respect to certain executive officers of the Company and its subsidiaries who are not Directors of the Company (together with Louis G. Lower II, President and Chief Executive Officer, who is discussed above, the Executive Officers):

Peter H. Heckman, 61

Executive Vice President and Chief Financial Officer

Mr. Heckman joined the Company in April 2000 as Executive Vice President and Chief Financial Officer (EVP and CFO). Prior to that, he served as Vice President of Allstate Life Insurance Company from 1988 through April 2000, where he held both senior financial and operating positions. Mr. Heckman has over 30 years of experience in the insurance industry.

Douglas W. Reynolds, 53

Executive Vice President, Property & Casualty and Information Technology

Mr. Reynolds joined the Company in November 2001 as Executive Vice President, Property and Casualty (P&C). In December 2003, he also assumed responsibility for Information Technology (IT). He previously served as Regional Vice President of AIG, Inc., a position he held from February 2000 through November 2001, where he was responsible for all property and casualty business for Southeast Asia and China. Prior to that, he served as Vice President of Allstate Insurance Company (Allstate). From November 1976 through January 2000 he held various property and casualty management positions at Allstate, including underwriting, marketing, non-standard auto and mergers and acquisitions, while also leading the start-up of a non-standard auto insurance company. Mr. Reynolds has over 30 years of experience in the insurance industry.

Paul D. Andrews, 50

Senior Vice President, Corporate Services

Mr. Andrews joined the Company in July 2001 as Vice President, Client Services. In November 2004, he was appointed to his present position as Senior Vice President (SVP), Corporate Services. He previously served as Assistant Vice President of SAFECO Insurance Companies, a position he held from 1998 to 2001, where he was responsible for field operations and personal insurance. Mr. Andrews has 20 years of experience in the insurance industry.

Bret A. Conklin, 43

Senior Vice President and Controller

Mr. Conklin joined the Company as Senior Vice President and Controller in January 2002. Mr. Conklin has over 20 years of experience in the insurance industry, including: serving as Vice President of Kemper Insurance from January 2000 through January 2002, where he was responsible for all corporate financial reporting and accounting operations; serving as Vice President and Controller of the Company from July 1998 through January 2000; being associated with Pekin Insurance from September 1992 through June 1998 and serving as its Vice President and Controller; and seven years of public accounting experience with KPMG Peat Marwick from 1985 to 1992, specializing in its insurance industry practice.

Frank D Ambra III, 53

Senior Vice President, Life and Annuity

Mr. D Ambra joined the Company in February 2005 as Senior Vice President, Life and Annuity. Prior to joining the Company, he was President of Financial Concepts, a consulting firm he founded in 2002 that focused on helping insurance and investment firms identify and develop market and business opportunities. From 1999 to 2002, he served as Vice President and Director of Marketing and Client Relations with Swiss Re Investors. Mr. D Ambra has over 25 years of experience in the insurance and financial services industry.

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Dwayne D. Hallman, 44

Senior Vice President, Finance

Mr. Hallman joined the Company in January 2003 as Senior Vice President, Finance. From September 2000 to December 2002, he served as the Chief Financial Officer of Acceptance Insurance Companies, where he was responsible for financial reporting, investor relations, the treasury and investment management functions and property-casualty operations. From July 1995 to August 2000, Mr. Hallman served as Vice President, Finance and Treasurer at Highlands Insurance Group, where he was responsible for financial reporting, treasury, planning and office services. Mr. Hallman has over 20 years of experience in the insurance industry.

Robert B. Joyner, 63

Senior Vice President, Marketing

Mr. Joyner joined the Company in March 1971 as an agent. He has held several positions of increasing responsibility within the Company's marketing operations, including service as Senior Vice President, Marketing effective September 2001. Mr. Joyner has over 35 years of experience in the insurance industry.

Ann M. Caparrós, 54

General Counsel, Chief Compliance Officer and Corporate Secretary

Ms. Caparrós joined the Company in March 1994 as Vice President, General Counsel and Corporate Secretary. In October 2000, she also assumed responsibility as Chief Compliance Officer. Ms. Caparrós has over 25 years of experience in the insurance industry.

