

HORACE MANN EDUCATORS CORP /DE/
Form 11-K
June 28, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

(Mark One):

ANNUAL REPORT PURSUANT TO SECTION 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001.

OR

TRANSITION REPORT PURSUANT TO SECTION 15 [d] OF THE SECURITIES
EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

Commission file number 1-10890

HORACE MANN SUPPLEMENTAL RETIREMENT AND SAVINGS PLAN
(Full title of the Plan)

HORACE MANN EDUCATORS CORPORATION

1 Horace Mann Plaza, Springfield, Illinois 62715
Registrant's telephone number, including area code:
(217) 789 - 2500

(Name, Address and Telephone Number of Issuer)

1

REQUIRED INFORMATION

Financial Statements:

Item 4. In lieu of the requirements of Items 1-3, audited statements and schedule are prepared in accordance with the requirements of ERISA for the Plan's fiscal years ended December 31, 2001 and 2000 are presented on pages 3 through 17.

Financial Statements and Supplemental Schedule

Horace Mann Service Corporation
Retirement and Savings Plan

Years ended December 31, 2001 and 2000
with Report of Independent Auditors

Horace Mann Supplemental
Retirement and Savings Plan

Financial Statements
and Supplemental Schedule

Years ended December 31, 2001 and 2000

Contents

Report of Independent Auditors.....

Financial Statements

Statements of Net Assets Available for Benefits.....

Statements of Changes in Net Assets Available for Benefits.....

Notes to Financial Statements

Supplemental Schedule

Schedule H, Line 4i - Schedule of Assets (Held at End of Year).....

Report of Independent Auditors

Pension Committee and The Board of Directors
Horace Mann Educators Corporation

We have audited the accompanying statements of net assets available for benefits of Horace Mann Supplemental Retirement and Savings Plan as of December 31, 2001 and 2000, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted

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in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan at December 31, 2001 and 2000, and the changes in its net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of assets (held at end of year) as of December 31, 2001, is presented for purposes of additional analysis and is not a required part of the financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in our audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

May 10, 2002

5

Horace Mann Supplemental Retirement and Savings Plan
 Statements of Net Assets Available for Benefits

	December 31 2001	

Assets		
Investments:		
Equity securities	\$35,075,088	\$
Fixed income securities	10,386,614	
Group Annuity contract, at contract value	36,447,269	
Horace Mann Educators Corporation Common Stock, at fair value (cost \$9,372,748 in 2001, \$11,033,924 In 2000)	10,279,600	

Total assets	92,188,571	
Liabilities		
Withdrawals payable to participants	-	

Net assets available for benefits	\$92,188,571	\$
	=====	

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See accompanying notes to financial statements.

6

Horace Mann Supplemental Retirement and Savings Plan
 Statements of Changes in Net Assets Available for Benefits

	Year ended December 31	
	2001	2000

Additions		
Investment income (loss):		
Net realized and unrealized depreciation of investments	\$ (4,507,978)	\$ (3,049,467)
Interest	2,001,458	2,168,375
Dividends	-	1,328,618

	(2,506,520)	447,526
Contributions:		
Employer	2,301,217	2,312,738
Employee	6,266,060	5,629,937

Total additions	6,060,757	8,390,201
Deductions		
Withdrawals by participants	(9,082,208)	(12,229,568)
Management fees	(240,327)	(47,831)

Total deductions	(9,322,535)	(12,277,399)

Net decrease	(3,261,778)	(3,887,198)
Net assets available for benefits		
Beginning of year	95,450,349	99,337,547

End of year	\$ 92,188,571	\$95,450,349
	=====	

See accompanying notes to financial statements.

7

Horace Mann Supplemental Retirement and Savings Plan

Notes to Financial Statements

December 31, 2001

1. General Plan Information

Description of the Plan

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The Horace Mann Supplemental Retirement and Savings Plan (the Plan) is sponsored by Horace Mann Service Corporation (HMSC) which is a wholly owned subsidiary of Horace Mann Educators Corporation (HMEC, HMSC and HMEC, collectively referred to as the Company). The following brief description of the Plan is provided for general information purposes. Readers should refer to the actual Plan Document or the employee Summary Plan Description entitled Your Horace Mann Benefits Program for additional information.

