HORACE MANN EDUCATORS CORP /DE/
Form S-3/A
October 11, 2002

As filed with the Securities and Exchange Commission on October 11, 2002

Registration No. 333-98043

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO. 2

TO

Form S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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 Number)*

1 Horace Mann Plaza
Springfield, Illinois 62715-0001
(217) 789-2500

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Office)

Ann M. Caparros **General Counsel, Chief Compliance Officer** **and Corporate Secretary** **Horace Mann Educators Corporation** **1 Horace Mann Plaza** **Springfield, Illinois 62715-0001** **(217) 789-2500**	***With a copy to:*** **Conor D. Reilly, Esq.** **Gibson, Dunn & Crutcher LLP** **200 Park Avenue** **New York, New York 10166** **(212) 351-4000**

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Approximate date of commencement of proposed sale to the public: From time to time after this Registration Statement becomes effective as determined by market conditions.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. o

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. þ

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to Be Registered	Amount to Be Registered	Proposed Maximum Offering Price Per Security	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Senior Convertible Notes due 2032	$353,500,000(1)(2)	$419.375(3)(4)	$148,249,063	$13,639
Common Stock, $0.001 par value per share	6,279,221 shares(5)	$ (6)	$ (6)	$ (6)

(1) Equals the aggregate principal amount of notes that were originally issued by the Registrant on May 14, 2002.

(2) Some or all of these securities may be offered by selling securityholders as reflected in Selling Securityholders on page 56.

(3) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act, based upon the average of the bid and asked prices for the Senior Convertible Notes on August 9, 2002.

(4) Excludes accrued interest and distributions, if any.

(5) Represents the number of shares of common stock that are currently issuable upon conversion of the notes, based on the initial conversion rate of 17.763 shares of common stock for each $1,000 principal amount of the notes. In addition, pursuant to Rule 416 under the Securities Act, the amount to be registered also includes an indeterminate number of shares of common stock that may be issued as a result of stock splits, stock dividends and anti-dilution provisions.

(6) No separate consideration will be received for the shares of common stock issuable upon conversion of the notes; therefore, no registration fee is required pursuant to Rule 457(i) under the Securities Act.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. The selling securityholders may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated October 11, 2002

Horace Mann Educators Corporation

$353,500,000

Senior Convertible Notes due 2032 and the Common Stock Issuable upon Conversion of the Senior Convertible Notes

On May 14, 2002, we issued $353,500,000 in aggregate principal amount of the notes, including $37,700,000 in aggregate principal amount of the notes that were issued pursuant to the exercise of an overallotment option, at an issue price of $475.00 per note in a private placement. This prospectus will be used by selling securityholders to resell their notes and the shares of our common stock into which the notes are convertible.

The notes have the following terms:

Interest on the notes at the rate of 1.425% per year on the principal amount at maturity is payable semiannually in arrears in cash on May 14 and November 14 of each year, beginning November 14, 2002 until May 14, 2007. After that date, we will not pay cash interest on the notes prior to maturity unless contingent cash interest becomes payable. Instead, on May 14, 2032, the maturity date of the notes, each holder will receive $1,000 per note. The notes are senior unsecured obligations and rank equally with our existing and future senior unsecured indebtedness.

We will pay additional cash interest to the holders of the notes during any six-month period commencing after May 14, 2007 under the conditions and in the amounts described in this prospectus. For United States federal income tax purposes, the notes constitute contingent payment debt instruments. You should read the discussion on Material United States Federal Income Tax Consequences relevant to the notes beginning on page 49.

Holders may convert each note into 17.763 shares of our common stock, subject to adjustment, under the conditions described in this prospectus.

Holders may require us to purchase all or a portion of their notes on May 14 of 2007, 2012, 2017, 2022 and 2027 at the prices described in this prospectus, plus accrued cash interest, if any. In addition, if a change in control of us occurs, each holder may require us to purchase for cash all or a portion of such holder s notes at a price equal to the sum of the issue price plus accrued original issue discount and accrued cash interest, if any, to the date of purchase.

We may redeem for cash all or a portion of the notes at any time on or after May 14, 2007, at a price equal to the sum of the issue price plus accrued original issue discount and accrued cash interest, if any, on the redemption date.

The selling securityholders will receive all of the net proceeds from the sale of the notes or the underlying common stock.

The notes initially were sold to qualified institutional buyers and are currently trading in the PORTAL market. However, notes sold by means of this prospectus are not eligible for trading in the PORTAL market. We do not intend to list the notes for trading on the New York Stock Exchange or any other national securities exchange. Our common stock is quoted on the New York Stock Exchange under the symbol HMN. On August 12, 2002, the last reported sale price of our common stock on the New York Stock Exchange was $16.00 per share.

Investing in the notes involves risks. See Risk Factors beginning on page 13 of this prospectus.

Neither the Securities and Exchange Commission nor any other state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is October 11, 2002.

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PROSPECTUS SUMMARY

This prospectus summary highlights selected information appearing elsewhere in this prospectus or incorporated by reference in this prospectus and may not contain all of the information that is important to you. This prospectus includes the specific terms of the notes offered by the selling securityholders, as well as information regarding our business and detailed financial data. You should read the following summary, together with the more detailed information regarding our company and our notes sold in this offering and our financial statements and the notes to those statements incorporated by reference in this prospectus.

Horace Mann Educators Corporation

We market and underwrite personal lines of property and casualty and life insurance and retirement annuities. We market our products primarily to educators and other employees of public schools and their families. Our 1.0 million customers typically have moderate annual incomes, with many belonging to two-income households. Their financial planning tends to focus on security, savings and primary insurance needs. Horace Mann is the largest national multi-line insurance company focused on the niche educator market.

We sell and service our products primarily through an exclusive sales force of full-time agents employed by us and trained to sell multi-line products. These agents sell only our products and supplemental products authorized by us. Many of our agents are former educators who utilize their contacts within, and knowledge of, the target market. Compensation for our sales agents includes an incentive element based upon the profitability of the business they write.

Our insurance premiums written and contract deposits for the year ended December 31, 2001 were $875.6 million, net income was $25.6 million and operating income (net income before the after-tax impact of realized investment gains and losses, restructuring charges, litigation charges and the provision for prior years taxes) was $35.6 million. Our total assets were $4.5 billion at December 31, 2001. The property and casualty segment accounted for 59% of our insurance premiums written and contract deposits for the year ended December 31, 2001, while accounting for 15% of operating income for the period. The annuity and life insurance segments together accounted for 41% of insurance premiums written and contract deposits for the year ended December 31, 2001 (27% and 14%, respectively), and provided 111% (58% and 53%, respectively) of operating income for the period.

The primary products of our property and casualty segment are private passenger automobile and homeowners insurance. In each of the last 10 years, our combined loss and expense ratio for our property and casualty product lines outperformed the total property and casualty industry combined loss and expense ratio, as reported by A.M. Best Company, Inc., an independent insurance rating agency. During this period, our combined loss and expense ratio was better than the total property and casualty insurance industry combined loss and expense ratio by an average of approximately 12 percentage points per year. During the same period of time, our combined loss and expense ratio was better than the personal lines insurance industry segment combined loss and expense ratio by an average of approximately 9 percentage points per year.

One of the reasons why our property and casualty lines have performed better than the industry average is our property and casualty expense ratio, which has been consistently better than the industry ratio since 1983. During the last 10 years, our property and casualty expense ratio has been better than the property and casualty industry personal lines average expense ratio as reported by A.M. Best by an average of 4.5 percentage points per year. Our property and casualty expense ratio for the year ended December 31, 2001 was 21.6%.

We are one of the 20 largest participants in the fixed and variable 403(b) tax-qualified annuities market, measured by net written premium on a statutory accounting basis, according to information from A.M. Best for 2000. Our 403(b) tax-qualified annuities are annuities purchased voluntarily by individuals employed by public school systems or other tax-exempt organizations. Approximately 60% of our new

annuity contract deposits in 2001 were for 403(b) tax-qualified annuities; approximately 75% of accumulated annuity value on deposit with us as of June 30, 2002 was 403(b) tax-qualified. At December 31, 2001, the accumulated value of all of our annuity contracts (tax and non-tax qualified) was $2.4 billion, representing 139,000 contracts in force. For the 2001 year, 93% of the accumulated cash value of our fixed annuity business remained on deposit, and 92% of our variable annuity business remained on deposit. All annuities issued since 1982, and approximately 79% of all outstanding fixed annuity accumulated cash values, are subject in most cases to substantial early withdrawal penalties, typically ranging from 5% to 13% of the amount withdrawn. Withdrawals of outstanding variable annuities are limited to amounts less than or equal to the then current market value of such annuities, minus withdrawal penalties as applicable. Generally, a penalty is imposed under the Internal Revenue Code on amounts withdrawn from tax-qualified annuities prior to age 59 1/2. Total accumulated annuity funds on deposit at December 31, 2001 consisted of 42% variable annuities and 58% fixed annuities.

Our investment portfolio, including variable annuity assets under management of $1.0 billion, had an aggregate fair value of $4.0 billion at December 31, 2001. Our investments other than variable annuity assets consist principally of investment grade, publicly traded fixed income securities. At December 31, 2001, our investments in non-investment grade securities represented 5.3% of total investments excluding variable annuity assets. We have no significant investments in mortgage loans, real estate, foreign securities or privately placed securities.

Our principal executive offices are located at 1 Horace Mann Plaza, Springfield, Illinois 62715-0001. Our telephone number at that address is (217) 789-2500. Our website address is www.horacemann.com. Information on our website does not constitute part of this registration statement.

Corporate Strategy: The Horace Mann Value Proposition

The Horace Mann Value Proposition articulates our overarching strategy and business purpose: Provide lifelong financial well-being for educators and their families through personalized service, advice, and a full range of tailored insurance and financial products.

In 2000, our management announced steps to focus on our core business and accelerate the growth of our revenues and profits. These initiatives are intended to:

- Grow and strengthen the agency force and make our agents more productive by improving the products, tools and support we provide to them;
- Expand our penetration of targeted geographic areas and new segments of the educator market;
- Broaden our distribution options to complement and extend the reach of our agency force;
- Increase cross-selling and improve retention in our existing book of business; and
- Make our products more responsive to customer needs and preferences and expand our product lines within the personal financial services segment.

During the fourth quarter of 2000, our management began implementing specific plans that address the initiatives above. New compensation and evaluation systems were implemented during 2001 to improve the performance of our agents and agency managers. We have begun targeting high-priority geographic markets with dedicated staff teams. New approaches to customer service are being developed and tested that will free agents to spend more time selling. Additional distribution options are being initiated to capitalize fully on the value of our payroll deduction slots in schools across the country. And, we will increase our use of technology to improve the efficiency of our agency force and administrative operations.

Recent Developments

Our underlying business performance for the first half of 2002 was consistent with our estimates and improved compared to the first half of 2001. A net loss of $3.7 million or 9 cents per share was reported for the first half of 2002 compared with net income of $11.8 million and 29 cents per share in the same

period last year. Operating income was $24.0 million or 58 cents per share compared with $12.3 million and 30 cents per share in the same period last year. After-tax investment losses were $25.2 million for the first half of 2002, including after-tax investment losses of $12.6 million on the securities of WorldCom, Inc. and impairment of other securities primarily in the communications sector of $20.2 million after tax. In the current period, net income also reflected after-tax charges of $1.5 million related to the retirement of debt and $1.0 million due to class action lawsuits related to diminished value.

Excluding Massachusetts automobile premiums, which we ceased writing on January 1, 2002, core lines premiums written for the first half were $429.7 million, an increase of 5% from the first half of 2001. Our core product lines are retirement annuities and automobile (excluding involuntary), property and life insurance. Agent productivity, measured as sales per average agent, for the first half of 2002 increased 9% compared to a year earlier, offsetting a 4% decline in the number of agents. New annuity deposits increased to $128.4 million, a 6% increase compared to a year earlier. The property and casualty combined ratio for the first half of 2002 was 103.7%, compared to 109.2% a year earlier, reflecting favorable weather and increases in average premium per policy partially offset by increases in claim adjustment expenses and company-wide operating expenses. In the first half of 2001, prior years reserves were strengthened $11.0 million pre-tax compared to a minimal impact in the current period. Premiums written for voluntary property and casualty insurance increased to $246.3 million for the six months, a 7% increase compared to the prior year excluding Massachusetts automobile premiums.

In addition, we are restructuring our property and casualty claims operations in an effort to retain more direct control over the claims settlement process and to strengthen our ability to effectively serve our customers. We expect to realize operating and cost efficiencies and also improve customer service by consolidating claims office locations throughout the United States in 6 offices compared to the current 17 offices, implementing a new claims administration system and performing certain claims reporting and adjusting functions internally versus utilizing external service providers.