BOARD OF DIRECTORS AND COMMITTEES

There were nine members on the Board as of March 26, 2007. The Board met seven times during 2006. No Director of the Company attended fewer than 75% of the Board meetings and the committee meetings to which he or she was appointed and served during 2006. The Chairman of the Board presides over all executive sessions of the Board, including executive sessions of non-management Directors, and may be contacted as described in Communications with Directors or as detailed at www.horacemann.com, under Investor Relations Corporate Governance .

The Company's Corporate Governance Principles provide that the Board consist of a majority of directors who meet the criteria for independence required by the listing standards of the NYSE, as set forth in the NYSE's Rule 303A.02. Based on the independence requirements of the NYSE and after reviewing any relationships between the Directors and the Company or its management (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company or its management) that could impair, or appear to impair, the Director's ability to make independent judgments, the Board determined that none of its non-employee Directors have a material relationship with the Company, and therefore all of these Directors are independent. This independence question is analyzed annually in both fact and appearance to promote arms-length oversight. The non-employee Directors are Mr. Abbott, Dr. Futrell, Mr. Hasenmiller, Mr. Melone, Mr. Morby, Mr. O Malley, Mr. Parker and Mr. Steinbecker.

Committees of the Board

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

The **Executive Committee** exercises certain powers of the Board during intervals between meetings of the Board and, as requested by the Chief Executive Officer, acts as a sounding board for discussing strategic and operating issues. The current members of this committee are Mr. Melone (Chairman), Mr. Abbott, Mr. Lower, Mr. O Malley and Mr. Parker. The Executive Committee did not meet during 2006.

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The **Compensation Committee** reviews, approves and recommends the compensation of Executive Officers and Directors of the Company. The current members of this committee are Mr. Abbott (Chairman), Dr. Futrell and Mr. Melone and each is independent under the listing standards of the NYSE. The Compensation Committee met five times during 2006.

The Compensation Committee approves, and, in certain instances, recommends to the Board, the salaries, bonuses and benefit plans and awards applicable to the Executive Officers and members of the Board. The Compensation Committee receives recommendations from management and has unrestricted access to the Company's personnel documents and to reports or evaluations of any independent specialists or advisors who are retained by the Company or the Compensation Committee to analyze the compensation, pension and other benefits of the Executive Officers and members of the Board. The Compensation Committee also has access to any other resources which it needs to discharge its responsibilities including selecting, retaining and/or replacing, as needed, compensation and benefits consultants and other outside consultants to provide independent advice to the Compensation Committee. Additional information regarding the processes and procedures for the consideration and determination of executive and Director compensation is provided in Executive Compensation Compensation Discussion and Analysis .

The **Nominating & Governance Committee** oversees succession planning and executive continuity issues relating to the senior management of the Company, including the Chief Executive Officer, and also recommends Director nominees to the Board. The Nominating & Governance Committee will consider Director nominees recommended by Shareholders. Nominations may be submitted in writing to Ann M. Caparrós, Corporate Secretary, Horace Mann Educators Corporation, 1 Horace Mann Plaza, Springfield, Illinois 62715-0001 not later than December 31, 2007 in order for such proposal to be considered for inclusion in the Company's Proxy Statement and proxy relating to the 2008 Annual Meeting of Shareholders. There are no differences in the evaluation of nominees recommended by Shareholders. The Committee evaluates possible nominees to the Board on the basis of the factors it deems relevant, including the following:

high standards of personal character, conduct and integrity;

an understanding of the interests of the Company's Shareholders, customers, employees, suppliers, communities and the general public;

the intention and ability to act in the interest of all Shareholders;

a position of leadership and substantial accomplishment in his or her field of endeavor, which may include business, government or academia;

the ability to understand and exercise sound judgment on issues related to the goals of the Company;

a willingness and ability to devote the time and effort required to serve effectively on the Board, including preparation for and attendance at Board and committee meetings;

the absence of interests or affiliations that could give rise to a biased approach to directorship responsibilities and/or a conflict of interest, and the absence of any significant business relationship with the Company except for the employment relationship of an inside Director; and

the needs of the Board, including diversity, age, skills and experience.

