

PART I: FINANCIAL INFORMATION

## ITEM 1. | Consolidated Financial Statements

### Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors  
Horace Mann Educators Corporation:

#### *Results of Review of Interim Financial Information*

We have reviewed the consolidated balance sheet of Horace Mann Educators Corporation and subsidiaries (the Company) as of March 31, 2021, the related consolidated statements of operations, comprehensive income (loss) and changes in shareholders' equity for the three-month period ended March 31, 2021 and 2020, and cash flows for the three-month period ended March 31, 2021 and 2020, and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it 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) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2020, and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 26, 2021, 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, 2020, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

#### *Basis for Review Results*

This consolidated interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with the standards of the PCAOB. A review of consolidated 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 PCAOB, 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.

/s/ KPMG LLP  
KPMG LLP

Chicago, Illinois

May 7, 2021

**HORACE MANN EDUCATORS CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**  
(\$ in millions, except share data)

	March 31, 2021 (Unaudited)	December 31, 2020
<b>ASSETS</b>		
<b>Investments</b>		
Fixed maturity securities, available for sale, at fair value (amortized cost, net 2021, \$5,992.7; 2020, \$5,788.6)	\$ 6,356.3	\$ 6,345.3
Equity securities at fair value	140.0	121.6
Limited partnership interests	505.2	449.0
Short-term and other investments	311.6	346.3
<b>Total investments</b>	<b>7,313.1</b>	<b>7,262.2</b>
Cash	39.4	22.3
Deferred policy acquisition costs	262.5	229.8
Deposit asset on reinsurance	2,442.2	2,420.9
Intangible assets	155.2	158.5
Goodwill	43.5	43.5
Other assets	436.7	443.2
Separate Account (variable annuity) assets	3,052.9	2,891.4
<b>Total assets</b>	<b>\$ 13,745.5</b>	<b>\$ 13,471.8</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Policy liabilities</b>		
Investment contract and policy reserves	\$ 6,480.0	\$ 6,445.3
Unpaid claims and claim expenses	452.5	438.8
Unearned premiums	250.3	264.5
<b>Total policy liabilities</b>	<b>7,182.8</b>	<b>7,148.6</b>
Other policyholder funds	885.1	751.3
Other liabilities	494.4	453.1
Short-term debt	135.0	135.0
Long-term debt	302.4	302.3
Separate Account (variable annuity) liabilities	3,052.9	2,891.4
<b>Total liabilities</b>	<b>12,052.6</b>	<b>11,681.7</b>
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, 2021, 66,408,710; 2020, 66,316,797	0.1	0.1
Additional paid-in capital	489.2	488.4
Retained earnings	1,460.8	1,434.6
Accumulated other comprehensive income (loss), net of tax:		
Net unrealized investment gains on fixed maturity securities	243.6	366.3
Net funded status of benefit plans	(11.2)	(11.2)
Treasury stock, at cost, 2021, 24,942,064 shares; 2020, 24,902,579 shares	(489.6)	(488.1)
<b>Total shareholders' equity</b>	<b>1,692.9</b>	<b>1,790.1</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 13,745.5</b>	<b>\$ 13,471.8</b>

See Notes to Consolidated Financial Statements.

**HORACE MANN EDUCATORS CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (UNAUDITED)**  
(\$ in millions, except per share data)