The Plan is a voluntary defined-contribution plan covering all employees of the Company. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions and Vesting

Participating employees may contribute up to 10% of eligible compensation, including salary, overtime, commissions, and certain incentive bonuses on a before-tax basis to one or more of twenty available investment funds. Effective, April 1, 2002, participants will be able to contribute 20% of eligible compensation.

Prior to January 1, 2002, the Company contributed an amount equal to 50% of the first 6% of eligible compensation contributed by participating employees. Employer contributions and earnings thereon are 20% vested for each year of service, with full vesting occurring after five years of service. In addition, employer contributions generally become fully vested in the event of disability or death. Forfeitures of nonvested employer contributions serve to reduce future Company matching contributions. Participant contributions and earnings thereon are fully vested at all times. Effective January 1, 2002, an automatic 3% Company contribution will replace the 50% Company match of the first 6% contributed. The 3% Company contribution will be 100% vested at the time the contribution is made and will be participant-directed. Company match contributions made prior to January 1, 2002, will continue to vest at the rate of 20% per year of service.

In accordance with the Omnibus Budget Reconciliation Act of 1993, eligible compensation for purposes of contributions were limited to \$170,000 in 2001 and 2000. Prior to January 1, 2002, highly compensated employees were limited to 6% participant contributions and 3% Company matching contributions. However, effective January 1, 2002, with the adoption of the Company's "safe harbor" contribution, highly compensated employees may contribute up to 20% of eligible compensation.

8

Horace Mann Supplemental Retirement and Savings Plan

Notes to Financial Statements (continued)

1. General Plan Information (continued)

Participant Accounts and Benefits

Each participant's account is credited with the participant's contribution, the Company's matching contribution, and an allocation of Plan investment earnings. The benefit to which a given participant is entitled is the benefit that can be provided from that participant's vested account. A participant subaccount is maintained in each of the investment funds in which a participant chooses to invest. There were 2,160 and 2,367 participants at December 31, 2001 and 2000, respectively. At December 31, 2001 and 2000, the number of participants' subaccounts in the respective investment funds were as follows:

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	2001	2000

Separate Account -Horace Mann Mutual Funds		
Equity Fund	1,234	1,467
Balanced Fund	841	944
Small Cap Growth Fund	956	1,205
Socially Responsible Fund	689	822
International Equity Fund	793	1,005
Income Fund	221	181
Short-Term Investment Fund	100	92
Other Mutual Funds		
Wilshire Large Company Growth Portfolio	335	380
Wilshire 5000 Index Portfolio	391	312
T Rowe Price Small Cap Value Fund	190	-
Fidelity VIP Mid Cap Growth Portfolio	185	-
Strong Opportunity Fund II	153	-
Fidelity VIP Growth Portfolio	169	-
T Rowe Price Small Cap Stock Fund	167	-
Putnam VT Vista Fund	110	-
Davis Value Portfolio	76	-
J.P. Morgan U.S. Disciplined Equity Portfolio	58	-
Fidelity VIP Overseas Portfolio	56	-
Horace Mann Fixed Fund	1,214	1,233
HMEC Common Stock Fund	914	1,017

9

Horace Mann Supplemental Retirement and Savings Plan

Notes to Financial Statements (continued)

1. General Plan Information (continued)

Trust Agreement

All plan assets are held in trust by The Northern Trust Quantitative Advisors, Inc. The assets of the Plan are deposited in participant-directed investments: any of seven Horace Mann Mutual Fund Options available within the Horace Mann Life Insurance Company (HMLIC) Separate Account, the Wilshire Large Company Growth Portfolio and the Wilshire 5000 Index portfolio (collectively the Wilshire Funds), the Fidelity VIP Mid Cap Growth Portfolio, the Fidelity VIP Growth Portfolio, the Fidelity VIP Overseas Portfolio (collectively the "Fidelity Funds"), T Rowe Price Small Cap Stock Fund and the T Rowe Price Small Cap Value Fund, the Davis Value Portfolio, the Strong Opportunity Fund II, the J.P. Morgan U.S. Disciplined Equity Portfolio, the Putnam VT Vista Fund, a group annuity contract with HMLIC, or the HMEC Common Stock Fund.