While the total number of employees in the new claims organization is ultimately expected to be somewhat higher than current staffing levels, reflecting a shift to more employee claims adjusters and reduced usage of independent contractors, we estimate that a total of approximately 135 employees will be impacted by the office consolidations. Charges for severance and other costs related to the office closures of approximately $2.5 million after tax, or 6 cents per share, will be reflected in the third quarter of 2002 as a non-operating income restructuring charge. We expect that these actions will have a positive impact on operating earnings in 2003 and beyond. In addition to cost efficiencies anticipated from the new claims environment, the restructuring is expected to have a favorable impact on automobile, as well as homeowners, claim severity.

During the first half of 2001, we continued to refine our process and methods for evaluating property and casualty reserves and selected a new independent property and casualty actuarial consulting firm. During the second quarter of 2001, a comprehensive review of property and casualty loss reserving methodologies and assumptions was completed in conjunction with the new actuarial firm. Based on our review of this further enhanced analysis and the opinion of the new actuarial firm, prior years net reserves predominantly related to 1999 and prior accident years were increased by $11.0 million at June 30, 2001. This consisted primarily of an $8.0 million reduction in reserves to be ceded by us to our reinsurers and reinsurance facilities, including $1.5 million related to our automobile residual market business, primarily in Massachusetts; $2.0 million for our voluntary automobile ceded excess liability coverage; and approximately $4.5 million related to our educators excess professional liability product. On December 31, 2001, we increased reserves for property and casualty claims occurring in prior years by an additional $4.7 million. Ceded and assumed reserves were strengthened by $6.4 million, primarily as a result of an updated review of subrogation recovery activity on business ceded to the state automobile insurance facility in Massachusetts. That strengthening was partially offset by $1.7 million of favorable development of reserves on our direct automobile business.

As of June 30, 2002, approved rate increases on our automobile and property business were approximately 8% and 21%, respectively. Our competitors have taken similar rate increases as well. Rate increases are also anticipated in the future which could have a negative impact on our competitive market position.

In 2001 and 2002, certain of the ratings of our principal insurance subsidiaries were downgraded by rating agencies as a result of factors impacting our earnings for the three months ended December 31, 2000 and for the six months ended June 30, 2002. In August 2001, Standard & Poor s Corporation downgraded the financial strength ratings for each of our principal insurance subsidiaries, except Horace Mann Lloyds which was not yet rated by Standard & Poor s, one notch from AA- to A+ and identified the outlook for the ratings as Stable. In May 2002, A.M. Best Company downgraded the financial strength ratings of our property and casualty subsidiaries one notch from A+ (Superior) to A (Excellent) reflecting capitalization of these subsidiaries compared to A.M. Best s standard for the Superior rating and the impact on earnings in 2000 and 2001 of prior years reserve strengthening. In July 2002, as a result of our second quarter 2002 investment losses stemming from the impact on the financial markets from the announced SEC investigation into the accounting practices of WorldCom, Inc., Moody s Investors Service, Inc. revised the outlook for the financial strength ratings of our principal subsidiaries, with the exception of Horace Mann Lloyds which is not yet rated by Moody s, from Stable to Negative. In fact, Moody s has identified the financial strength ratings for the entire life insurance industry as having a negative outlook. Moody s announcement indicated that material adverse deviations from our expected level of capital growth and earnings could trigger a subsequent ratings downgrade. In April 2001, Fitch, Inc. downgraded the financial strength ratings for each of our principal insurance subsidiaries one notch from AA to AA- and, in September 2002, revised the outlook for the ratings from Stable to Negative. The September 2002 change in outlook was the result of the second quarter 2002 investment losses discussed above as well as our increased financial leverage and the competitive nature of the annuity markets in which we compete. Fitch s announcement indicated that the key expectations for us to maintain our existing ratings include a return to our long-term financial leverage targets while maintaining our existing NAIC risk-based capital ratios, the continued demonstration of above industry underwriting performance in our property casualty operations and no unexpected deterioration in our asset quality. A material adverse deviation from these expectations could trigger a subsequent ratings downgrade.

As of September 30, 2002, each of our principal insurance subsidiaries was rated A+ (Strong) for financial strength by Standard & Poor s with a ratings outlook of Stable, A (Excellent) for financial strength by A.M. Best with a ratings outlook of Stable, A2 (Good) for financial strength by Moody s with a ratings outlook of Negative and AA- (Very Strong) for financial strength by Fitch with a ratings outlook of Negative.

These notes initially had an investment grade rating of BBB+ from Standard & Poor s, Baa2 from Moody s, A- from Fitch and bbb+ from A.M. Best. On July 25, 2002, Moody s affirmed its Baa2 rating, but revised the outlook for the rating from Stable to Negative. This change in outlook was the result of our second quarter 2002 investment losses stemming from the impact on the financial markets from the announced SEC investigation into the accounting practices of WorldCom, Inc. Moody s announcement indicated that material adverse deviations from our expected level of capital growth and earnings could trigger a subsequent ratings downgrade. On September 19, 2002, Fitch affirmed its A- rating, but revised the outlook for the rating from Stable to Negative. This change in outlook was the result of the second quarter 2002 investment losses discussed above as well as our increased financial leverage and the competitive nature of the annuity markets in which we compete. Fitch s announcement indicated that the key expectations for us to maintain our existing ratings include a return to our long-term financial leverage targets while maintaining our existing NAIC risk-based capital ratios, the continued demonstration of above industry underwriting performance in our property casualty operations and no unexpected deterioration in our asset quality. A material adverse deviation from these expectations could trigger a subsequent ratings downgrade. Standard & Poor s and A.M. Best continue to indicate that the outlook for their rating is Stable.

A meeting of our board of directors took place on September 10 and 11, 2002. At this meeting the board passed resolutions authorizing us to engage in open market repurchases of the notes being registered under this prospectus. As of October 10, 2002, we have repurchased, in privately negotiated transactions, $40 million in aggregate principal amount of the notes being registered under this prospectus. In addition, the board authorized us to enter into a life reinsurance agreement, which would provide additional surplus to our life insurance subsidiaries.

The Offering

Issuer	Horace Mann Educators Corporation.
Notes Offered	The resale by the selling securityholders of $353,500,000 aggregate principal amount at maturity of Senior Convertible Notes due May 14, 2032. Each note has a principal amount at maturity of $1,000 and was originally issued at a price of $475.00 per note (47.50% of the principal at maturity).
Maturity Date	May 14, 2032.
Cash Interest	1.425% per year on the principal amount at maturity, payable semiannually in arrears in cash on May 14 and November 14 of each year, beginning November 14, 2002, through May 14, 2007. This cash interest is taxable to holders as original issue discount for United States federal income tax purposes and accordingly, is taxed to a holder as it accrues regardless of the holder s method of tax accounting. However, a holder will not recognize any income upon the actual payment of such cash interest. See Material United States Federal Income Tax Consequences.
Contingent Cash Interest	We will pay contingent cash interest to holders of the notes during any six-month period commencing after May 14, 2007, if the average market price of a note for the five trading days ending on the third trading day immediately preceding the first day of the applicable six-month period equals 120% or more of the sum of the issue price, accrued original issue discount and accrued cash interest, if any, for a note to the day immediately preceding the relevant six-month period.
	The contingent cash interest payable per note in respect of any quarterly period within any six-month period will equal the greater of (i) $0.105 multiplied by the then applicable conversion rate and (ii) any regular cash dividends per share paid by us on our common stock during that quarterly period multiplied by the then applicable conversion rate. Notwithstanding the above, if we declare a dividend for which the record date falls prior to the first day of a six-month period but whose payment date falls within that six-month period, then the five trading day period for determining the average market price of a note will be the five trading days ending on the third trading day immediately preceding such record date. For United States federal income tax purposes, the notes constitute contingent payment debt instruments.
	Contingent cash interest, if any, will accrue and be payable on the related regular common stock cash dividend payment date to holders of notes as of the record date for such dividend or, if no regular cash dividend is paid by us during a quarter within the relevant six-month period, on the last day of such period to holders of notes as of the 15th day preceding the last day of such six-month period. Original issue discount will continue to accrue at the yield to maturity whether or not contingent cash interest is paid.

Yield-to-Maturity of Notes	3% per year, computed on a semiannual bond equivalent basis and calculated from May 14, 2002, excluding any contingent cash interest.
Original Issue Discount	The notes initially were offered at an issue price significantly below the principal amount at maturity of the notes. As a result, the notes are treated as issued with original issue discount, which for non-tax purposes will accrue daily at a rate of 3% per year beginning on May 14, 2007, calculated on a semiannual bond equivalent basis using a 360-day year comprised of twelve 30-day months.
Tax Original Issue Discount	In addition, the notes are debt instruments subject to the United States federal income tax contingent payment debt regulations. You should be aware that, even if we do not pay any contingent cash interest on the notes, you are required to include imputed interest in your gross income for United States federal income tax purposes. For United States federal income tax purposes, interest, also referred to as tax original issue discount, accrues from May 14, 2002, at a constant rate of 6.90% per year, calculated on a semiannual bond equivalent basis, which represents the yield on our comparable noncontingent, nonconvertible, fixed-rate debt instrument with terms and conditions otherwise similar to the notes. U.S. holders are required to include tax original issue discount (including the portion of the tax original issue discount represented by cash interest payments) in their gross income as it accrues regardless of their method of tax accounting. The rate at which the tax original issue discount accrues for United States federal income tax purposes will exceed the stated yield of 3% for accrued original issue discount.
	You also will recognize gain or loss on the sale, purchase by us at your option, exchange, conversion or redemption of a note in an amount equal to the difference between the amount realized on the sale, purchase by us at your option, exchange, conversion or redemption, including the fair market value of any shares of common stock received upon conversion or otherwise, and your adjusted tax basis in the note. Any gain recognized by you on the sale, purchase by us at your option, exchange, conversion or redemption of a note generally will be ordinary interest income; any loss will be ordinary loss to the extent of the interest previously included in income, and thereafter, capital loss. See Material United States Federal Income Tax Consequences.
Conversion Rights	For each $1,000 principal amount of notes surrendered for conversion, if the conditions for conversion are satisfied, you will receive 17.763 shares of our common stock.
	In lieu of delivering shares of our common stock upon conversion of all or any portions of the notes, we may elect to pay holders surrendering notes cash or a combination of cash and shares of our common stock for the notes surrendered. If we elect to pay holders cash for their notes, the payment will be based on the average sale price of our common stock for the five consecutive trading days immediately following either:

the date of our notice of our election to deliver cash, which we must give within two business days after receiving a conversion notice, unless we have earlier given notice of redemption as described in this prospectus; or

the conversion date, if we have given notice of redemption specifying that we intend to deliver cash upon conversion thereafter.

The conversion rate may be adjusted for certain reasons, but will not be adjusted for accrued original issue discount, accrued cash interest, any contingent cash interest or interest payable upon the occurrence of a tax event. Upon conversion, a holder will not receive any cash payment representing accrued original issue discount, accrued cash interest or contingent cash interest. Instead, accrued original issue discount, accrued cash interest or contingent cash interest will be deemed paid by the shares of common stock received by the holder on conversion.

If as of the last day of any calendar quarter beginning with the quarter ending September 30, 2002, the closing sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of such quarter is more than a specified percentage (120% until and including March 31, 2007, thereafter declining 0.1% per quarter to 110% on the last day of the quarter ending March 31, 2032) of the accreted conversion price per share of common stock on the last day of such quarter, then on and after the first day of the following quarter holders may surrender notes for conversion into shares of common stock. The accreted conversion price per share as of any day will equal the sum of the issue price of the note plus the accrued original issue discount or accrued cash interest, if any, divided by the number of shares issuable upon conversion of a note subject to any adjustments to the conversion rate through that day.

Holders may also surrender notes for conversion when the credit rating assigned to the notes is Ba2 or lower by Moody s Investors Service, Inc. or BB+ or lower by Standard & Poor s Credit Market Services, a division of the McGraw-Hill Companies, the notes are no longer rated by either Moody s or Standard & Poor s, or the credit rating assigned to the notes has been suspended or withdrawn by either Moody s or Standard & Poor s.

Notes or portions of notes in integral multiples of $1,000 principal amount at maturity called for redemption may be surrendered for conversion until the close of business on the second business day prior to the redemption date. In addition, if we make certain distributions to our stockholders with a per share value of more than 15% of the closing sale price of our common stock on the date immediately preceding the declaration of such distribution, or if we are a party to certain consolidations, mergers or binding share exchanges, notes may be surrendered for conversion, as provided in Description of Notes Conversion Rights. The ability to surrender notes for conversion expires at the close of business on May 14, 2032.