	Three Months Ended March 31,	
	2021	2020
<b>Statements of Operations</b>		
<b>Revenues</b>		
Premiums and contract charges earned	\$ 227.6	\$ 236.3
Net investment income	95.5	82.3
Net investment losses	(9.0)	(18.5)
Other income	7.9	7.2
<b>Total revenues</b>	<b>322.0</b>	<b>307.3</b>
<b>Benefits, losses and expenses</b>		
Benefits, claims and settlement expenses	134.3	138.7
Interest credited	50.6	51.5
Operating expenses	58.0	60.7
DAC unlocking and amortization expense	24.1	30.0
Intangible asset amortization expense	3.3	3.7
Interest expense	3.5	4.2
<b>Total benefits, losses and expenses</b>	<b>273.8</b>	<b>288.8</b>
Income before income taxes	48.2	18.5
Income tax expense	8.9	—
<b>Net income</b>	<b>\$ 39.3</b>	<b>\$ 18.5</b>
<b>Net income per share</b>		
Basic	\$ 0.94	\$ 0.44
Diluted	\$ 0.93	\$ 0.44
<b>Weighted average number of shares and equivalent shares</b>		
Basic	41.9	41.8
Diluted	42.1	42.0
<b>Statements of Comprehensive Income (Loss)</b>		
Net income	\$ 39.3	\$ 18.5
Other comprehensive income (loss), net of tax:		
Change in net unrealized investment gains (losses) on fixed maturity securities	(122.7)	(93.8)
Change in net funded status of benefit plans	—	—
Other comprehensive income (loss)	(122.7)	(93.8)
<b>Comprehensive income (loss)</b>	<b>\$ (83.4)</b>	<b>\$ (75.3)</b>

See Notes to Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2021	2020
<b>Common stock, \$0.001 par value</b>		
Beginning balance	\$ 0.1	\$ 0.1
Options exercised	—	—
Conversion of common stock units	—	—
Conversion of restricted stock units	—	—
Ending balance	0.1	0.1
<b>Additional paid-in capital</b>		
Beginning balance	488.4	481.0
Options exercised and conversion of common stock units and restricted stock units	(1.2)	(0.2)
Share-based compensation expense	2.0	1.1
Ending balance	489.2	481.9
<b>Retained earnings</b>		
Beginning balance	1,434.6	1,352.5
Net income	39.3	18.5
Dividends, 2021, \$0.31 per share; 2020, \$0.30 per share	(13.1)	(12.7)
Cumulative effect of change in accounting principle	—	(0.5)
Ending balance	1,460.8	1,357.8
<b>Accumulated other comprehensive income (loss), net of tax:</b>		
Beginning balance	355.1	219.7
Change in net unrealized investment gains (losses) on fixed maturity securities	(122.7)	(93.8)
Change in net funded status of benefit plans	—	—
Ending balance	232.4	125.9
<b>Treasury stock, at cost</b>		
Beginning balance	(488.1)	(486.0)
Acquisition of shares	(1.5)	(2.1)
Ending balance	(489.6)	(488.1)
Shareholders' equity at end of period	\$ 1,692.9	\$ 1,477.6

See Notes to Consolidated Financial Statements.

**HORACE MANN EDUCATORS CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
(\$ in millions)

	Three Months Ended March 31,	
	2021	2020
<b>Cash flows - operating activities</b>		
Net income	\$ 39.3	\$ 18.5
Adjustments to reconcile net income to net cash provided by operating activities		
Net investment losses	9.0	18.5
Amortization of premiums and accretion of discounts on fixed maturity securities, net	0.2	0.9
Depreciation and intangible asset amortization	5.5	5.3
Share-based compensation expense	2.2	1.2
Changes in:		
Accrued investment income	(5.0)	(9.5)
Insurance liabilities	78.0	65.7
Premium receivables	3.8	2.2
Deferred policy acquisitions	2.5	(4.4)
Reinsurance recoverables	(1.2)	0.3
Income tax liabilities	8.9	1.1
Other operating assets and liabilities	2.7	(15.8)
Other	(3.9)	3.4
Net cash provided by operating activities	142.0	87.4
<b>Cash flows - investing activities</b>		
Fixed maturity securities		
Purchases	(478.4)	(535.3)
Sales	95.5	98.2
Maturities, paydowns, calls and redemptions	176.3	237.9
Equity securities		
Purchases	(28.4)	(4.1)
Sales and repayments	0.4	1.5
Limited partnership interests		
Purchases	(58.6)	(14.1)
Sales	13.7	2.3
Change in short-term and other investments, net	40.0	73.6
Net cash used in investing activities	(239.5)	(140.0)
<b>Cash flows - financing activities</b>		
Dividends paid to shareholders	(12.9)	(12.4)
Acquisition of treasury stock	(1.5)	(2.1)
Proceeds from exercise of stock options	0.3	0.5
Withholding tax payments on RSUs tendered	(1.7)	(1.3)
Annuity contracts: variable, fixed and FHLB funding agreements		
Deposits	235.8	192.7
Benefits, withdrawals and net transfers to Separate Account (variable annuity) assets	(101.1)	(101.7)
Life policy accounts		
Deposits	2.2	2.5
Withdrawals and surrenders	(1.1)	(1.2)
Change in deposit asset on reinsurance	(2.8)	(13.3)
Change in book overdrafts	(2.6)	4.6
Net cash provided by financing activities	114.6	68.3
Net increase in cash	17.1	15.7
Cash at beginning of period	22.3	25.5
Cash at end of period	\$ 39.4	\$ 41.2