The Nominating & Governance Committee also develops and recommends to the Board corporate governance principles applicable to the Company. The current members of this committee are Mr. Melone (Chairman), Mr. Abbott, Dr. Futrell and Mr. O Malley and each is independent under the listing standards of the NYSE. The Nominating & Governance Committee met four times during 2006.

The **Investment & Finance Committee** approves investment strategies, monitors the performance of investments made on behalf of the Company and its subsidiaries and oversees issues and decisions relating to the Company's capital structure. The current members of this committee are Mr. Parker (Chairman), Mr. Hasenmiller, Mr. Lower, Mr. Morby and Mr. Steinbecker. The Investment & Finance Committee met four times during 2006.

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The **Audit Committee** oversees the accounting and financial reporting process, audits of the financial statements and internal operating controls of the Company. It meets with both the Company's management and the Company's independent registered public accounting firm. The current members of this committee are Mr. O Malley (Chairman), Mr. Hasenmiller, Mr. Morby, Mr. Parker and Mr. Steinbecker and each is independent under the listing standards of the NYSE. No Audit Committee member serves on the audit committee of more than three other publicly traded companies. The Audit Committee met 12 times during 2006.

The Board has determined that Mr. O Malley and Mr. Steinbecker are financial experts. Mr. O Malley is currently the Chairman Emeritus of Price Waterhouse LLP, a title he has held since July 1995. Prior to that, he served as Chairman and Senior Partner of Price Waterhouse LLP. For information regarding Mr. Steinbecker's experience, see Matters to be Considered Proposal No. 1 Election of Seven Directors Board Nominees .

Report of the Audit Committee of the Board of Directors

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors acting under a written charter which is provided as Appendix A to this Proxy Statement. The Audit Committee is composed of five Directors, each of whom is independent as defined by the New York Stock Exchange listing standards. Management has the primary responsibility for the Company's financial statements and its reporting process, including the Company's systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited consolidated financial statements in the Annual Report on Form 10-K with management including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and clarity of disclosures in the financial statements.

The Audit Committee has discussed with our independent registered public accounting firm, who is responsible for expressing an opinion on the conformity of those audited consolidated financial statements with U.S. generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required by Statement on Auditing Standards No. 61 (Communication with Audit Committees). In addition, the Audit Committee has received from the independent registered public accounting firm the written disclosures required by Independence Standards Board No. 1 (Independence Discussions with Audit Committees) and discussed with them their independence from the Company and its management taking into account the potential effect of any non-audit services provided by the independent registered public accounting firm.

The Audit Committee discussed with the Company's internal auditors and independent registered public accounting firm the overall scope and plans for their respective audits. The Audit Committee meets with the internal auditors and the independent registered public accounting firm, with and without management present, to discuss the results of their audits, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting. The Audit Committee held 12 meetings during 2006.

In reliance on the reviews and discussions referred to above, the Audit Committee approved that the audited consolidated financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2006 for filing with the SEC. The Audit Committee approved the selection of the Company's independent registered public accounting firm.

AUDIT COMMITTEE

SHAUN F. O MALLEY, *Chairman*

STEPHEN J. HASENMILLER, JEFFREY L. MORBY, CHARLES A. PARKER, and ROGER J. STEINBECKER, *Members*

Compensation Committee Interlocks and Insider Participation

There are no Compensation Committee interlocks between the Company and other entities involving the Company's Executive Officers and Directors who serve as executive officers or directors of such other entities. During 2006, no member of the Compensation Committee was a current or former officer or employee of the Company.