Optional Conversion to Semiannual Coupon Notes upon Tax Event	From and after the occurrence of a tax event subsequent to May 14, 2007, as described hereafter, at our option, interest in lieu of future accrued original issue discount accrues on each note from the option exercise date at 3% per year, calculated on a semiannual bond equivalent basis, on the restated principal amount and will be payable semiannually. Any such interest in lieu of original issue discount will be computed in the same manner and payable at the same time as the cash interest and will accrue from the most recent date to which cash interest, if payable, has been paid or provided for or, if no cash interest is payable or has been paid or provided for, the option exercise date. In such event, the redemption price, purchase price and change in control purchase price will be adjusted, as described herein. However, there will be no change in the holder s conversion rights. See Description of Notes Optional Conversion to Semiannual Coupon Notes upon Tax Event.
Redemption of Notes at Our Option	We may redeem for cash all or a portion of the notes at any time on or after May 14, 2007, at redemption prices equal to the sum of the issue price plus accrued original issue discount and accrued cash interest, if any, on the applicable redemption date. See Description of Notes Redemption of Notes at Our Option.
Purchase of the Notes by Horace Mann at the Option of the Holder	Holders may require us to purchase all or a portion of their notes on each of the following dates at the following prices, plus accrued cash interest, if any, to the purchase date: on May 14, 2007 at a price of $475.00 per note; on May 14, 2012 at a price of $551.26 per note; on May 14, 2017 at a price of $639.76 per note; on May 14, 2022 at a price of $742.47 per note; and on May 14, 2027 at a price of $861.67 per note. We may pay the purchase price in cash or shares of our common stock or in a combination of cash and shares of our common stock. If we elect to pay the purchase price, in whole or in part, in shares of our common stock, the number of shares we deliver will be equal to the portion of the purchase price to be paid in common stock divided by the market price of a share of common stock. If we elect to pay all or part of the purchase price in shares of our common stock, we will notify holders not less than 20 business days before the applicable purchase date, specifying the percentages of cash and common stock.
Repurchase right upon change in Control	Upon a change in control of Horace Mann, the holders may, in some circumstances, require us to purchase for cash all or a portion of their notes at a price equal to the sum of the issue price plus accrued original issue discount and accrued cash interest, if any, to the date of purchase.

Ranking	The notes are senior unsecured and unsubordinated obligations of Horace Mann and rank equal in right of payment to all of our other senior unsecured and unsubordinated indebtedness. The notes are effectively subordinated to any future secured indebtedness as to the assets securing such indebtedness. In addition, we are structured as a holding company, and we conduct most of our business operations through our subsidiaries. The notes are effectively subordinated to all existing and future indebtedness and other liabilities and commitments of our subsidiaries. As of September 30, 2002, we had no secured indebtedness outstanding and $187.7 million of senior unsecured indebtedness outstanding, which was comprised of $148.9 million of indebtedness related to these notes and $38.8 million of indebtedness related to our 6 5/8% Senior Notes due 2006.
Registration Rights	Under a registration rights agreement, we agreed to file with the Securities and Exchange Commission, the shelf registration statement of which this prospectus forms a part, for resale of the notes and shares of our common stock issuable upon conversion of the notes. We have agreed to use reasonable efforts to keep the registration statement effective until the earlier of (i) May 14, 2004, (ii) the sale pursuant to the shelf registration statement of all securities registered thereunder and (iii) the expiration of the holding period applicable to such securities held by non-affiliates of Horace Mann under Rule 144(k) under the Securities Act, or any successor provision, subject to certain permitted exceptions. If we do not comply with these registration obligations, we are required to pay liquidated damages as described in the registration rights agreement. See Description of Notes Registration Rights.
Guarantees	None.
Sinking Fund	None.
Form and denomination	The notes have been issued in fully registered book-entry form and are represented by one or more permanent global notes without coupons deposited with a custodian for and registered in the name of a nominee of The Depository Trust Company in New York, New York. Beneficial interests in the global note are shown on, and any transfers thereof are effected only through, records maintained by DTC and its participants. Your interest in any global note may not be exchanged for certificated notes, except in limited circumstances described herein. See Description of Notes Book-Entry System.
Trading	We do not intend to list the notes on any national securities exchange or automated quotation system. The notes issued in the initial private placement are eligible for trading in the PORTAL market. The notes sold using this prospectus, however, are not eligible for trading in the PORTAL market.
Use of proceeds	The selling securityholders will receive all of the proceeds from the sale of the notes and shares of common stock under this prospectus. We will not receive any of the proceeds from the sales by any selling securityholder of notes or the underlying common stock.

NYSE symbol for our common stock	Our common stock is traded on the New York Stock Exchange under the symbol HMN. As of September 30, 2002, there were 40,853,319 shares of our common stock issued and outstanding, net of 19,341,296 shares of treasury stock.
Risk Factors	See Risk Factors beginning on page 13 of this prospectus and the other information in this prospectus for a discussion of factors you should consider carefully before deciding to invest in the notes.

CONSOLIDATED RATIO OF EARNINGS

TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges on a consolidated basis for the years ended December 31, 2001, 2000, 1999, 1998 and 1997 and for the six month period ending June 30, 2002. For purposes of computing the ratio of consolidated earnings to fixed charges, earnings consists of income from continuing operations before federal income taxes and interest expense (including amortization of debt issuance cost), and fixed charges consists of interest expense (including amortization of debt issuance cost).

	Six Months Ended June 30,			Year Ended December 31,					
	2002		2001	2001		2000	1999	1998	1997
	Actual	Pro Forma(1)	Actual	Actual	Pro Forma(1)	Actual	Actual	Actual	Actual
Ratio of earnings to fixed charges	0.0x	0.0x	4.5x	4.0x	4.2x	2.0x	10.6x	13.3x	13.7x
Excess (Deficiency) of Earnings over Fixed Charges	$ (8.1)	$ (7.8)	$ 16.6	$ 28.3	$ 29.5	$ 9.7	$ 93.4	$ 116.8	$ 119.6

(1) The pro forma Ratio of Earnings to Fixed Charges gives effect to the net change in the interest expense resulting from the sale of the notes on May 14, 2002 and the application of the proceeds thereof to the repayment of our indebtedness under a bank credit agreement with Bank of America, N.A., as sole lender, the repurchase of $55.0 million of our 6 5/8% Senior Notes due 2006 and investment income earned on the remaining net proceeds from the sale of the notes as if such transactions had occurred as of January 1, 2002.

RISK FACTORS

An investment in the securities offered by this prospectus involves a high degree of risk. You should consider carefully the following risk factors and the other information in and incorporated by reference in this prospectus before deciding to purchase the notes. If any of the following risks actually occur, our business could be harmed. The risks described below are not the only ones facing us. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations or the trading price of our notes or common stock.

Risks Related to the Notes

Your right to receive payments on these notes may be effectively subordinated to our existing and future secured creditors and other obligations.

The notes represent unsecured obligations of Horace Mann. Accordingly, holders of our secured indebtedness will have claims that are superior to your claims as holders of the notes to the extent of the value of the assets securing that other indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization, or other bankruptcy proceeding, holders of secured indebtedness will have superior claim to those of our assets that constitute their collateral. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the notes. Holders of the notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the notes, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor, in our remaining assets. As a result, holders of notes may receive less, ratably, than holders of secured indebtedness.

In addition, we are a holding company and conduct substantially all our operations through our subsidiaries. As a result, holders of the notes are effectively subordinated to the debt and other liabilities of our subsidiaries. Therefore, in the event of the insolvency or liquidation of a subsidiary, following payment by such subsidiary of its liabilities, such subsidiary may not have sufficient remaining assets to make payments to us as a shareholder or otherwise. In the event of a default by a subsidiary under any credit arrangement or other indebtedness, its creditors could accelerate such debt, prior to such subsidiary distributing amounts to us that we could have used to make payments on the notes. In addition, if we caused a subsidiary to pay a dividend to us to make payment on the notes, and such dividend were determined to be a fraudulent transfer, holders of the notes would be required to return the payment to the subsidiary s creditors.

We and our subsidiaries are able to incur substantial additional indebtedness in the future, which may be senior to the notes. The terms of the notes do not impose any limitation on our or our subsidiaries ability to issue such additional debt, which could have important consequences to holders of the notes, including the following:

- we could have insufficient cash to meet our financial obligations, including our obligations under the notes;
- our ability to obtain additional financing for working capital, capital expenditures or general corporate purposes may be impaired; and
- a significant degree of debt could make us more vulnerable to changes in general economic conditions and also could affect the financial strength ratings of our insurance subsidiaries.

Furthermore, if we fail to deliver our common stock upon conversion of a note and thereafter become the subject of bankruptcy proceedings, a holders claim for damages arising from our failure could be subordinated to all of our existing and future obligations.

As of September 30, 2002, we had no secured indebtedness outstanding and $38.8 million of senior unsecured indebtedness related to our 6 5/8% Senior Notes due 2006, which ranks equal to the $148.9 million of outstanding indebtedness related to these notes. As of September 30, 2002, none of our subsidiaries had any significant indebtedness.

We are a holding company, and we may not have access to the cash that is needed to make payment on the notes.

Although substantially all of our operations are conducted through our subsidiaries, none of our subsidiaries is obligated to make funds available to us for payment on the notes. Accordingly, our ability to make payments on the notes and pay dividends on the common stock that may be issued upon a conversion of the notes is dependent on the earnings and the distribution of funds from our subsidiaries. Restrictions on our subsidiaries ability to pay dividends or to make other cash payments to us may materially affect our ability to pay principal and interest on its indebtedness and dividends on the common stock we may issue upon a conversion of the notes.

Our subsidiaries are permitted under the terms of our indebtedness to incur additional indebtedness that may severely restrict or prohibit the making of distributions, the payment of dividends or the making of loans by our subsidiaries to us. We cannot assure you that the agreements governing the current and future indebtedness of our subsidiaries will permit our subsidiaries to provide us with sufficient dividends, distributions or loans to fund payments on these notes when due.

In addition, the ability of our insurance subsidiaries to pay cash dividends to the holding company is subject to state insurance department regulations which generally permit dividends to be paid for any 12 month period in amounts equal to the greater of (i) net gain from operations in the case of a life insurance company or net income in the case of all other insurance companies for the preceding calendar year or (ii) 10% of surplus as of the preceding December 31st. Any dividend in excess of these levels requires the prior approval of the director or commissioner of the state insurance department of the state in which the dividend paying insurance subsidiary is domiciled. Further, insurance company dividends must be paid from retained earnings (or unassigned funds) unless otherwise approved by the insurance regulator of the state in which the dividend paying insurance subsidiary is domiciled. The aggregate amount of dividends that may be paid in 2002 from all of our insurance subsidiaries without prior regulatory approval is approximately $40 million, of which $5 million had been paid as of July 31, 2002.

Notwithstanding the foregoing, if insurance regulators otherwise determine that payment of a dividend or any other payment to an affiliate would be detrimental to an insurance subsidiary s policyholders or creditors, because of the financial condition of the insurance subsidiary or otherwise, the regulators may block dividends or other payments to affiliates that would otherwise be permitted without prior approval.

The insurance subsidiaries sources of funds consist primarily of premiums and contract fees, investment income and proceeds from sales and redemption of investments. Such funds are applied primarily to payment of claims, insurance operating expenses, income taxes and the purchase of investments, as well as dividends and other payments.

The only way for us to satisfy the outstanding obligations under our existing indebtedness is to borrow funds on a $25 million line of credit (which has a provision that allows the commitment amount to be increased to $35 million) under our existing bank credit facility or through cash-dividends from our subsidiaries. As of September 16, 2002, the annual outstanding obligations under our existing indebtedness are $8.0 million, which consists of semi-annual interest payments of $1.5 million on our 6 5/8% Senior Notes due 2006 and, beginning on November 14, 2002, semi-annual interest payments of $2.5 million on these notes.

We may not be able to pay cash dividends in the foreseeable future.

For the quarters ending March 31, 2002 and June 30, 2002 and each of the four quarters for the fiscal years ending December 31, 2000 and December 31, 2001 we have paid a $0.105 per share cash dividend. Any future cash dividends will depend upon our results of operations, financial conditions, cash requirements, the availability of a surplus and other factors, including the ability of our subsidiaries to make distributions to us, which ability is restricted in the manner described above.

We may not have sufficient funds or may be restricted in our ability to repurchase the notes upon a change of control event or at the option of the holders.