Effective July 1, 2000, Northern Trust Qualitative Advisors, Inc. began performing the Plan administration. Prior to July 1, 2000, the Company performed all administrative services for the Plan.

Transfers and Withdrawals

Effective July 1, 2000, participants may transfer all or a portion of their account balance between the various investment funds on a daily basis.

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Participant withdrawals (as allowed under the Plan) are permitted on a weekly basis. Previously, transfers and withdrawals were permitted on a monthly basis.

Termination

Although it has not expressed any intent to do so, the Company has the right to terminate the Plan at any time, subject to the provisions of ERISA. In the event of Plan termination, participants become fully vested in the Company's matching contributions and related investment earnings.

Reclassifications

Certain amounts in the 2000 financial statements have been reclassified to conform with the 2001 presentation.

10

Horace Mann Supplemental Retirement and Savings Plan

Notes to Financial Statements (continued)

2. Investments

Mutual Funds

A separate account has been established by HMLIC for the purpose of separately investing Plan assets in one or more of seven mutual funds, (Equity Fund, Balanced Fund, Small Cap Growth Fund, Socially Responsible Fund, International Equity Fund, Income Fund, and Short-Term Investment Fund). In addition, the Plan provides eleven additional mutual fund options for participants, the Wilshire Funds, the Fidelity Funds, T Rowe Price Small Cap Stock Fund and the T Rowe Price Small Cap Value Fund, the Davis Value Portfolio, the Strong Opportunity Fund II, the J.P. Morgan U.S. Disciplined Equity Portfolio, and the Putnam VT Vista Fund.

The investments in mutual funds are valued at quoted market prices, which represent the net asset values of shares held by the Plan at year-end. The investments of the underlying mutual funds are primarily common stocks, U.S. government and corporate bonds, and short-term commercial paper. The common stocks and bonds are presented at fair value, based on quoted market prices, and the short-term commercial paper is presented at cost, which approximates fair value.

The following presents investments that represent 5 percent or more of the Plan's net assets:

	December 31,	
	2001	2000

Equity Fund	\$15,559,955	\$17,561,721
Balanced Fund	9,535,942	10,338,363
Small Cap Growth Fund	4,948,649	8,171,669
HMLIC group annuity contract	36,447,269	35,701,798
Horace Mann Educators Corporation common stock	10,279,600	11,038,924

During 2001, the Plan's investments (including gains and losses on investments

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bought and sold, as well as held during the year) depreciated in value by \$3,661,841 as follows:

	Net Realized and Unrealized Depreciation in Fair Value of Investments

Mutual funds	\$ (3,493,605)
Common stock	(168,236)

Total	\$ (3,661,841)
	=====

11

Horace Mann Supplemental Retirement and Savings Plan

Notes to Financial Statements (continued)

2. Investments (continued)

Total annual returns for each of the mutual funds were as follows:

	Annual Investment Returns			
	1 Year		Period ended December 31, 2001	
	2001	2000	5 year	10 year