See Notes to Consolidated Financial Statements.

HORACE MANN EDUCATORS CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

## NOTE 1 - Basis of Presentation and Significant Accounting Policies

### Business

Horace Mann Educators Corporation is a holding company for insurance subsidiaries that market and underwrite personal lines of property and casualty insurance products (primarily personal lines of automobile and property insurance), supplemental insurance products (primarily cancer, heart, hospital, supplemental disability and accident coverages), retirement products (primarily tax-qualified fixed and variable annuities) and life insurance products, primarily to K-12 teachers, administrators and other employees of public schools and their families (collectively, HMEC, the Company or Horace Mann).

### Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and with the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and disclosures normally included in annual financial statements prepared in conformity with GAAP, but are not required for interim reporting purposes, have been omitted. These Consolidated Financial Statements and Notes thereto should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in Part II - Item 8 of the Company's Annual Report on Form 10-K for the year ended December 31, 2020. The results of operations for the three months ended March 31, 2021 are not necessarily indicative of the results to be expected for the full year.

The accompanying Consolidated Financial Statements and Notes thereto are unaudited. These financial statements reflect all adjustments (generally consisting only of normal recurring accruals) which are, in the opinion of management, necessary for the fair presentation of the consolidated financial position, results of operations and cash flows for the interim periods. The Company's significant accounting policies are summarized in Part II - Item 8, Note 1 of the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

### Consolidation

All intercompany transactions and balances between HMEC and its subsidiaries and affiliates have been eliminated.

### Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The most significant critical accounting estimates include valuation of hard-to-value fixed maturity securities (including evaluation of impairments), evaluation of goodwill and intangible assets for impairment, valuation of annuity and life deferred policy acquisition costs, valuation of liabilities for property and casualty unpaid claims and claim expenses and valuation of certain investment contracts and policy reserves.

### Future Adoption of New Accounting Standards

#### *Accounting for Long-Duration Insurance Contracts*

In August 2018, the FASB issued accounting and disclosure guidance that contains targeted improvements to the accounting for long-duration insurance contracts. Under the new guidance, the cash flow assumptions used to measure the liability for future policy benefits for traditional insurance contracts will be required to be updated at least annually with changes recognized as a benefit expense (i.e., assumptions will no longer be locked-in).

## NOTE 1 - Basis of Presentation and Significant Accounting Policies (continued)

Insurance entities will be required to use a standard discount rate to measure the liabilities that will be equivalent to the yield from a high-quality bond. The new guidance also changes the amortization of deferred acquisition costs (DAC) to be on a constant-level basis over the expected term of the related contracts with no interest accruing on the DAC balance. The new guidance also introduces a new category of contract features associated with deposit type contracts referred to as market risk benefits (MRBs). Contract features meeting the definition of a MRB will be measured at fair value. New disclosures will be required for long-duration insurance contracts in order to provide better transparency into the exposure of insurance entities and the drivers of their results. For public business entities, the guidance is effective for annual reporting periods beginning after December 15, 2022, including interim periods within those years. With regards to the liability for future policy benefits and DAC, the guidance applies to contracts in force as of the beginning of the earliest period presented and may be applied retrospectively. With regards to MRBs, the guidance is to be applied retrospectively at the beginning of the earliest period presented. Early adoption is permitted. Management is currently evaluating the impact this guidance will have on the results of operations and financial position of the Company.