You may require us to repurchase all or a portion of your notes as described in the indenture on certain dates or upon a change in control. We cannot assure you that we would have the financial

resources, or would be able to arrange financing, to pay the repurchase price for all the notes that might be delivered by holders of notes seeking to exercise the repurchase right. As described above, we are a holding company and our cash flow depends on distributions to us from our subsidiaries, which are restricted in the manner described above. Accordingly, our ability to purchase the notes at the option of the holder depends in part on the ability of our subsidiaries to make distributions to us.

In addition, the terms of any future indebtedness we incur may also restrict our ability to purchase notes upon a change of control or if we are otherwise required to purchase notes at the option of the holder. Moreover, the occurrence of a change in control may cause an event of default under, or be prohibited or limited by, the terms of any future indebtedness. If such future indebtedness contained such restrictions or provisions, we would have to seek the consent of the lenders or repay those borrowings. If we were unable to obtain the necessary consent or unable to repay those borrowings, we would be unable to purchase the notes and, as a result, would be in default under the notes. Any such default may, in turn, cause a default under senior debt we may incur in the future.

As of September 30, 2002, none of our other indebtedness contains similar change in control provisions.

Because the indenture under which the notes were issued contains limited covenants, holders of the notes may not be protected in the event we are involved in a highly leveraged transaction, reorganization, restructuring, merger or similar transaction in the future.

The indenture under which the notes were issued may not sufficiently protect holders of notes in the event we are involved in a highly leveraged transaction, reorganization, restructuring, merger or similar transaction. The indenture does not contain:

- any provision restricting us or any of our subsidiaries from incurring, assuming or being liable with respect to any indebtedness or other obligations, whether secured or unsecured, or from paying dividends or making other distributions on capital stock or from purchasing or redeeming capital stock;
- any restrictions on the ability of our subsidiaries to issue securities that would be senior to the common stock of the subsidiary held by us;
- any financial ratios or specified level of net worth to which we or our subsidiaries must adhere;
- any restrictions on our ability to pledge our assets as collateral or otherwise encumber our assets; or
- any restrictions on our ability to contribute our assets to our insurance subsidiaries.

The notes were issued at a substantial discount from their principal amount and therefore trigger certain federal income tax consequences for the holders of the notes.

The notes were issued at a substantial discount from their principal amount and constitute contingent payment debt instruments. Consequently, the notes are treated as issued with original issue discount for United States federal income tax purposes, and you are required to include such original issue discount in your income as it accrues for United States federal income tax purposes in advance of receipt of any payment on the notes to which the income is attributable.

The amount of tax original issue discount required to be included by you for each year will be in excess of the stated yield to maturity of the notes. You will recognize gain or loss on the sale, purchase by us at your option, exchange, conversion or redemption of a note in an amount equal to the difference between the amount realized on the sale, purchase by us at your option, exchange, conversion or redemption, including the fair market value of any shares of our common stock received upon conversion or otherwise, and your adjusted tax basis in the notes. Any gain recognized by you on the sale, purchase by us at your option, exchange, conversion or redemption of a note generally will be ordinary interest income; any loss will be ordinary loss to the extent of the interest previously included in income, and thereafter, capital loss.

To understand how this may affect you, you should seek advice from your own tax advisor prior to purchasing these notes. See Material United States Federal Income Tax Consequences for a more detailed discussion of the United States federal income tax consequences to the holders of the notes of the purchase, ownership and disposition of the notes.

An active trading market for the notes may not develop.

The notes are a new issue of securities for which there is currently no public market. Although the notes that were sold to qualified institutional buyers under Rule 144A are eligible for trading on the PORTAL market, any notes resold under this prospectus will no longer trade on the PORTAL market. We do not intend to list the notes on any national securities exchange or automated quotation system. No assurance can be given that an active trading market for the notes will develop or as to the liquidity or sustainability of any such market. Future trading prices for the notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. Accordingly, no assurance can be given as to your ability to sell your notes or the price at which you will be able to sell them.

Even though we have registered the notes and the shares of underlying common stock, we have the right, pursuant to the registration rights agreement, to suspend the use of the shelf registration statement in certain circumstances. In the event of such a suspension, you will not be able to sell any notes or shares of common stock issuable upon conversion of the notes except in transactions that are exempt from the registration requirements of the Securities Act and hedging transactions may not be conducted unless in compliance with the Securities Act. If no such exemption is available, you will not be able to sell your notes or any shares of our common stock issued upon conversion of notes.

Any downgrade in the rating of the notes may cause their trading price to fall.

If a rating agency downgrades its rating on the notes in the future, the trading price of the notes could decline. As of September 30, 2002, the notes had an investment grade rating of BBB+ from Standard & Poor s Corporation, Baa2 from Moody s Investors Service, Inc., A- from Fitch, Inc. and bbb+ from A.M. Best Company, all of which were the initial investment grade ratings given to the notes when they were initially issued. On July 25, 2002, Moody s affirmed its Baa2 rating, but revised the outlook for the rating from Stable to Negative. This change in outlook was the result of our second quarter 2002 investment losses stemming from the impact on the financial markets from the announced SEC investigation into the accounting practices of WorldCom, Inc. Moody s announcement indicated that material adverse deviations from our expected level of capital growth and earnings could trigger a subsequent ratings downgrade. On September 19, 2002, Fitch affirmed its A- rating, but revised the outlook for the rating from Stable to Negative. This change in outlook was the result of the second quarter 2002 investment losses discussed above as well as our increased financial leverage and the competitive nature of the annuity markets in which we compete. Fitch s announcement indicated that the key expectations for us to maintain our existing ratings include a return to our long-term financial leverage targets while maintaining our existing NAIC risk-based capital ratios, the continued demonstration of above industry underwriting performance in our property casualty operations and no unexpected deterioration in our asset quality. A material adverse deviation from these expectations could trigger a subsequent ratings downgrade. Standard & Poor s and A.M. Best continue to indicate that the outlook for their rating is Stable. We cannot guarantee that the investment grade rating of the notes will not be downgraded in the future. Accordingly, no assurance can be given as to the price at which you may be able to sell your notes.

Risks Related to Our Business

Our markets are highly competitive and there will be a negative impact on our financial and operating condition if we do not remain competitive.

We operate in a highly competitive environment and compete with numerous insurance companies. In some instances and geographic locations, competitors have specifically targeted the educator marketplace with specialized products and programs. We compete in our target market with a number of national providers of personal automobile and homeowners insurance and life insurance and annuities.

For the annuity business, the marketplace has begun to see a competitive impact from new entrants such as mutual funds and banks into the tax-deferred annuity products market. Mutual fund families, independent agent companies and financial planners are also competitors of Horace Mann.

We compete with a number of national providers of automobile and homeowners insurance, such as State Farm, Allstate, Farmers and Nationwide, and several regional companies. We also compete for automobile business with certain direct marketing companies, such as 21st Century, American International Group (AIG), GEICO and USAA.

Among the major national providers of annuities to educators, Variable Annuity Life Insurance Company, a subsidiary of American General Corporation, has been among our major tax-qualified annuity competitors. Mutual fund families, independent agent companies and financial planners are also competitors in our life insurance and annuities businesses.

The insurance industry consists of a large number of insurance companies, some of which have substantially greater financial resources, more diversified product lines, and lower cost marketing approaches, such as direct marketing, mail, Internet and telemarketing, compared to us. We believe that the principal competitive factors in the sale of property and casualty insurance products are price, service, name recognition and education association sponsorships. We believe that the principal competitive factors in the sale of life insurance and annuity products are product features, perceived stability of the insurer, service, name recognition, education association sponsorships and price.

Our insurance subsidiaries have experienced, and expect to experience in the future, prolonged periods of intense competition during which they are unable to increase prices sufficiently to cover costs. The inability of an insurance subsidiary to compete successfully in the property and casualty business could adversely affect its operating results and financial condition and its resulting ability to pay dividends to us. A number of new, proposed or potential legislative or industry developments could further increase competition in the property and casualty insurance industry. These developments include:

- the enactment of the Gramm-Leach-Bliley Act of 1999, which could result in increased competition from new entrants to the market, including banks and other financial service companies;

- programs in which state-sponsored entities provide property insurance in catastrophe prone areas or other alternative market types of coverage; and

- changing practices caused by the Internet, which have led to greater competition in the insurance business and, in some cases, greater expectations for customer service.

New competition from these developments could cause the supply or demand for insurance to change, which could adversely affect our results of operations and financial condition.

As of June 30, 2002, approved rate increases on our automobile and property business were approximately 8% and 21%, respectively. Our competitors have taken similar rate increases as well. Rate increases are also anticipated in the future which could have a negative impact on our competitive market position.

Our property and casualty loss reserves may not be adequate.

Our property and casualty insurance subsidiaries maintain loss reserves to provide for their estimated ultimate liability for losses and loss adjustment expenses with respect to reported and unreported claims incurred as of the end of each accounting period. If these loss reserves prove inadequate, then the insurance subsidiary s operating results and financial condition will be adversely affected, including its ability to pay dividends to us.

Reserves do not represent an exact calculation of liability. Instead, reserves represent estimates, generally involving actuarial projections at a given time, of what our insurance subsidiaries expect the ultimate settlement and adjustment of claims will cost, net of salvage and subrogation. Estimates are based on assessments of known facts and circumstances, assumptions related to the ultimate cost to settle such claims, estimates of future trends in claims severity and frequency, changing judicial theories of liability and other factors. These variables are affected by both internal and external events, including changes in claims handling procedures, economic inflation, unpredictability of court decisions, plaintiffs expanded theories of liability, risks inherent in major litigation and legislative changes. Many of these items are not directly quantifiable, particularly on a prospective basis. Additionally, significant reporting lags may exist between the occurrence of an insured event and the time it is actually reported. Our insurance subsidiaries adjust their reserve estimates regularly as experience develops and further claims are reported and settled.

Due to inherent uncertainty in estimating reserves for losses and loss adjustment expenses, we cannot be certain that the ultimate liability will not exceed amounts reserved, with a resulting adverse effect on us.

Catastrophic events can have a significant impact on our financial and operational condition.

Results of property insurers are subject to weather and other conditions prevailing in an accident year. While one year may be relatively free of major weather or other disasters, another year may have numerous such events causing results for such a year to be materially worse than for other years.

Our insurance subsidiaries have experienced, and are expected in the future to experience, catastrophe losses. It is possible that a catastrophic event or a series of multiple catastrophic events could have a material adverse effect on the operating results and financial condition of the insurance subsidiaries, thereby limiting the ability of the insurance subsidiaries to pay dividends.

Various events can cause catastrophes, including hurricanes, windstorms, earthquakes, hail, terrorism, explosions, severe winter weather and fires. The frequency and severity of these catastrophes are inherently unpredictable. The extent of losses from a catastrophe is a function of both the total amount of insured exposures in the area affected by the event and the severity of the event. Although catastrophes can cause losses in a variety of property and casualty lines, most of the catastrophe-related claims of our insurance subsidiaries are related to homeowners coverages.

Our insurance subsidiaries seek to reduce their exposure to catastrophe losses through their underwriting strategies and the purchase of catastrophe reinsurance. Nevertheless, reinsurance may prove inadequate if:

- a major catastrophic loss exceeds the reinsurance limit, or

- an insurance subsidiary pays a number of smaller catastrophic loss claims which, individually, fall below the subsidiary s retention level.

We reinsure 95% of catastrophe losses above a retention of $8.5 million per occurrence up to $80 million per occurrence. In addition, our predominant insurance subsidiary for property and casualty business written in Florida reinsures 90% of hurricane losses in that state above a retention of $11.0 million up to $47.4 million with the Florida Hurricane Fund, based on the Fund s resources.

Effective May 8, 2002, we entered into an equity put and reinsurance agreement with subsidiaries of Swiss Reinsurance Company. The Swiss Re Group is rated A++(Superior) by A.M. Best Company. Under a 36-month agreement, the equity put coverage of $75 million provides a source of capital for up to $115 million of pretax catastrophe losses above the reinsurance coverage limit. We also have the option, in place of the equity put, to require a Swiss Re Group member to issue a 10% quota share reinsurance coverage of all of our property and casualty book of business. The agreement states certain conditions to our exercise of the equity put option including (i) our stockholders equity, adjusted to exclude goodwill, cannot be less than $215 million after recording the first triggering event; (ii) our total debt as a percentage of capital cannot be more than 47.5% prior to recording the triggering event; and (iii) our S&P financial strength rating cannot be below BBB prior to a triggering event. Our S&P financial strength rating was A+ on July 31, 2002.

For liability coverages, in both 2001 and 2002, including the educator excess professional liability policy, we reinsure each loss above a retention of $500,000 up to $20 million. We also reinsure each property loss, including catastrophe losses that in the aggregate are less than the retention levels above, above a retention of $250,000 up to $2.5 million in 2001 and 2002.