Separate Account - Horace Mann Mutual Funds:				
Equity Fund	(5.41)%	(4.64)%	2.11%	8.61%
Balanced Fund	0.12	0.93	4.01	7.83
Small Cap Growth Fund	(30.70)	(10.84)	-	-
Socially Responsible Fund	(8.47)	8.79	-	-
International Equity Fund	(27.29)	(17.51)	-	-
Income Fund	7.53	8.89	5.32	5.04
Short-Term Investment Fund	3.86	5.81	3.83	3.22
Other Mutual Funds				
Wilshire Large Company Growth Portfolio	(16.62)	(15.59)	-	-
Wilshire 5000 Index Portfolio	(11.50)	(10.10)	-	-
T Rowe Price Small Cap Value Fund	(21.84)	-	-	-
Fidelity VIP Mid Cap Growth Portfolio	(3.49)	-	-	-
Strong Opportunity Fund II	(3.92)	-	-	-
Fidelity VIP Growth Portfolio	(17.85)	-	-	-
T Rowe Price Small Cap Stock Fund	6.60	-	-	-
Putnam VT Vista Fund	(33.53)	-	-	-
Davis Value Portfolio	(10.38)	-	-	-
J.P. Morgan U.S. Disciplined Equity Portfolio	(11.92)	-	-	-

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Fidelity VIP Overseas Portfolio

(21.15)

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12

Horace Mann Supplemental Retirement and Savings Plan

Notes to Financial Statements (continued)

2. Investments (continued)

The composition of the underlying investments in each of the mutual funds at December 31, 2001 and 2000, was as follows:

	2001	2000
	-----	-----
Equity Fund:		
Common and preferred stock	99%	99%
Cash and short-term investments	1	1
Balanced Fund:		
Equity Fund	62	47
Income Fund	38	53
Small Cap Growth Fund:		
Common stock	96	94
Cash and short-term investments	4	6
Socially Responsible Fund:		
Common and preferred stock	97	99
Cash and short-term investments	3	1
International Equity Fund:		
Common and preferred stock	95	91
Cash and short-term investments	5	9
Income Fund:		
U.S. and foreign government and agency obligations	62	66
Corporate bonds/notes	38	34
Short-Term Investment Fund:		
U.S. and foreign government and agency obligations	92	99
Cash and short-term investments	8	1
Wilshire Large Company Growth Portfolio:		
Common and preferred stocks	100	100
Wilshire 5000 Index Portfolio:		
Common and preferred stocks	100	100

13

Horace Mann Supplemental Retirement and Savings Plan

Notes to Financial Statements (continued)

2. Investments (continued)

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	2001	2000

T Rowe Price Small Cap Value Fund:		
Common and preferred stocks	100%	-
Fidelity VIP Mid Cap Portfolio:		
Common and preferred stocks	100	-
Strong Opportunity Fund II:		
Common and preferred stocks	100	-
Fidelity VIP Growth Portfolio:		
Common and preferred stocks	100	-
T Rowe Price Small Cap Stock Fund:		
Common and preferred stocks	100	-
Putnam VT Vista Fund:		
Common and preferred stocks	97	-
Short-term investments	3	-
Davis Value Portfolio:		
Common and preferred stocks	100	-
J.P. Morgan U.S. Disciplined Equity Portfolio:		
Common and preferred stocks	100	-
Fidelity VIP Overseas Portfolio		
Common and preferred stocks	100	-
Group Annuity Contract		

Plan participants may invest in a fixed interest rate group annuity contract with HMLIC (Fixed Fund). Plan assets invested in this contract are guaranteed by HMLIC and, as a result, are presented in the financial statements at contract value. Contract value represents contributions made under the contract, plus interest at the contract rate, less withdrawals by participants. The fair value of the group annuity contract is approximately equal to contract value.

14

Horace Mann Supplemental Retirement and Savings Plan

Notes to Financial Statements (continued)

2. Investments (continued)

The actual credited interest rate on the group annuity contract was 5.25% and 6.25% for the years ended December 31, 2001 and 2000, respectively.

The minimum guaranteed annual interest rate per the group annuity contract is 4.5%. The actual credited interest rate may be reset by HMLIC with 30 days advance notice, but is generally changed once at the beginning of each Plan year. Beginning January 1, 2002, the actual crediting rate was continued at 5.25%.