## NOTE 2 - Investments

### Net Investment Income

The components of net investment income for the following periods were as follows:

(\$ in millions)	Three Months Ended March 31,	
	2021	2020
Fixed maturity securities	\$ 58.0	\$ 59.4
Equity securities	1.1	1.2
Limited partnership interests	11.3	(2.7)
Short-term and other investments	2.8	2.9
Investment expenses	(2.1)	(2.2)
Net investment income - investment portfolio	71.1	58.6
Investment income - deposit asset on reinsurance	24.4	23.7
Total net investment income	\$ 95.5	\$ 82.3

### Net Investment Gains (Losses)

Net investment gains (losses) for the following periods were as follows:

(\$ in millions)	Three Months Ended March 31,	
	2021	2020
Fixed maturity securities	\$ (5.4)	\$ 1.1
Equity securities	(2.7)	(14.7)
Short-term investments and other	(0.9)	(4.9)
Net investment losses	\$ (9.0)	\$ (18.5)

The Company, from time to time, sells invested assets subsequent to the reporting date that were considered temporarily impaired at such reporting date. Such sales are due to issuer specific events occurring subsequent to the reporting date that result in a change in the Company's intent or ability to hold an invested asset. The types of events that may result in a sale include significant changes in the economic facts and circumstances related to the invested asset, significant unforeseen changes in liquidity needs, or changes in the Company's investment strategy.

## NOTE 2 - Investments (continued)

### Net Investment Gains (Losses) by Transaction Type

The following table reconciles net investment gains (losses) by transaction type:

(\$ in millions)	Three Months Ended March 31,	
	2021	2020
Credit loss impairments <sup>(1)</sup>	\$ (1.1)	\$ —
Intent-to-sell impairments	(2.1)	(3.7)
Total impairments on investments recognized in net income	(3.2)	(3.7)
Sales and other, net	(2.1)	4.5
Change in fair value - equity securities	(2.8)	(14.5)
Change in fair value and gains (losses) realized on settlements - derivatives	(0.9)	(4.8)
Net investment losses	\$ (9.0)	\$ (18.5)

<sup>(1)</sup> For the three months ended March 31, 2021, the Company recognized a valuation allowance of \$1.1 million for credit loss impairments with respect to fixed maturity securities available for sale.

### Fixed Maturity Securities

The Company's investment portfolio is comprised primarily of fixed maturity securities. Amortized cost, net, gross unrealized investment gains (losses) and fair values of all fixed maturity securities in the portfolio were as follows:

(\$ in millions)	Amortized Cost, net	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2021				
Fixed maturity securities				
U.S. Government and federally sponsored agency obligations: <sup>(1)</sup>				
Mortgage-backed securities	\$ 627.1	\$ 52.9	\$ 1.7	\$ 678.3
Other, including U.S. Treasury securities	444.2	25.4	11.3	458.3
Municipal bonds	1,609.9	161.7	3.5	1,768.1
Foreign government bonds	40.1	4.4	—	44.5
Corporate bonds	2,063.6	148.6	18.0	2,194.2
Other asset-backed securities	1,207.8	19.2	14.1	1,212.9
Totals	\$ 5,992.7	\$ 412.2	\$ 48.6	\$ 6,356.3
December 31, 2020				
Fixed maturity securities				
U.S. Government and federally sponsored agency obligations: <sup>(1)</sup>				
Mortgage-backed securities	\$ 605.5	\$ 79.6	\$ 0.3	\$ 684.8
Other, including U.S. Treasury securities	395.0	39.2	1.0	433.2
Municipal bonds	1,612.3	215.7	0.5	1,827.5
Foreign government bonds	40.2	4.9	—	45.1
Corporate bonds	1,905.2	221.6	3.9	2,122.9
Other asset-backed securities	1,230.4	24.1	22.7	1,231.8
Totals	\$ 5,788.6	\$ 585.1	\$ 28.4	\$ 6,345.3

<sup>(1)</sup> Fair value includes securities issued by Federal National Mortgage Association (FNMA) of \$373.3 million and \$387.1 million; Federal Home Loan Mortgage Corporation (FHLMC) of \$333.6 million and \$344.3 million; and Government National Mortgage Association (GNMA) of \$125.7 million and \$132.3 million as of March 31, 2021 and December 31, 2020, respectively.