Table of Contents**Director Compensation**

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

Compensation Element	Non-Employee Director Compensation
Annual Retainer	\$25,000 (\$75,000 for Board Chairman)
Committee Chair Retainer	\$4,000 per committee (\$7,500 for Audit Committee)
Share-based Compensation	Initial grant of 2,000 restricted stock units upon joining the Board with a one-year vesting period
	Annual grant of 2,000 restricted stock units with a one-year vesting period
Board Meeting Fee	\$1,500 (in-person or telephonic attendance)
Committee Meeting Fee	\$1,000 per meeting (\$1,500 for Audit Committee members; \$2,500 for Audit Committee Chair)
Deferred Fees Match	Directors electing to defer cash compensation into Common Stock equivalent units receive a 25% match in additional Common Stock equivalent units.
Basic Life Insurance	Premium for \$10,000 face amount
Travel Accident Insurance	Premium for \$100,000 coverage

Non-employee Directors are required to hold shares of Common Stock in HMEC equal to two times their annual cash retainer. Until non-employee Directors meet this ownership requirement, they must retain all Common Stock equivalent units and restricted stock units granted as share-based compensation (net of taxes). All non-employee Directors have met the guidelines.

Employee Directors do not receive compensation for serving on the Board and are subject to separate stock ownership guidelines. See Executive Compensation Compensation Discussion and Analysis Stock Ownership and Holding Requirements .

Director Compensation in 2006

The following table sets forth information regarding compensation earned by, or paid to, the non-employee Directors during 2006.

Name	Fees Earned or			Total
	Paid in Cash	Stock Awards	All Other Compensation	
	(\$)	\$(1)	\$(2)	(\$)
William W. Abbott	\$ 48,500	\$ 50,153	\$ 204	\$ 98,857
Mary H. Futrell	\$ 44,500	\$ 55,718	\$ 204	\$ 100,422
Stephen J. Hasenmiller	\$ 57,500	\$ 64,528	\$ 51	\$ 122,079
Joseph J. Melone	\$ 102,500	\$ 75,778	\$ 204	\$ 178,482
Jeffrey L. Morby	\$ 50,500	\$ 62,778	\$ 204	\$ 113,482
Shaun F. O Malley	\$ 78,000	\$ 65,778	\$ 204	\$ 143,982
Charles A. Parker	\$ 60,000	\$ 65,153	\$ 204	\$ 125,357
Roger J. Steinbecker	\$ 39,000	\$ 23,550	\$ 26	\$ 62,576

- (1) Represents the 25% match on fees elected to be deferred, as well as 5 months vesting for restricted stock units in 2006 at \$18.36 (price at May 26, 2005 grant); 7 months vesting at \$16.76 (price at May 24, 2006 grant); and, for Mr. Steinbecker, 5 months vesting at \$16.56 (price at July 13, 2006 grant). As of December 31, 2006 each non-employee Director has 2,000 unvested restricted stock units. In addition, Mr. Abbott, Mr. Melone, Mr. Morby, Mr. O Malley, Mr. Parker and Dr. Futrell have 17,400, 21,000, 17,400, 17,400, 17,400 and 13,000

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fully-vested, unexercised stock options, respectively. Mr. Hasenmiller and Mr. Steinbecker have not been awarded any stock options. All of the unexercised stock options vested prior to 2006 and therefore are excluded.

- (2) Represents insurance premiums provided by the Company for group term life insurance and business travel accident insurance for each Director. The group term life insurance premiums are age-banded and this is reflected in the lower premiums for Mr. Hasenmiller and Mr. Steinbecker. In addition, Mr. Steinbecker's premium was pro-rated because he joined the Board in July 2006.

Communications with Directors

The Company has established various processes to facilitate communications with the Board. Communications to non-employee Directors as a group or to the Chairman of the Board or to an individual Director may be submitted via regular mail addressed to the Board of Directors, c/o General Counsel, Horace Mann Educators Corporation, 1 Horace Mann Plaza, Springfield, Illinois 62715-0001. Additionally, communications may be e-mailed to the Board of Directors, c/o the General Counsel, at hmechofd@horacemann.com. The members of the Board are expected to be present at the Annual Meeting. The following members of the Board attended last year's annual meeting of Shareholders: Mr. Abbott, Dr. Futrell, Mr. Hasenmiller, Mr. Lower, Mr. Melone, Mr. Morby, Mr. O Malley and Mr. Parker.

