

HORACE MANN EDUCATORS CORP /DE/

Form 10-Q

November 06, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2009

OR

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

For the transition period from _____ to _____

Commission file number 1-10890

HORACE MANN EDUCATORS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware **37-0911756**
(State or other jurisdiction of **(I.R.S. Employer**
incorporation or organization) **Identification No.)**
1 Horace Mann Plaza, Springfield, Illinois 62715-0001
(Address of principal executive offices, including Zip Code)
Registrant's Telephone Number, Including Area Code: 217-789-2500

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

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Act. Yes No

As of October 31, 2009, 39,184,363 shares of Common Stock, par value \$0.001 per share, were outstanding, net of 21,813,196 shares of treasury stock.

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HORACE MANN EDUCATORS CORPORATION

FORM 10-Q

FOR THE QUARTER ENDED SEPTEMBER 30, 2009

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders

Horace Mann Educators Corporation:

We have reviewed the accompanying consolidated balance sheet of Horace Mann Educators Corporation and subsidiaries (the Company) as of September 30, 2009, the related consolidated statements of operations and comprehensive income (loss) for the three-month and nine-month periods ended September 30, 2009 and 2008, and the related consolidated statements of changes in shareholders' equity and cash flows for the nine-month periods ended September 30, 2009 and 2008. These consolidated financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company as of December 31, 2008, and the related consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 2, 2009, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2008, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it was derived.

As discussed in Note 1 to the September 30, 2009 consolidated financial statements, the Company changed its presentation and method of accounting for other-than-temporary impairments of debt securities, effective April 1, 2009.

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As discussed in Note 1 to the December 31, 2008 consolidated financial statements, the Company changed its method of accounting for deferred acquisition costs associated with internal replacements, effective January 1, 2007. As discussed in Note 7 to the consolidated financial statements, the Company changed its method of accounting for uncertainty in income taxes, effective January 1, 2007. As discussed in Note 9 to the consolidated financial statements, the Company changed its method of accounting for defined pension and other postretirement plans, effective December 31, 2006.

/s/ KPMG LLP

KPMG LLP

Chicago, Illinois

November 6, 2009

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	September 30, 2009 (Unaudited)	December 31, 2008
ASSETS		
Investments		
Fixed maturities, available for sale, at fair value (amortized cost 2009, \$3,925,240; 2008, \$3,787,857)	\$ 4,013,492	\$ 3,485,261
Equity securities, available for sale, at fair value (cost 2009, \$64,775; 2008, \$86,184)	60,585	61,569
Short-term and other investments	516,752	354,925
Total investments	4,590,829	3,901,755
Cash	16,770	9,204
Accrued investment income and premiums receivable	118,991	103,534
Deferred policy acquisition costs	268,535	312,046
Goodwill	47,396	47,396
Other assets	95,852	168,566
Separate Account (variable annuity) assets	1,153,726	965,217
Total assets	\$ 6,292,099	\$ 5,507,718
LIABILITIES AND SHAREHOLDERS EQUITY		
Policy liabilities		
Fixed annuity contract liabilities	\$ 2,324,643	\$ 2,166,518
Interest-sensitive life contract liabilities	701,457	685,854
Unpaid claims and claim expenses	316,384	311,243
Future policy benefits	196,729	193,000
Unearned premiums	214,363	206,578
Total policy liabilities	3,753,576	3,563,193
Other policyholder funds	121,137	128,359
Other liabilities	297,502	164,555
Short-term debt	38,000	38,000
Long-term debt	199,598	199,549
Separate Account (variable annuity) liabilities	1,153,726	965,217
Total liabilities	5,563,539	5,058,873

Preferred stock, \$0.001 par value, authorized 1,000,000 shares; none issued

Common stock, \$0.001 par value, authorized 75,000,000 shares; issued, 2009, 60,997,559; 2008, 60,874,984	61	61
Additional paid-in capital	357,783	355,542
Retained earnings	739,422	694,492
Accumulated other comprehensive income (loss) net of taxes:		
Net unrealized gains and losses on fixed maturities and equity securities	50,479	(182,065)
Net funded status of pension and other postretirement benefit obligations	(11,522)	(11,522)
Treasury stock, at cost, 21,813,196 shares	(407,663)	(407,663)
Total shareholders' equity	728,560	448,845
Total liabilities and shareholders' equity	\$ 6,292,099	\$ 5,507,718

See accompanying Notes to Consolidated Financial Statements.

See accompanying Report of Independent Registered Public Accounting Firm.

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HORACE MANN EDUCATORS CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(Dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues				
Insurance premiums and contract charges earned	\$ 165,845	\$ 163,470	\$ 491,850	\$ 489,722
Net investment income	62,458	57,806	181,399	172,231
Net realized investment gains (losses)	11,410	(45,270)	21,658	(55,742)
Other income	1,817	2,198	6,634	7,506
Total revenues	241,530	178,204	701,541	613,717
Benefits, losses and expenses				
Benefits, claims and settlement expenses	122,607	131,214	348,588	360,238
Interest credited	35,326	33,243	103,539	97,898
Policy acquisition expenses amortized	18,164	16,198	60,222	55,973
Operating expenses	34,740	30,665	105,569	98,793
Amortization of intangible assets	-	1,242	223	4,060
Interest expense	3,479	3,402	10,465	10,179
Total benefits, losses and expenses	214,316	215,964	628,606	627,141
Income (loss) before income taxes	27,214	(37,760)	72,935	(13,424)
Income tax expense (benefit)	7,933	(6,952)	21,619	(1,414)
Net income (loss)	\$ 19,281	\$ (30,808)	\$ 51,316	\$ (12,010)
Net income (loss) per share				
Basic	\$ 0.49	\$ (0.79)	\$ 1.31	\$ (0.30)
Diluted	\$ 0.48	\$ (0.79)	\$ 1.27	\$ (0.30)
Weighted average number of shares and equivalent shares (in thousands)				
Basic	39,180	39,062	39,172	40,074
Diluted	40,640	39,062	40,554	40,074
Net realized investment gains (losses)				

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Total other-than-temporary impairment losses on securities	(1,808)	(47,592)	(29,076)	(65,704)
Portion of losses recognized in other comprehensive income	-	-	1,430	-
Net other-than-temporary impairment losses on securities recognized in earnings	(1,808)	(47,592)	(27,646)	(65,704)
Realized gains	13,218	2,322	49,304	9,962
Total	\$ 11,410	\$ (45,270)	\$ 21,658	\$ (55,742)

See accompanying Notes to Consolidated Financial Statements.

See accompanying Report of Independent Registered Public Accounting Firm.

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HORACE MANN EDUCATORS CORPORATION
CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(Dollars in thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Comprehensive income (loss)				
Net income (loss)	\$ 19,281	\$ (30,808)	\$ 51,316	\$ (12,010)
Other comprehensive income (loss), net of taxes:				
Change in net unrealized gains and losses on fixed maturities and equity securities	149,184	(94,593)	232,544	(153,596)
Change in net funded status of pension and other postretirement benefit obligations	-	-	-	-
Other comprehensive income (loss)	149,184	(94,593)	232,544	(153,596)