## NOTE 2 - Investments (continued)

The following table presents the fair value and gross unrealized losses for fixed maturity securities in an unrealized loss position at March 31, 2021 and December 31, 2020, respectively. The Company views the decrease in fair value of all of the fixed maturity securities with unrealized losses at March 31, 2021 — which was driven largely by increasing interest rates, spread widening, financial market illiquidity and/or market volatility from the date of acquisition — as temporary. As of March 31, 2021, the Company has not made the decision to sell and it is not more likely than not the Company will be required to sell the fixed maturity securities with unrealized losses before an anticipated recovery in value. Therefore, it was determined that the unrealized losses on the fixed maturity securities presented in the table below were not indicative of any impairments as of March 31, 2021.

(\$ in millions)	12 Months or Less		More than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
March 31, 2021						
Fixed maturity securities						
U.S. Government and federally sponsored agency obligations:						
Mortgage-backed securities	\$ 24.0	\$ 1.5	\$ 3.1	\$ 0.2	\$ 27.1	\$ 1.7
Other	172.4	11.3	—	—	172.4	11.3
Municipal bonds	126.5	3.4	5.4	0.1	131.9	3.5
Foreign government bonds	0.5	—	—	—	0.5	—
Corporate bonds	382.1	16.4	47.1	1.6	429.2	18.0
Other asset-backed securities	137.1	1.3	359.4	12.8	496.5	14.1
Total	<u>\$ 842.6</u>	<u>\$ 33.9</u>	<u>\$ 415.0</u>	<u>\$ 14.7</u>	<u>\$ 1,257.6</u>	<u>\$ 48.6</u>
Number of positions with a gross unrealized loss						
	548		200		748	
Fair value as a percentage of total fixed maturity securities at fair value						
	13.3 %		6.5 %		19.8 %	
December 31, 2020						
Fixed maturity securities						
U.S. Government and federally sponsored agency obligations:						
Mortgage-backed securities	\$ 4.9	\$ 0.1	\$ 2.6	\$ 0.2	\$ 7.5	\$ 0.3
Other	95.9	1.0	—	—	95.9	1.0
Municipal bonds	18.1	0.5	—	—	18.1	0.5
Foreign government bonds	—	—	—	—	—	—
Corporate bonds	126.6	3.7	10.9	0.2	137.5	3.9
Other asset-backed securities	316.9	17.2	409.3	5.5	726.2	22.7
Total	<u>\$ 562.4</u>	<u>\$ 22.5</u>	<u>\$ 422.8</u>	<u>\$ 5.9</u>	<u>\$ 985.2</u>	<u>\$ 28.4</u>
Number of positions with a gross unrealized loss						
	308		123		431	
Fair value as a percentage of total fixed maturity securities at fair value						
	8.9 %		6.7 %		15.6 %	

Fixed maturity securities with an investment grade rating represented 91.8% of the gross unrealized losses as of March 31, 2021. With respect to fixed maturity securities involving securitized financial assets, the underlying collateral cash flows were stress tested to determine there was no adverse change in the present value of cash flows below the amortized cost basis.

## NOTE 2 - Investments (continued)

### Maturities of Fixed Maturity Securities

The following table presents the distribution of the Company's fixed maturity securities portfolio by estimated expected maturity. Estimated expected maturities differ from contractual maturities, reflecting assumptions regarding borrowers' utilization of the right to call or prepay obligations with or without call or prepayment penalties. For structured securities, estimated expected maturities consider broker-dealer survey prepayment assumptions and are verified for consistency with the interest rate and economic environments.