In the past ten years the single largest catastrophe event generated claims of $8.2 million. In the past ten years the claims, net of reinsurance, generated by a series of catastrophe events in any one-year ranged from $6.2 million to $28.4 million.

A number of states have passed legislation that limits the ability of insurers to manage their insured risks, including legislation prohibiting an insurer from withdrawing from catastrophe-prone areas.

Uncollectible reinsurance can have a material adverse effect upon our business volume and profitability.

Reinsurance is a contract by which one insurer, called a reinsurer, agrees to cover a portion of the losses incurred by a second insurer in the event a claim is made under a policy issued by the second insurer. Our insurance subsidiaries obtain reinsurance to help manage their exposure to property and casualty risks.

Although a reinsurer is liable to our insurance subsidiaries according to the terms of its reinsurance policy, the insurance subsidiaries remain primarily liable as the direct insurers on all risks reinsured. As a result, reinsurance does not eliminate the obligation of our insurance subsidiaries to pay all claims, and each insurance subsidiary is subject to the risk that one or more of its reinsurers will be unable or unwilling to honor its obligations.

Our insurance subsidiaries cannot guarantee that their reinsurers will pay in a timely fashion, if at all. Reinsurers may become financially unsound by the time that they are called upon to pay amounts due, which may not occur for many years.

Additionally, the availability and cost of reinsurance are subject to prevailing market conditions beyond our control. For example, the terrorist attacks of September 11, 2001 had a significant impact on the reinsurance market.

If one of our insurance subsidiaries is unable to obtain adequate reinsurance at commercially reasonable rates, then that insurance subsidiary would have to either bear an increased risk in net exposures or reduce the level of its underwriting commitments. Either of these potential developments could have a material adverse effect upon the business volume and profitability of the subsidiary.

Reduction of the statutory surplus of our insurance subsidiaries would adversely affect their ability to pay dividends to us and to write insurance business.

If our insurance subsidiaries cannot maintain profitability in the future, then they will begin to draw on their surplus in order to pay dividends to us to enable us to meet our financial obligations under the notes. As surplus is reduced, the insurance subsidiaries ability to pay additional dividends is also reduced.

Insurance companies write insurance based, in part, upon guidelines including a ratio of premiums to surplus. As their surplus is reduced by the payment of dividends, continuing losses or both, our insurance subsidiaries ability to write insurance business and maintain acceptable financial strength ratings could also be reduced. This could have a material adverse effect upon the business volume and profitability of our insurance subsidiaries.

Any downgrade in the ratings of our insurance subsidiaries could adversely affect our business.

Claims-paying and financial strength ratings have become an increasingly important factor in establishing the competitive position of insurance companies. Each rating agency reviews its ratings periodically. A downgrade in the ratings of a Horace Mann insurance subsidiary by a recognized rating agency could result in a substantial loss of business for that subsidiary if agents or policyholders move to other companies with higher claims paying and financial strength ratings. This loss of business could have a material adverse effect on the results of operations and financial condition of that subsidiary and the resulting ability of that subsidiary to pay dividends to us.

In 2001 and 2002, certain of the ratings of our principal insurance subsidiaries were downgraded by rating agencies as a result of factors impacting our earnings for the three months ended December 31, 2000 and for the six months ended June 30, 2002.

In August 2001, Standard & Poor s Corporation downgraded the financial strength ratings for each of our principal insurance subsidiaries, except Horace Mann Lloyds which was not yet rated by Standard & Poor s, one notch from AA- to A+ and identified the outlook for the ratings as Stable.

In May 2002, A.M. Best Company downgraded the financial strength ratings of our property and casualty subsidiaries one notch from A+ (Superior) to A (Excellent) and identified the outlook for the ratings as Stable, reflecting capitalization of these subsidiaries compared to A.M. Best s standard for the Superior rating and the impact on earnings in 2000 and 2001 of prior years reserve strengthening.

In July 2002, as a result of our second quarter 2002 investment losses stemming from the impact on the financial markets from the announced SEC investigation into the accounting practices of WorldCom, Inc., Moody s Investors Service, Inc. revised the outlook for the financial strength ratings of our principal subsidiaries, with the exception of Horace Mann Lloyds which is not yet rated by Moody s, from Stable to Negative. A negative outlook for financial strength is an indication that Moody s may, based on our future financial and operating results, downgrade the financial strength ratings of our principal insurance subsidiaries. In fact, Moody s has identified the financial strength ratings for the entire life insurance industry as having a negative outlook. Moody s announcement indicated that material adverse deviations from our expected level of capital growth and earnings could trigger a subsequent ratings downgrade.

In April 2001, Fitch, Inc. downgraded the financial strength ratings for each of our principal insurance subsidiaries one notch from AA to AA- and, in September 2002, revised the outlook for the ratings from Stable to Negative. The September 2002 change in outlook was the result of the second quarter 2002 investment losses discussed above as well as our increased financial leverage and the competitive nature of the annuity markets in which we compete. Fitch s announcement indicated that the key expectations for us to maintain our existing ratings include a return to our long-term financial leverage targets while maintaining our existing NAIC risk-based capital ratios, the continued demonstration of above industry underwriting performance in our property casualty operations and no unexpected deterioration in our asset quality. A material adverse deviation from these expectations could trigger a subsequent ratings downgrade.

Management believes that the impact of these ratings downgrades on our business has been minimal.

As of September 30, 2002, each of our principal insurance subsidiaries was rated A+ (Strong) for financial strength by Standard & Poor s with a ratings outlook of Stable, A (Excellent) for financial strength by A.M. Best with a ratings outlook of Stable, A2 (Good) for financial strength by Moody s with a ratings outlook of Negative and AA- (Very Strong) for financial strength by Fitch with a ratings outlook of Negative. We cannot guarantee that the previous downgrades, or any future downgrades, will not have a material adverse effect upon our business in the future.

Changes in federal income tax laws and regulations changing the relative tax advantages of our life and annuity product to customer will have a negative impact on our financial and operating condition.

A significant part of our annuity business involves fixed and variable 403(b) tax-qualified annuities, which are annuities purchased voluntarily by individuals employed by public school systems or other tax-exempt organizations. Approximately 60% of our new annuity contract deposits in 2001 were for 403(b) tax-qualified annuities; and approximately 75% of accumulated annuity value on deposit with us was 403(b) tax-qualified. Any changes in the federal income tax laws or regulations relating to 403(b) tax-qualified annuities could have a negative impact on our financial and operating condition.

Current federal income tax laws generally permit the tax-deferred accumulation of earnings on the premiums paid by the holders of annuities and life insurance products. Taxes, if any, are payable on income attributable to a distribution under the contract for the year in which the distribution is made. Congress has, from time to time, considered legislation that would reduce or eliminate the benefit of such deferral of taxation on the accretion of value with life insurance and non-qualified annuity contracts. Enactment of this legislation, including a simplified flat tax income structure with an exemption from taxation for investment income, could result in fewer sales of our insurance annuity and investment products.

Losses due to defaults by others could reduce our profitability or negatively affect the value of our investments.

Third parties that owe us money, securities or other assets may not pay or perform their obligations. These parties include the issuers whose securities we hold, borrowers under the mortgage loans we make,

customers, trading counterparties, reinsurers, clearing agents, exchanges, clearing houses and other financial intermediaries. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons. The current uncertain trend in the U.S. and other economies has resulted in rising investment impairments, and a further downturn could result in increased impairments. We recognized consolidated after-tax impairments of fixed maturities of $3.1 million in 2001 as compared to $2.9 million in 2000. We recognized $6.4 million and $18.3 million of after-tax impairments for the first quarter and second quarter of 2002, respectively, and there may be further impairments during the remainder of 2002 if current economic and financial conditions persist.

The default of a major market participant could disrupt the securities markets or clearance and settlement systems in the United States or abroad. A failure of a major market participant could cause some clearance and settlement systems to assess members of that system, including our broker-dealer subsidiaries, or could lead to a chain of defaults that could adversely affect us. A default of a major market participant could disrupt various markets which could in turn cause market declines or volatility.

If our investment strategy is not successful, we could suffer unexpected losses.

The success of our investment strategy is crucial to the success of our business. Specifically, we are subject to:

- market value risk, which is the risk that our invested assets will decrease in value. This decrease in value may be due to a change in the yields realized on our assets and prevailing market yields for similar assets, an unfavorable change in the liquidity of the investment or an unfavorable change in the financial prospects or a downgrade in the credit rating of the issuer of the investment;

- reinvestment risk, which is the risk that interest rates will decline and funds reinvested will earn less than expected; and

- liquidity risk, which is the risk that liabilities are surrendered or mature sooner than anticipated and that we may have to sell assets at an undesirable time to provide for policyholder surrenders or withdrawals.

Although we attempt to address such risks in product pricing and in establishing policy reserves, we cannot assure you that assets will be promptly matched to meet anticipated liabilities or that our investments will provide sufficient returns to enable us to satisfy our guaranteed fixed benefit obligations.

Although we have not done so in the past, we may also enter into foreign currency, interest rate and credit derivatives and other hedging transactions in an effort to manage risks. We cannot assure you that we will successfully structure those derivatives and hedges so as to effectively manage these risks. If our calculations are incorrect, or if we do not properly structure our derivatives or hedges, we may have unexpected losses and our assets may not be adequate to meet our needed reserves, which could adversely affect our business, earnings and financial condition.

The success of any investment activity is affected by general economic conditions, which may adversely affect the markets for interest rate sensitive securities, including the level and volatility of interests rates and the extent and timing of investor participation in such markets. Unexpected volatility or illiquidity in the markets in which we hold positions could adversely affect us.

Interest rate fluctuations could negatively affect the income we derive from the difference between the interest rates we earn on our investments and the interest we pay under our annuity contracts.

Significant changes in interest rates expose us to the risk of not earning income or experiencing losses based on the differences between the interest rates earned on our investments and the credited interest rates paid on our outstanding annuity contracts.

Both rising and declining interest rates can negatively affect the income we derive from these interest rate spreads. During periods of falling interest rates, our investment earnings will be lower because new investments in fixed maturity securities will likely bear lower interest rates. We may not be able to fully offset the decline in investment earnings with lower crediting rates on our annuity contracts. During

periods of rising interest rates, we may be contractually obligated to increase the crediting rates on our annuity contracts. We may not, however, have the ability to immediately acquire investments with interest rates sufficient to offset the increased crediting rates under our annuity contracts. Although we develop and maintain asset/liability management programs and procedures designed to reduce the volatility of our income when interest rates are rising or falling, we cannot assure you that changes in interest rates will not affect our interest rate spreads.

Changes in interest rates may also affect our business in other ways. Lower interest rates may result in lower sales of certain insurance and investment products to our customers.

The insurance industry is highly regulated.

We are subject to extensive regulation and supervision in the jurisdictions in which we do business. Regulation is generally designed to protect the interests of policyholders, as opposed to stockholders and non-policyholder creditors. Such regulations, among other things, impose restrictions on the amount and type of investments our subsidiaries may have. Certain states also regulate the rates insurers may charge for certain property and casualty products. Legislation and voter initiatives have expanded, in some instances, the state s regulation of rates and have increased data reporting requirements. Additionally, consumer-related pressures to roll back rates, even if not enacted by legislation or upheld upon judicial appeal, may affect our ability to obtain timely rate increases or operate at desired levels of profitability. We cannot predict the effect that any proposed or future legislation may have on our financial condition or operations.

Examples of governmental regulation that has adversely affected the operations of our insurance subsidiaries include:

- the adoption in several states of legislation and other regulatory action intended to reduce the premiums paid for automobile insurance by residents of those states; and
- requirements that insurance companies:
  - pay assessments to support associations that fund state-sponsored insurance operations, or
  - involuntarily issue policies for high-risk automobile drivers.

Regulation that could adversely affect our insurance subsidiaries also includes statutory surplus and risk-based capital requirements. Maintaining appropriate levels of statutory surplus, as measured by statutory accounting practices and procedures, is considered important by state insurance regulatory authorities and the private agencies that rate insurers claims-paying abilities and financial strength. The failure of an insurance subsidiary to maintain levels of statutory surplus that are sufficient for the amount of insurance written by it could result in increased regulatory scrutiny, action by state regulatory authorities or a downgrade by rating agencies.

Similarly, the National Association of Insurance Commissioners has adopted a system of assessing minimum capital adequacy that is applicable to our insurance subsidiaries. This system, known as risk-based capital, is used to identify companies that may merit further regulatory action by analyzing the adequacy of the insurer s surplus in relation to statutory requirements.

Because state legislatures remain concerned about the availability and affordability of property and casualty insurance and the protection of policyholders, our insurance subsidiaries expect that they will continue to face efforts to regulate their operations. Any one of these efforts could adversely affect the operating results and financial condition of the insurance subsidiaries and their resulting ability to pay dividends to us.