SPECIAL ADVISORY BOARD

The Company maintains a special advisory board composed of leaders of education associations. The Company meets with the special advisory board at least annually. The education association leaders serving on the special advisory board receive a fee of \$200 plus expenses for each special advisory board meeting attended. The special advisory board met one time in 2006.

CODE OF ETHICS, CODE OF CONDUCT AND CORPORATE GOVERNANCE PRINCIPLES

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

Table of Contents**SECURITY OWNERSHIP OF CERTAIN****BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding beneficial ownership of shares of Common Stock by each person who is known by the Company to own beneficially more than 5% of the issued and outstanding shares of Common Stock, and by each of the Company's Directors, the Company's Chief Executive Officer, Chief Financial Officer and the other three highest compensated Executive Officers (collectively the Named Executive Officers) and by all Directors and Executive Officers of the Company as a group. Information in the table is as of March 26, 2007, except that the number of shares of Common Stock beneficially owned by the 5% beneficial owners is as of December 31, 2006 based on information reported by such persons to the SEC. Except as otherwise indicated, to the Company's knowledge all shares of Common Stock are beneficially owned, and investment and voting power is held solely by the persons named as owners.

Title of Class	Beneficial Owner	Amount of Beneficial Ownership	Percent of Class
Security Ownership of 5% Beneficial Owners			
Common Stock	Ariel Capital Management, LLC(1)	7,832,639	18.2%
Common Stock	Dimensional Fund Advisors LP(2)	3,579,454	8.3%
Common Stock	Barclays Global Investors, NA(3)	2,371,362	5.5%
Common Stock	LSV Asset Management(4)	2,166,290	5.0%
Security Ownership of Directors and Executive Officers			
Common Stock	William W. Abbott(5)	48,961	*
Common Stock	Mary H. Futrell(6)	29,527	*
Common Stock	Stephen J. Hasenmiller(7)	15,017	*
Common Stock	Louis G. Lower II(8)	1,136,118	2.6%
Common Stock	Joseph J. Melone(9)	72,526	*
Common Stock	Jeffrey L. Morby(10)	58,077	*
Common Stock	Shaun F. O Malley(11)	61,771	*
Common Stock	Charles A. Parker(12)	53,734	*
Common Stock	Roger J. Steinbecker(13)	3,272	*
Common Stock	Peter H. Heckman(14)	420,040	*
Common Stock	Douglas W. Reynolds(15)	251,208	*
Common Stock	Paul D. Andrews(16)	93,554	*
Common Stock	Frank D Ambra III(17)	33,175	*
Common Stock	All Directors and Executive Officers as a group (17 persons)(18)	2,610,554	5.7%

* Less than 1%

- (1) Ariel Capital Management, LLC (Ariel) has a principal place of business at 200 E. Randolph Drive, Suite 2900, Chicago, IL 60601 and is an investment adviser registered under Section 203 of the Investment Advisers Act of 1940. All securities reported are owned by investment advisory clients of Ariel, who have the right to dividends and proceeds of any sale of the subject security, no one of which to the knowledge of Ariel owns more than 5% of the class. The foregoing is based on Amendment No. 11 to Schedule 13G filed by Ariel in February 2007.
- (2) Dimensional Fund Advisors LP (Dimensional) has a principal place of business at 1299 Ocean Avenue, Santa Monica, CA 90401 and is an investment adviser registered under Section 203 of the Investment Advisers Act of 1940. Dimensional furnishes investment advice to four investment companies and serves as investment manager to certain other commingled group trusts and separate accounts. These investment companies, trusts and accounts are the Funds . Dimensional possesses investment and/or voting power over the subject securities that are owned by the Funds and may be deemed to be the beneficial owner of the shares held by the Funds. However, all securities reported are owned by the Funds. Dimensional disclaims beneficial ownership of such securities. The foregoing is based on Amendment No. 2 to Schedule 13G filed by Dimensional in February 2007.