(\$ in millions)	Percent of Total Fair Value		March 31, 2021	
	March 31, 2021	December 31, 2020	Fair Value	Amortized Cost, net
Estimated expected maturity:				
Due in 1 year or less	4.1 %	4.0 %	\$ 261.3	\$ 255.5
Due after 1 year through 5 years	28.2 %	28.3 %	1,789.8	1,713.5
Due after 5 years through 10 years	28.3 %	28.0 %	1,799.7	1,669.5
Due after 10 years through 20 years	24.0 %	24.6 %	1,523.5	1,412.2
Due after 20 years	15.4 %	15.1 %	982.0	942.0
<b>Total</b>	<b>100.0 %</b>	<b>100.0 %</b>	<b>\$ 6,356.3</b>	<b>\$ 5,992.7</b>
Average option-adjusted duration, in years	6.6	6.4		

### Sales of Fixed Maturity and Equity Securities

Proceeds received from sales of fixed maturity and equity securities, each determined using the specific identification method, and gross gains and gross losses realized as a result of those sales for each period were as follows:

(\$ in millions)	Three Months Ended March 31,	
	2021	2020
Fixed maturity securities		
Proceeds received	\$ 95.5	\$ 98.2
Gross gains realized	1.2	4.8
Gross losses realized	(3.4)	(0.3)
Equity securities		
Proceeds received	\$ 0.4	\$ 1.5
Gross gains realized	0.1	0.3
Gross losses realized	—	(0.6)

### Net Unrealized Investment Gains (Losses) on Fixed Maturity Securities

The following table reconciles net unrealized investment gains (losses) on fixed maturity securities, net of tax, included in accumulated other comprehensive income (AOCI), before the impact of DAC:

(\$ in millions)	Three Months Ended March 31,	
	2021	2020
Net unrealized investment gains (losses) on fixed maturity securities, net of tax		
Beginning of period	\$ 439.8	\$ 264.4
Change in net unrealized investment gains (losses) on fixed maturity securities	(159.0)	(103.8)
Reclassification of net investment (gains) losses on securities to net income	6.4	(10.7)
End of period	\$ 287.2	\$ 149.9

## NOTE 2 - Investments (continued)

### Limited Partnership Interests

Investments in limited partnership interests are accounted for using the equity method of accounting and include interests in senior commercial mortgage loan funds, hedge funds, infrastructure debt funds, infrastructure equity funds and other funds. Principal factors influencing carrying amount appreciation or decline include operating performance, comparable public company earnings multiples, capitalization rates and the economic environment. The Company recognizes an impairment loss for equity method limited partnership interests when evidence demonstrates that the loss is other than temporary. Evidence of a loss in value that is other than temporary may include the absence of an ability to recover the carrying amount of the investment or the inability of the investee to sustain a level of earnings that would justify the carrying amount of the investment. The carrying amounts of equity method limited partnership interests were as follows:

(\$ in millions)	March 31, 2021		December 31, 2020	
Senior commercial mortgage loan funds	\$	197.3	\$	149.6
Hedge funds		62.6		63.2
Infrastructure debt funds		58.4		58.3
Infrastructure equity funds		56.2		52.1
Other <sup>(1)</sup>		130.7		125.8
Total	\$	505.2	\$	449.0

<sup>(1)</sup> Other consists primarily of limited partnership interests in real estate equity funds, private equity funds and corporate mezzanine funds.

### Offsetting of Assets and Liabilities

The Company's derivatives are subject to enforceable master netting arrangements. Collateral support agreements associated with each master netting arrangement provide that the Company will receive or pledge financial collateral in the event minimum thresholds have been reached. The following table presents instruments that were subject to a master netting arrangement for the Company.