In the event of the insolvency, liquidation or other reorganization of any of our insurance subsidiaries, our creditors and stockholders would have no right to proceed against any such insurance subsidiary or to cause the liquidation or bankruptcy of any such insurance subsidiary under federal or state bankruptcy laws. The insurance laws of the domiciliary state would govern such proceedings and the relevant insurance commissioner would act as liquidator or rehabilitator for the insurance subsidiary. Creditors and policyholders of any such insurance subsidiary would be entitled to payment in full from the assets of the insurance subsidiary before we, as a stockholder, would be entitled to receive any distribution therefrom.

The financial position of our insurance subsidiaries also may be affected by court decisions that expand insurance coverage beyond the intention of the insurer at the time it originally issued an insurance policy.

The insurance industry is highly cyclical.

The results of companies in the insurance industry have historically been subject to significant fluctuations due to competition, economic conditions, interest rates and other factors. In particular, the property and casualty and group health insurance segments have historically experienced pricing and profitability cycles. With respect to these cycles, the factors most affecting current and prospective results of operations are intense price competition and aggressive marketing by insurers, which have historically resulted in higher combined loss and expense ratios.

Litigation may harm our financial strength or reduce our profitability.

Insurance companies have historically been subject to substantial litigation resulting from claims, disputes and other matters. Most recently, they have faced expensive claims, including class action lawsuits, alleging, among other things, improper sales practices, improper claims settlement procedures, use of after-market parts and so-called diminished value claims. Negotiated settlements of certain of such actions have had a material adverse effect on other insurers. If any of our insurance subsidiaries were to incur such a settlement or an adverse judgment in such a claim, its condition or results of operations could be materially adversely affected, impairing its ability to pay dividends to us, and since we are a holding company and conduct substantially all of our operations through our subsidiaries, this impairment could in turn affect our ability to pay our obligations to holders of the notes. Our subsidiaries are defendants in two purported class-action lawsuits alleging diminished value claims, in which the plaintiffs are seeking damages in connection with allegedly diminished value of covered automobiles. No assurance can be given that such lawsuits will not be successful or that any judgment or settlement would not have a material adverse effect on our condition or results of operations.

Certain state statutes and employment agreements may have anti-takeover effects, which will make an acquisition of Horace Mann by another company more difficult.

As an insurance holding company, we are subject to certain state statutes that require that any person or entity desiring to acquire more than a specified percentage (commonly 10%) of our outstanding voting securities first obtain the approval of applicable state insurance regulators. In addition, our agreements with key employees contain change of control provisions, such as requiring a one-time cash payments in an amount equal to two to three times the key employee s highest annual cash compensation, that may in certain circumstances make more difficult or discourage a change in control of Horace Mann.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission using a shelf registration or continuous offering process. Under this shelf prospectus, the selling securityholders may, from time to time, sell the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities the selling securityholders may offer. Each time a selling securityholder sells securities, the selling securityholder is required to provide you with this prospectus, and, in some cases, a prospectus supplement containing specific information about the selling securityholder and the terms of the securities being offered. That prospectus supplement may include a discussion of any risk factors or other special considerations applicable to those securities. Any prospectus supplement may also add, update or change information in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in the prospectus supplement. You should read both this prospectus and any prospectus supplement together with the additional information described under the headings Where You Can Find More Information and Incorporation of Certain Documents by Reference.

The registration statement containing this prospectus, including the exhibits to the registration statement, provides additional information about us and the securities offered under this prospectus. The registration statement, including the exhibits, can be read at the Securities and Exchange Commission website or at the Securities and Exchange Commission offices mentioned under the heading Where You Can Find More Information.

You should rely only on the information contained or incorporated by reference in this prospectus. We have not, and the selling securityholders have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the selling securityholders are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus or any documents incorporated by reference is accurate only as of the date on the front cover of the applicable document. Our business, financial condition, results of operations and prospects may have changed since that date.

This prospectus is based on information provided by us and by other sources that we believe are reliable. This prospectus summarizes certain documents and other information and we refer you to them for a more complete understanding of what we discuss in this prospectus. In making an investment decision, you must rely on your own examination of our company and the terms of the notes, including the merits and risks involved.

We are not making any representation to any purchaser of the notes regarding the legality of an investment in the notes by such purchaser under any legal investment or similar laws or regulations. You should not consider any information in this registration statement to be legal, business or tax advice. You should consult your own attorney, business advisor and tax advisor for legal, business and tax advice regarding an investment in the notes.

FORWARD-LOOKING STATEMENTS

This prospectus (including the information incorporated by reference) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements relate to our intentions, hopes, beliefs, expectations or predictions of the future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our or our industry s actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any forward-

looking statements. In some cases, you can identify forward-looking statements by terminology such as may, will, could, would, should, ex plan, anticipate, target, project, intend, believe, estimate, predict, potential, pro forma, seek or continue or the negative comparable terminology. These statements are only predictions and we can give no assurance that such expectations will prove to be correct. Some of the things that could cause our actual results to differ substantially from our expectations are:

- changes in the composition of our assets and liabilities through acquisitions or divestitures;
- fluctuations in the market value of securities within our investment portfolio due to credit issues and the related after-tax effect on our shareholders equity and total capital through either realized or unrealized investment losses;
- prevailing interest rate levels, including the impact of interest rates on (i) unrealized gains and losses on our investment portfolio and the related after-tax effect on our stockholders equity and total capital and (ii) the book yield of our investment portfolio;
- the success of our overall investment strategy, which is subject to market value risk, reinvestment risk and liquidity risk;
- the impact of fluctuations in the capital markets on our ability to refinance outstanding indebtedness or repurchase shares of our outstanding common stock;
- the frequency and severity of catastrophes such as hurricanes, earthquakes and storms, and our ability to maintain a favorable catastrophe reinsurance program;
- future property and casualty loss experience and its impact on estimated claims and claim adjustment expenses for losses occurring in prior years;
- our ability to develop and expand our agency force and our direct product distribution systems, as well as our ability to maintain and secure product sponsorships by local, state and national education associations;
- the competitive impact of new entrants such as mutual funds and banks into the tax-deferred annuity products markets, and our ability to profitably expand our property and casualty business in highly competitive environments;
- changes in insurance regulations, including (i) those affecting the ability of our insurance subsidiaries to distribute cash to the holding company and (ii) those impacting our ability to profitably write property and casualty insurance policies in one or more states;
- changes in federal income tax laws and changes resulting from federal tax audits affecting corporate tax rates or taxable income, and regulations changing the relative tax advantages of our life and annuity products to customers;
- the impact of fluctuations in the financial markets on our variable annuity fee revenues, valuations of deferred policy acquisition costs and value of acquired insurance in force, and the level of guaranteed minimum death benefit reserves;
- our ability to maintain favorable claims-paying ability ratings;
- adverse changes in policyholder mortality and morbidity rates;
- the resolution of legal proceedings and related matters; and
- other factors referenced in this prospectus, including those set forth under the caption Risk Factors.

Except to the extent required by law, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, after the date of this prospectus to conform them to actual results. We do not, nor does any other person, assume responsibility for the accuracy and completeness of those statements. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under the caption Risk Factors.

We caution you that these risk factors may not be exhaustive. We operate in a continually changing business environment, and new risk factors emerge from time to time. Management cannot predict such new risk factors, nor can it assess the impact, if any, of such new risk factors on our businesses or the extent to which any factor or combination of factors may cause actual results to differ materially from those projected in any forward-looking statements. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in Section 27A of the Securities Act.

You should carefully read this prospectus and the documents incorporated by reference in their entirety. They contain information that you should consider when making your investment decision.

USE OF PROCEEDS

The selling securityholders will receive all of the proceeds from the sale of the notes and underlying common stock under this prospectus. We will not receive any of the proceeds from the sales by any selling securityholders of notes or the underlying common stock.

PRICE RANGE AND DIVIDEND HISTORY OF OUR COMMON STOCK

Our common stock began trading on the New York Stock Exchange in November 1991 under the symbol HMN. On October 10, 2002, the last reported sale price of the common stock on the NYSE was $14.44 per share. The following table sets forth for the periods indicated below the high and low sales prices for our common stock as reported on the NYSE Composite Tape.

	High	Low	Dividend Paid
Fiscal Year Ended December 31, 2000			
Quarter ended March 31	$ 21.00	$ 12.625	$0.105
Quarter ended June 30	$ 18.625	$ 12.625	$0.105
Quarter ended September 30	$ 16.50	$ 12.00	$0.105
Quarter ended December 31	$22.1875	$14.0625	$0.105
Fiscal Year Ended December 31, 2001			
Quarter ended March 31	$ 21.375	$ 15.25	$0.105
Quarter ended June 30	$ 21.75	$ 14.80	$0.105
Quarter ended September 30	$ 22.05	$ 15.72	$0.105
Quarter ended December 31	$ 22.40	$ 16.25	$0.105
Fiscal Year Ended December 31, 2002			
Quarter ended March 30	$ 23.00	$ 19.35	$0.105
Quarter ended June 30	$ 24.08	$ 17.45	$0.105
Quarter ended September 30	$ 18.86	$ 14.00	$0.105
Quarter ended December 31 (through October 10)	$ 15.07	$ 13.61	N/A

For the quarters ending March 31, June 30 and September 30, 2002 and each of the four quarters for the fiscal years ending December 31, 2000 and December 31, 2001 we have paid a $0.105 per share cash dividend. We expect to pay comparable dividends in the future. However, any future cash dividends will depend upon our results of operations, financial conditions, cash requirements, the availability of a surplus and such other factors as our board of directors may deem relevant. See Risk Factors.

DESCRIPTION OF THE NOTES

The notes were issued under an indenture, dated May 14, 2002, between Horace Mann Educators Corporation, as issuer, and JPMorgan Chase Bank, as trustee. The terms of the notes include those provided in the indenture and those provided in the registration rights agreement, between us and the initial purchasers, dated May 14, 2002. The notes constitute senior debt securities under the indenture. The following summarizes the material provisions of the notes and does not purport to be complete and is subject to, and qualified by reference to, all of the provisions of the indenture, the registration rights agreement and the notes, which we urge you to read because they define your rights as a note holder. A copy of the indenture and the registration rights agreement have been filed with the Securities and Exchange Commission as exhibits to this registration statement. As used in this description of notes, the words we, us, our or Horace Mann refer only to Horace Mann Educators Corporation and do not include any current or future subsidiary of Horace Mann Educators Corporation.

General

The notes are limited to $353,500,000 aggregate principal amount at maturity. The notes will mature on May 14, 2032. The principal amount at maturity of each note is $1,000. The notes will be payable at the principal corporate trust office of the paying agent, which is the trustee, or an office or agency maintained by us for such purpose, in the Borough of Manhattan, The City of New York.

The notes bear cash interest at the rate of 1.425% per year on the principal amount at maturity from the issue date, or from the most recent date to which interest has been paid or provided for, until May 14, 2007. During such period, cash interest is payable semiannually in arrears on May 14 and November 14 of each year, commencing on November 14, 2002, to holders of record at the close of business on April 29 or October 30 immediately preceding such interest payment date. Each payment of cash interest on the notes will include interest accrued through the day before the applicable interest payment date (or purchase, redemption or, in certain circumstances, conversion date, as the case may be). Any payment required to be made on any day that is not a business day will be made on the next succeeding business day.

The notes were sold to the initial purchasers at a substantial discount from their $1,000 principal amount at maturity. The notes were issued at an issue price of $475.00 per note. Beginning May 14, 2007, for non-tax purposes the notes will accrue original issue discount while they remain outstanding at a rate of 3% per year. Original issue discount is the difference between the issue price and the principal amount (or stated redemption price for federal income tax purposes) at maturity of a note. The calculation of the accrual of original issue discount will be on a semiannual bond equivalent basis, using a 360-day year composed of twelve 30-day months.

The notes are debt instruments subject to the contingent payment debt regulations. The notes were issued with original issue discount for United States federal income tax purposes. Even if we do not pay any contingent cash interest on the notes, holders are required to include accrued tax original issue discount (including the portion of the tax original issue discount represented by cash interest payments) in their gross income for federal income tax purposes as it accrues from May 14, 2002. The rate at which the tax original issue discount accrues will exceed the stated yield of 3% for accrued original issue discount. See Material United States Federal Income Tax Consequences.

Original issue discount or cash interest, as the case may be, will cease to accrue on a note upon its maturity, conversion, purchase by us at the option of a holder or redemption. We may not reissue a note that has matured or been converted, purchased by us at your option, redeemed or otherwise cancelled, except for registration of transfer, exchange or replacement of such note.