HMEC Common Stock Fund

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The Plan's HMEC Common Stock Fund at December 31, 2001 and 2000, consisted of a pooled investment in 484,430 shares and 565,995 shares, respectively, of HMEC common stock, which is traded on the New York Stock Exchange under the symbol HMN. This investment is presented in the financial statements at fair value with a quoted market price of \$21.22 and \$21.37 per share, respectively.

Total annual returns for investments in the HMEC Common Stock Fund were as follows:

Annual Investment Returns		
	1 Year	Since inception
	2001	2000 (November 1991)
	1.5%	11.8%
		10.4%

3. Administrative Expenses

Beginning July 1, 2000, the Plan pays for its own administrative fees (.22%). All investment fees have been included in the quarterly performance gains or losses reported for individual Plan investments.

15

Horace Mann Supplemental Retirement and Savings Plan

Notes to Financial Statements (continued)

3. Administrative Expenses (continued)

Prior to July 1, 2000, the Company paid all administrative costs for the operation of the Plan and related trust, which consist primarily of trustee, audit, and legal fees. The investment results of the separate account are net of investment and operating expenses charged by HMLIC and the Separate Account - Horace Mann Mutual Funds. Minimal brokerage and commission fees for the purchase of HMEC common stock are paid directly by the Trustee from the HMEC Common Stock Fund.

4. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service dated May 17, 1994, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the "Code"), and therefore, the related trust is exempt from taxation. On February 28, 2002, the Plan was amended and restated to conform with the plan changes effective January 1, 2002, the series of tax acts collectively referred to as "GUST" and the Economic Growth and Tax Relief Reconciliation Act (EGTRRA), and submitted to the IRS for favorable determination. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust is tax exempt.

16

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Supplemental Schedule

Horace Mann Supplemental Retirement and Savings Plan

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)
December 31, 2001

Number of Shares or Units	Description of Investment	Cost	Contract Fair Value

	Separate Account - Horace Mann		
	Mutual Funds*:		
777,077	Equity Fund	\$17,600,819	\$ 15,55
539,571	Balanced Fund	9,682,487	9,53
400,182	Small Cap Growth Fund	6,317,724	4,94
254,385	Socially Responsible Fund	3,352,958	3,54
261,861	International Equity Fund	3,742,703	2,78
42,957	Income Fund	582,556	62
20,652	Short-Term Investment Fund	221,582	22

	Total separate account - Horace Mann		
	Mutual Funds	41,500,829	37,22
	Other mutual Funds:		
	Wilshire Large Company Growth		
61,631	Portfolio	3,411,087	1,91
208,986	Wilshire 5000 Index Portfolio	2,044,034	1,95
42,327	T Rowe Price Small Cap Value Fund	988,572	1,08
36,552	Fidelity VIP Mid Cap Portfolio	687,618	71
23,547	Strong Opportunity Fund II	616,789	62
16,666	Fidelity VIP Growth Portfolio	618,663	59
17,462	T Rowe Price Small Cap Stock Fund	458,153	49
24,416	Putnam VT Vista Fund	329,717	31
29,618	Davis Value Portfolio	308,629	29
	J.P. Morgan U.S. Disciplined Equity		
11,106	Portfolio	150,379	14
5,574	Fidelity VIP Overseas Portfolio	105,084	8

	Total other mutual funds	9,718,725	8,23
N/A	HMLIC Group Annuity Contract*	36,447,269	36,44
	Horace Mann Educators Corporation		
484,430	Common Stock*	9,372,748	10,27

		\$97,039,571	\$92,18
		=====	

*Represents a party in interest

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Pension Plan Committee of the Horace Mann Supplemental Retirement and Savings Plan has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Date 28 June 2002

HORACE MANN SUPPLEMENTAL RETIREMENT
AND SAVINGS PLAN

/s/ Kathryn E. Karr

Kathryn E. Karr
Plan Administrator
Vice President,
Corporate Benefits Administration

18

EXHIBITS

23. Consent of Independent Auditors

19