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- (3) Barclays Global Investors, NA (Barclays) has a principal place of business at 45 Fremont Street, San Francisco, CA 94105 and is a bank as defined in 15 U.S.C. 78(c) Section 3(a)(6) and Barclays Global Fund Advisors is an investment adviser registered under Section 203 of the Investment Advisers Act of 1940. All securities reported are owned by investment advisory clients of Barclays and Barclays Global Fund Advisors, who have the right to dividends and proceeds of any sale of the subject security, no one of which to the knowledge of Barclays owns more than 5% of the class. The foregoing is based on the Schedule 13G filed by Barclays in January 2007.
- (4) LSV Asset Management (LSV) has a principal place of business at 1 N. Wacker Drive, Suite 4000, Chicago, IL 60606 and is an investment adviser registered under Section 203 of the Investment Advisers Act of 1940. All securities reported are owned by investment advisory clients of LSV, no one of which to the knowledge of LSV owns more than 5% of the class. The foregoing is based on the Schedule 13G filed by LSV in February 2007.
- (5) Includes 31,561 Common Stock equivalent units pursuant to the Deferred Equity Compensation Plan for Directors. Also includes options to purchase 17,400 shares of Common Stock that are currently exercisable.
- (6) Includes 12,461 Common Stock equivalent units pursuant to the Deferred Equity Compensation Plan for Directors. Also includes 4,066 restricted stock units and options to purchase 13,000 shares of Common Stock that are currently exercisable. Does not include 2,126 restricted stock units which have not yet vested.
- (7) Includes 10,951 Common Stock equivalent units pursuant to the Deferred Equity Compensation Plan for Directors. Also includes 4,066 restricted stock units. Does not include 2,126 restricted stock units which have not yet vested.
- (8) Includes options to purchase 1,058,650 shares of Common Stock that are currently exercisable and 57,687 Common Stock equivalent units held under the Deferred Compensation Plan for Employees. Also includes 9,782 shares of Common Stock that are invested in the Horace Mann Stock Fund of the Horace Mann Supplemental Retirement and Savings Plan (the 401(k) Plan). Does not include 49,429 restricted stock units and options to purchase 58,650 shares which have not yet vested.
- (9) Includes 45,459 Common Stock equivalent units pursuant to the Deferred Equity Compensation Plan for Directors. Also includes 4,066 restricted stock units and options to purchase 21,000 shares of Common Stock that are currently exercisable. Does not include 2,126 restricted stock units which have not yet vested. Due to a recalculation to correct Common Stock equivalent units acquired in the years 2001-2005, the total reflects 9,466 fewer Common Stock equivalent units than previously reported.
- (10) Includes 36,611 Common Stock equivalent units pursuant to the Deferred Equity Compensation Plan for Directors. Also includes 4,066 restricted stock units and options to purchase 17,400 shares of Common Stock that are currently exercisable. Does not include 2,126 restricted stock units which have not yet vested.
- (11) Includes 39,905 Common Stock equivalent units pursuant to the Deferred Equity Compensation Plan for Directors. Also includes 4,066 restricted stock units and options to purchase 17,400 shares of Common Stock that are currently exercisable. Does not include 2,126 restricted stock units which have not yet vested.
- (12) Includes 32,268 Common Stock equivalent units pursuant to the Deferred Equity Compensation Plan for Directors. Also includes 4,066 restricted stock units and options to purchase 17,400 shares of Common Stock that are currently exercisable. Does not include 2,126 restricted stock units which have not yet vested.
- (13) Consists entirely of 3,272 Common Stock equivalent units pursuant to the Deferred Equity Compensation Plan for Directors. Does not include 2,021 restricted stock units which have not yet vested.
- (14) Includes options to purchase 396,650 shares of Common Stock that are currently exercisable. Also includes 23,390 Common Stock equivalent units held under the Deferred Compensation Plan for Employees. Does not include 22,455 restricted stock units and options to purchase 26,650 shares which have not yet vested.
- (15) Includes options to purchase 234,000 shares of Common Stock that are currently exercisable and 12,774 Common Stock equivalent units held under the Deferred Compensation Plan for