Notes may be presented for conversion at the office of the conversion agent and for exchange or registration of transfer at the office of the registrar. The conversion agent and the registrar shall initially be the trustee. No service charge will be made for any registration of transfer or exchange of notes. However, we may require the holder to pay any tax, assessment or other governmental charge payable as a result of such transfer or exchange.

As of September 30, 2002, the notes had an investment grade rating of BBB+ from Standard & Poor s Corporation, Baa2 from Moody s Investors Service, Inc., A from Fitch, Inc. and bbb+ from A.M. Best Company, all of which were the initial investment grade ratings given to the notes when they were initially issued. On July 25, 2002, Moody s affirmed its Baa2 rating, but revised the outlook for the rating from Stable to Negative. On September 19, 2002, Fitch affirmed its A rating, but revised the outlook for the rating from Stable to Negative. Standard & Poor and A.M. Best continue to indicate that the outlook for their rating is Stable.

Ranking of the Notes

The notes are senior unsecured and unsubordinated obligations of Horace Mann and rank equal in right of payment to all of our other senior unsecured and unsubordinated indebtedness. The notes are effectively subordinated to any future secured indebtedness to the extent of the assets securing such indebtedness. In addition, we are structured as a holding company, and we conduct most of our business operations through our subsidiaries. The notes are effectively subordinated to all existing and future indebtedness and other liabilities and commitments of our subsidiaries which are distinct legal entities having no obligation to pay any amounts pursuant to the notes or to make funds available therefor. In addition, since our subsidiaries are insurance companies, their ability to pay dividends to us is subject to regulatory limitations. See Risk Factors Risks Related to the Offering We are a holding company, and we may not have access to the cash that is needed to make payment on the notes.

As of September 30, 2002, we had no secured indebtedness outstanding and $38.8 million of senior unsecured indebtedness related to our 6 5/8% Senior Notes due 2006, which ranks equal to the $148.9 million of outstanding indebtedness related to these notes. As of September 30, 2002, none of our subsidiaries had any significant indebtedness.

Conversion Rights

A holder may convert a note in integral multiples of $1,000 principal amount at maturity, into common stock only if the conditions for conversion described below are satisfied. In addition, a holder may convert a note only until the close of business on the second business day prior to the redemption date if we call a note for redemption. A note for which a holder has delivered a purchase notice or a change in control purchase notice requiring us to purchase the note may be surrendered for conversion only if such notice is withdrawn in accordance with the indenture.

For each $1,000 principal amount of notes surrendered for conversion, if the conditions for conversion are satisfied, a holder will receive 17.763 shares of our common stock, subject to adjustment upon the occurrence of certain events described below. A holder of a note otherwise entitled to a fractional share will receive cash equal to the applicable portion of the then current sale price of our common stock on the trading day immediately preceding the conversion date. Upon a conversion, we have the option to deliver cash or a combination of cash and shares of our common stock for the notes surrendered as described below. The ability to surrender notes for conversion expires at the close of business on May 14, 2032.

To convert a note into shares of common stock, a holder must:

- complete and manually sign a conversion notice, a form of which is on the back of the note, and deliver the conversion notice to the conversion agent;
- surrender the note to the conversion agent;
- if required by the conversion agent, furnish appropriate endorsements and transfer documents; and
- if required, pay all transfer or similar taxes.

On conversion of a note, a holder will not receive any cash payment of interest representing accrued original issue discount or any accrued cash interest or, except as described below, contingent cash interest. Instead, accrued original issue discount or accrued cash interest or contingent cash interest will be deemed paid by the shares of common stock received by the holder on conversion. Delivery to the holder of the

full number of shares of common stock into which the note is convertible, together with any cash payment of such holder s fractional shares, will thus be deemed:

- to satisfy our obligation to pay the principal amount at maturity of the note;
- to satisfy our obligation to pay accrued original issue discount or accrued cash interest attributable to the period from the issue date through the conversion date; and
- to satisfy our obligation to pay accrued contingent interest, if any, attributable to the most recent accrual date.

As a result, accrued original issue discount or accrued cash interest is deemed paid in full rather than cancelled, extinguished or forfeited. Notwithstanding the foregoing, accrued cash interest, if any, will be payable upon any conversion of notes at the option of the holder made concurrently with or after acceleration of the notes following an event of default described under Events of Default and Acceleration below. Holders of notes surrendered for conversion during the period from the close of business on any regular record date next preceding any interest payment date to the opening of business of such interest payment date will receive the semiannual interest payable on such notes on the corresponding interest payment date notwithstanding the conversion, and such notes (except notes called for redemption) upon surrender must be accompanied by funds equal to the amount of such payment.

If contingent cash interest is payable to holders of notes during any particular six-month period, and such notes are converted after the applicable accrual or record date therefor and prior to the next succeeding interest payment date, holders of such notes at the close of business on the accrual or record date will receive the contingent cash interest payable on such notes on the corresponding interest payment date notwithstanding the conversion. Such notes, upon surrender for conversion, must be accompanied by funds equal to the amount of contingent cash interest payable on the principal amount of notes so converted, unless such notes have been called for redemption, in which case no such payment shall be required.

The conversion rate will not be adjusted for accrued original issue discount, accrued cash interest, any contingent cash interest or interest payable upon occurrence of a tax event. A certificate for the number of full shares of common stock into which any note is converted, together with any cash payment for fractional shares, will be delivered through the conversion agent as soon as practicable following the conversion date. For a discussion of the tax treatment of a holder receiving shares of our common stock upon surrendering notes for conversion, see Material United States Federal Income Tax Consequences.

In lieu of delivery of shares of our common stock upon notice of conversion of any notes (for all or any portion of the notes), we may elect to pay holders surrendering notes a combination of cash and shares of our common stock or an amount in cash per note (or a portion of a note) based on the average sale price of our common stock for the five consecutive trading days immediately following either (i) the date of our notice of our election to deliver cash, which we must give within two business days after receiving a conversion notice, unless we have earlier given notice of redemption as described in this prospectus, or (ii) the conversion date, if we have given notice of redemption specifying that we intend to deliver cash upon conversion thereafter, in either case multiplied by the conversion rate in effect on that date. We will inform the holders through the trustee no later than two business days following the conversion date of our election to deliver shares of our common stock or to pay cash in lieu of delivery of the shares, unless we have already informed holders of our election in connection with our optional redemption of the notes as described under Redemption of Notes at Our Option. If we elect to deliver all of such payment in shares of our common stock, the shares will be delivered through the conversion agent no later than the fifth business day following the conversion date. If we elect to pay all or a portion of such payment in cash, the payment, including any delivery of shares of our common stock, will be made to holders surrendering notes no later than the tenth business day following the applicable conversion date. If an event of default, as described under Events of Default and Acceleration below (other than a default in a cash payment upon conversion of the notes), has occurred and is continuing, we may not pay cash upon conversion of any notes or portion of a note (other than cash for fractional shares).

We will adjust the conversion rate for:

(i) dividends or distributions on our common stock payable in our common stock or other capital stock of Horace Mann;

(ii) subdivisions, combinations or certain reclassifications of shares of our common stock;

(iii) distributions to all holders of our common stock of certain rights to purchase shares of our common stock for a period expiring within 60 days of issuance of the notes at less than the then current sale price;

(iv) distributions to the holders of our common stock of a portion of our assets (including shares of capital stock of a subsidiary) or debt securities issued by us or certain rights to purchase our securities; and

(v) cash dividends or other cash distributions to the holders of our common stock from current or retained earnings with an annualized amount per share exceeding 5% of the sale price of our common stock on the day preceding the date of declaration of such dividend or other distribution.

However, no adjustment to the conversion rate need be made if holders of the notes may participate in the transaction without conversion or in certain other cases.

In the event that we elect to make a distribution to all holders of shares of our common stock pursuant to clause (iii), (iv) or (v) of the preceding paragraph, which, in the case of clause (iv) or (v), has a per share value equal to more than 15% of the sale price of our shares of common stock on the day preceding the declaration date for such distribution, we are required to give notice to the holders of notes at least 20 days prior to the date for such distribution and, upon the giving of such notice, the notes may be surrendered for conversion at any time until the close of business on the business day prior to the date of distribution or until we announce that such distribution will not take place.

In addition, the indenture provides that upon conversion of the notes, the holders of such notes will receive, in addition to the shares of common stock issuable upon such conversion, the rights related to such common stock pursuant to any future shareholder rights plan, whether or not such rights have separated from the common stock at the time of such conversion. However, there shall not be any adjustment to the conversion privilege or conversion rate as a result of:

- the issuance of the rights;
- the distribution of separate certificates representing the rights;
- the exercise or redemption of such rights in accordance with any rights agreement; or
- the termination or invalidation of the rights.

The indenture permits us to increase the conversion rate from time to time.

Holders of the notes may, in certain circumstances, be deemed to have received a distribution subject to United States federal income tax as a dividend upon:

- a taxable distribution to holders of common stock that results in an adjustment of the conversion rate on the notes;
- an increase in the conversion rate at our discretion; or
- failure to adjust the conversion rate in some instances.

See Material United States Federal Income Tax Consequences.

If we are a party to a consolidation, merger or binding share exchange or a transfer of all or substantially all of our assets, the right to convert a note into shares of our common stock may be changed into a right to convert it into the kind and amount of securities, cash or other assets of Horace Mann or another person which the holder would have received if the holder had converted the holder s note immediately prior to the transaction.

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The conversion agent will, on our behalf, determine if the notes are convertible and notify the trustee and us accordingly. If the conditions to the conversion of the notes have been satisfied, we will promptly notify the holders of the notes thereof and use our reasonable best efforts to post this information on our website or otherwise publicly disclose this information.

Conversion Based on Common Stock Price. Holders may surrender notes for conversion into shares of our common stock if as of the last day of any calendar quarter beginning with the quarter ending September 30, 2002, the closing sale price of our common stock for at least 20 trading days in a period of 30 consecutive trading days ending on the last trading day of such calendar quarter is more than the following percentage of the accreted conversion price per share of common stock on the last day of such calendar quarter: (i) 120% until and including March 31, 2007 and (ii) declining 0.1% per calendar quarter thereafter to 110% on the last day of the calendar quarter ending March 31, 2032. Upon a conversion, we have the right to deliver cash or a combination of cash and shares of our common stock, as described below.

The accreted conversion price per share as of any day will equal the sum of the issue price of a note plus the accrued original issue discount or accrued cash interest if any, divided by the number of shares of common stock issuable upon conversion of a note on that day, subject to any adjustments to the conversion rate through that day. The closing sale price of our common stock on any trading day means the closing per share sale price (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on such date on the principal national securities exchange on which the common stock is listed or, if our common stock is not listed on a national securities exchange, as reported by the Nasdaq or otherwise as provided in the indenture.

The conversion trigger price per share of our common stock in respect of each of the first 20 fiscal quarters following issuance of the notes is $32.09. This conversion trigger price reflects the accreted conversion price per share of common stock multiplied by 120%. Thereafter, the accreted conversion price per share of common stock increases each fiscal quarter by the accreted original issue discount for the quarter. The conversion trigger price per share for the fiscal quarter beginning April 1, 2032 is $61.71. The foregoing conversion trigger prices assume that no events have occurred that would require an adjustment to the conversion rate.

Conversion Rights Based on Credit Ratings Downgrade. Holders may also surrender notes for conversion during any period in which the credit rating assigned to the notes is Ba2 or lower by Moody s Investors Service, Inc. or BB+ or lower by Standard & Poor s Corporation, the notes are no longer rated by either Moody s or Standard & Poor s, or the credit rating assigned to the notes has been suspended or withdrawn by either Moody s or Standard & Poor s. The notes will cease to be convertible pursuant to this paragraph during any period or periods in which all of the credit ratings are increased above such levels.

Conversion Based on Redemption. A holder may surrender for conversion a note in integral multiples of $1,000 principal amount at maturity called for redemption at any time prior to the close of business on the second business day immediately preceding the redemption date, even if it is not otherwise convertible at such time. A note for which a holder has delivered a purchase notice or a change in control purchase notice, as described below, requiring us to purchase such note may be surrendered for conversion only if such notice is withdrawn in accordance with the indenture.

A business day is any weekday that is not a day on which banking institutions in The City of New York are authorized or obligated to close. A trading day is any day on which the NYSE is open for trading or, if the applicable security is quoted on the Nasdaq, a day on which trades may be made on such market or, if the applicable security is not so listed, admitted for trading or quoted, any business day.

Conversion Upon Occurrence of Certain Corporate Transactions. If we are party to a consolidation, merger or binding share exchange or a transfer of all or substantially all of our assets, a note may be surrendered for conversion at any time from and after the date which is 15 days prior to the anticipated effective date of the transaction until the date that is 15 days after the actual effective date of such

transaction, and at the effective date, the right to convert a note into shares of our common stock will be changed into a right to convert it into the kind and amount of securities, cash or other assets of Horace Mann or another person which the holder would have received if the holder had converted the holder s notes immediately prior to the transaction. If such transaction also constitutes a change in control of Horace Mann, the holder will be able to require us to purchase all or a portion of such holder s notes as described under Change in Control Permits Purchase of Notes by Horace Mann at the Option of the Holder.

Contingent Cash Interest

Subject to the accrual and record date provisions described below, we will pay contingent cash interest to the holders of the notes during any six-month period commencing after May 14, 2007 if the average market price of a note for the five trading days ending on the third trading day immediately preceding the first day of the applicable six-month period equals 120% or more of the sum of the issue price, accrued original issue discount and accrued cash interest, if any, for a note to the day immediately preceding the first day of the applicable six-month period.

During any period when contingent cash interest shall be payable, the contingent cash interest payable per note in respect of any quarterly period within any such six-month period will equal the greater of (i) $0.105 multiplied by the then applicable conversion rate and (ii) any regular cash dividends paid by us per share on our common stock during that quarterly period multiplied by the then applicable conversion rate. Notwithstanding the above, if we declare a dividend for which the record date falls prior to the first day of a six-month period but whose payment date falls within such six-month period, then the five trading day period for determining the average market price of a note will be the five trading days ending on the third trading day immediately preceding such record date. For United States federal income tax purposes, the notes constitute contingent payment debt instruments.

Contingent cash interest, if any, will accrue and be payable to holders of notes as of the 15th day preceding the last day of the relevant six-month period, or, if we pay a regular cash dividend on our common stock during a quarter within the relevant six-month period, to holders of notes as of the record date for the related common stock dividend. If we only pay a regular cash dividend on our common stock during one quarter within the relevant six-month period, the remaining contingent cash interest will accrue and be payable as of the 15th day preceding the last day of the relevant six-month period. We will make contingent cash interest payments on the last day of the relevant six-month period or, if we pay a regular cash dividend on our common stock during the relevant six-month period, on the payment date for the related common stock dividend. Original issue discount will continue to accrue at the yield to maturity whether or not contingent cash interest is paid.

Regular cash dividends mean quarterly or other periodic cash dividends on our common stock as declared by our board of directors as part of its cash dividend payment practices and that are not designated by it as extraordinary or special or other nonrecurring dividends.

The market price of a note on any date of determination means the average of the secondary market bid quotations per note obtained by the bid calculation agent for $5 million principal amount at maturity of notes at approximately 4:00 p.m., New York City time, on such determination date from three independent nationally recognized securities dealers we select, provided that if:

- at least three such bids are not obtained by the bid calculation agent; or

- in our reasonable judgment, the bid quotations are not indicative of the secondary market value of the notes,

then the market price of the note will equal (i) the then applicable conversion rate of the notes multiplied by (ii) the average sale price of our common stock on the five trading days ending on such determination date, appropriately adjusted.

The bid calculation agent is JPMorgan Chase Bank, the trustee. We may change the bid calculation agent, but the bid calculation agent will not be our affiliate. The bid calculation agent will solicit bids from securities dealers that are believed by us to be willing to bid for the notes.

Upon determination that note holders will be entitled to receive contingent cash interest during a relevant six-month period, we will issue a press release and publish such information on our website as soon as practicable.

Redemption of Notes at Our Option

No sinking fund is provided for the notes. Prior to May 14, 2007, we cannot redeem the notes at our option. Beginning on May 14, 2007, we may redeem the notes for cash, as a whole at any time or from time to time in part. We will give not less than 30 days or more than 60 days notice of redemption by mail to holders of notes.

If redeemed at our option, the notes will be redeemed at a price equal to the sum of the issue price plus accrued original issue discount and accrued cash interest, if any, on such notes to the applicable redemption date. The table below shows the redemption prices of a note on May 14, 2007, on each May 14 thereafter prior to maturity and at maturity on May 14, 2032. In addition, the redemption price of a note that is redeemed between the dates listed below would include an additional amount reflecting the additional accrued original issue discount that has accrued on such note since the immediately preceding date in the table below.

Redemption Date	(1) Note Issue Price	(2) Accrued Original Issue Discount	(3) Redemption Price (1) + (2)
May 14:			
2007	$475.00	$ 0.00	$ 475.00
2008	475.00	14.36	489.36
2009	475.00	29.15	504.15
2010	475.00	44.39	519.39
2011	475.00	60.09	535.09
2012	475.00	76.26	551.26
2013	475.00	92.92	567.92
2014	475.00	110.09	585.09
2015	475.00	127.77	602.77
2016	475.00	145.99	620.99
2017	475.00	164.76	639.76
2018	475.00	184.10	659.10
2019	475.00	204.02	679.02
2020	475.00	224.54	699.54
2021	475.00	245.69	720.69
2022	475.00	267.47	742.47
2023	475.00	289.91	764.91
2024	475.00	313.03	788.03
2025	475.00	336.85	811.85
2026	475.00	361.39	836.39
2027	475.00	386.67	861.67
2028	475.00	412.71	887.71
2029	475.00	439.54	914.54
2030	475.00	467.18	942.18
2031	475.00	495.66	970.66
At stated maturity	475.00	525.00	1,000.00

If we convert the notes to semiannual coupon notes following the occurrence of a tax event, the notes will be redeemable at the restated principal amount plus accrued interest from the date of the conversion through the redemption date. However, in no event may the notes be redeemed prior to May 14, 2007. For more information on this optional conversion, see Optional Conversion to Semiannual Coupon Notes upon Tax Event.

If less than all of the outstanding notes are to be redeemed, the trustee will select the notes to be redeemed in principal amounts at maturity of $1,000 or integral multiples of $1,000. In this case, the trustee may select the notes by lot, pro rata or by any other method the trustee considers fair and appropriate. If a portion of a holder s notes is selected for partial redemption and the holder converts a portion of the notes, the converted portion will be deemed to be part of the portion of notes selected for redemption.

Purchase of Notes by Horace Mann at the Option of the Holder

On the purchase dates of May 14, 2007, May 14, 2012, May 14, 2017, May 14, 2022 and May 14, 2027, we may, at the option of the holder, be required to purchase, at the purchase price set forth below plus accrued cash interest, if any, to the purchase date, all or a portion of such holder s outstanding notes for which a written purchase notice has been properly delivered by the holder and not withdrawn, subject to certain additional conditions. Holders may submit their written purchase notice to the paying agent at any time from the opening of business on the date that is 20 business days prior to such purchase date until the close of business on the business day immediately preceding such purchase date.

The purchase price of a note will be:

- $475.00 per note on May 14, 2007;
- $551.26 per note on May 14, 2012;
- $639.76 per note on May 14, 2017;
- $742.47 per note on May 14, 2022; and
- $861.67 per note on May 14, 2027.

The above purchase prices reflect a price equal to the sum of the issue price and accrued original issue discount, if any, on such notes as of the applicable purchase date.

If prior to a purchase date the notes have been converted to semiannual coupon notes following the occurrence of a tax event, the purchase price will be equal to the restated principal amount plus accrued and unpaid cash interest from the date of the conversion to the purchase date. For more information on this optional conversion, see Optional Conversion to Semiannual Coupon Notes upon Tax Event.

We are required to give notice on a date not less than 20 business days prior to each purchase date to all holders at their addresses shown in the register of the registrar, and to beneficial owners as required by applicable law, stating among other things:

- the amount of the purchase price;
- whether we will pay the purchase price of the notes in cash or common stock or any combination thereof, specifying the percentages of each;
- if we elect to pay in common stock, the calculation of the market price of the common stock; and
- the procedures that holders must follow to require us to purchase their notes.

The purchase notice given by each holder electing to require us to purchase notes shall state:

- the certificate numbers of the holder s notes to be delivered for purchase;
- the portion of the principal amount at maturity of notes to be purchased, which must be $1,000 or an integral multiple of $1,000;

that the notes are to be purchased by us pursuant to the applicable provisions of the notes; and

in the event we elect, pursuant to the notice that we are required to give, to pay the purchase price in common stock, in whole or in part, but the purchase price is ultimately to be paid to the holder entirely in cash because any of the conditions to payment of the purchase price or portion of the purchase price in common stock is not satisfied prior to the close of business on the purchase date, as described below, whether the holder elects:

to withdraw the purchase notice as to some or all of the notes to which it relates; or

to receive cash in respect of the entire purchase price for all notes or portions of notes subject to such purchase notice.

If the purchase price for the notes subject to the purchase notice is ultimately to be paid to a holder entirely in cash because we have not satisfied one or more of the conditions to payment of the purchase price in common stock prior to the close of business on the purchase date, a holder shall be deemed to have elected to receive cash in respect of the entire purchase price for all such notes unless such holder has properly notified us of its election to withdraw the purchase notice.

Any purchase notice may be withdrawn by the holder by a written notice of withdrawal delivered to the paying agent prior to the close of business on the business day prior to the purchase date. The notice of withdrawal shall state:

the principal amount at maturity being withdrawn;

the certificate numbers of the notes being withdrawn; and

the principal amount at maturity, if any, of the notes that remain subject to the purchase notice.

We may, at our option, elect to pay the purchase price in cash or shares of our common stock, or any combination thereof. If we elect to pay the purchase price, in whole or in part, in shares of our common stock, the number of shares we deliver will be equal to the portion of the purchase price to be paid in common stock divided by the market price of a share of common stock. We will pay cash based on the market price for all fractional shares of common stock in the event we elect to deliver shares of our common stock in payment, in whole, or in part, of the purchase price. For a discussion of the tax treatment of a holder receiving cash, shares of our common stock or any combination thereof, see Material United States Federal Income Tax Consequences.

The market price of our common stock shall be an amount equal to the average of the sale prices of our common stock for the five-trading-day period ending on the third business day prior to the applicable purchase date, or, if such business day is not a trading day, then on the last trading day prior to such business day, appropriately adjusted to take into account any occurrence that would result in an adjustment of the conversion rate with respect to the common stock. See Conversion Rights for a description of the manner in which the sale price of our common stock is determined.

Because the market price of our common stock is determined prior to the applicable purchase date, holders of notes bear the market risk with respect to the value of the shares of our common stock to be received from the date such market price is determined to such purchase date. We may pay the purchase price or any portion of the purchase price in common stock only if the information necessary to calculate the market price is published in a daily newspaper of national circulation.

Upon determination of the actual number of shares of common stock in accordance with the foregoing provisions, we will promptly issue a press release and publish such information on our website.

Our right to purchase notes, in whole or in part, with shares of our common stock is subject to our satisfying various conditions, including:

listing the common stock on the principal United States securities exchange on which our common stock is then listed or, if not so listed, on the Nasdaq;

- the registration of the shares of our common stock under the Securities Act and the Exchange Act, if required; and
- any necessary qualification or registration under applicable state securities law or the availability of an exemption from such qualification and registration.

If such conditions are not satisfied with respect to a holder prior to the close of business on the purchase date, we will pay the purchase price of the notes of the holder entirely in cash. See Material United States Federal Income Tax Consequences. We may not change the form or components or percentages of components of consideration to be paid for the notes once we have given the notice that we are required to give to holders of notes, except as described in the first sentence of this paragraph.

In connection with any purchase offer, we will:

- comply with the provisions of Rule 13e-4, Rule 14e-1 and any other tender offer rules under the Exchange Act which may then be applicable; and
- file Schedule TO or any other required schedule under the Exchange Act.

Payment of the purchase price for a note for which a purchase notice has been delivered and not validly withdrawn is conditioned upon delivery of the note, together with necessary endorsements, to the paying agent at any time after delivery of the purchase notice. Payment of the purchase price for the note will be made as soon as practicable following the later of the purchase date or the time of delivery of the note.

If the paying agent holds money or securities sufficient to pay the purchase price of the note on the business day following the purchase date in accordance with the terms of the indenture, then, immediately after the purchase date, the note will cease to be outstanding and cash interest or original issue discount on such note will cease to accrue, whether or not the note is delivered to the paying agent. Thereafter, all other rights of the holder shall terminate, other than the right to receive the purchase price upon delivery of the note.

No notes may be purchased for cash at the option of holders if there has occurred and is continuing an event of default with respect to the notes, other than a default in the payment of the purchase price with respect to such notes.

Change in Control Permits Purchase of Notes by Horace Mann at the Option of the Holder

In the event of a change in control of Horace Mann, each holder has the right, at the holder s option, subject to the terms and conditions of the indenture, to require us to purchase for cash all or any portion of the holder s notes. However, the principal amount at maturity submitted for purchase by a holder must be $1,00