(\$ in millions)	Gross Amounts		Gross Amounts Offset in the Consolidated Balance Sheets	Net Amounts of Assets/Liabilities Presented in the Consolidated Balance Sheets	Gross Amounts Not Offset in the Consolidated Balance Sheets			Net Amount				
					Financial Instruments	Cash Collateral Received						
March 31, 2021												
Asset derivatives:												
Free-standing derivatives	\$	17.5	\$	—	\$	17.5	\$	14.2	\$	3.3	\$	—
December 31, 2020												
Asset derivatives:												
Free-standing derivatives	\$	16.8	\$	—	\$	16.8	\$	13.7	\$	2.6	\$	0.5

### Deposits

At March 31, 2021 and December 31, 2020, fixed maturity securities with a fair value of \$26.6 million and \$26.9 million, respectively, were on deposit with governmental agencies as required by law in various states for which the insurance subsidiaries of HMEC conduct business. In addition, at March 31, 2021 and December 31, 2020, fixed maturity securities with a fair value of \$844.1 million and \$707.3 million, respectively, were on deposit with the Federal Home Loan Bank of Chicago (FHLB) as collateral for amounts subject to funding agreements, advances and borrowings which were equal to \$774.5 million at March 31, 2021 and \$644.5 million at December 31, 2020. The deposited securities are reported as Fixed maturity securities on the Company's Consolidated Balance Sheets.

### NOTE 3 - Fair Value of Financial Instruments

The Company is required to disclose estimated fair values for certain financial and nonfinancial assets and liabilities. Fair values of the Company's insurance contracts other than annuity contracts (which are investment contracts) are not required to be disclosed. However, the estimated fair values of liabilities under all insurance contracts are taken into consideration in the Company's overall management of interest rate risk through the matching of investment maturities with amounts due under insurance contracts.

Information regarding the three-level hierarchy presented below and the valuation methodologies utilized by the Company to estimate fair values at each reporting date is included in Part II - Item 8, Note 3 of the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2020.

## NOTE 3 - Fair Value of Financial Instruments (continued)

### Financial Instruments Measured and Carried at Fair Value on a Recurring Basis

The following table presents the Company's fair value hierarchy for those financial assets and financial liabilities measured and carried at fair value on a recurring basis. During the three months ended March 31, 2021 and 2020, there were no transfers between Level 1 and Level 2. At March 31, 2021, Level 3 invested assets comprised 5.1% of the Company's total investment portfolio at fair value.

(\$ in millions)	Carrying Amount	Fair Value	Fair Value Measurements at Reporting Date Using		
			Level 1	Level 2	Level 3
March 31, 2021					
Financial Assets					
Investments					
Fixed maturity securities					
U.S. Government and federally sponsored agency obligations:					
Mortgage-backed securities	\$ 678.3	\$ 678.3	\$ —	\$ 668.0	\$ 10.3
Other, including U.S. Treasury securities	458.3	458.3	27.1	431.2	—
Municipal bonds	1,768.1	1,768.1	—	1,709.5	58.6
Foreign government bonds	44.5	44.5	—	44.5	—
Corporate bonds	2,194.2	2,194.2	14.4	2,030.7	149.1
Other asset-backed securities	1,212.9	1,212.9	—	1,091.0	121.9
Total fixed maturity securities	6,356.3	6,356.3	41.5	5,974.9	339.9
Equity securities	140.0	140.0	38.1	101.6	0.3
Short-term investments	101.8	101.8	98.7	3.1	—
Other investments	42.8	42.8	—	42.8	—
Totals	\$ 6,640.9	\$ 6,640.9	\$ 178.3	\$ 6,122.4	\$ 340.2
Separate Account (variable annuity) assets <sup>(1)</sup>	\$ 3,052.9	\$ 3,052.9	\$ 3,052.9	\$ —	\$ —
Financial Liabilities					
Investment contract and policy reserves, embedded derivatives	\$ 2.7	\$ 2.7	\$ —	\$ 2.7	\$ —
Other policyholder funds, embedded derivatives	\$ 107.6	\$ 107.6	\$ —	\$ —	\$ 107.6
December 31, 2020					
Financial Assets					
Investments					
Fixed maturity securities					
U.S. Government and federally sponsored agency obligations:					
Mortgage-backed securities	\$ 684.8	\$ 684.8	\$ —	\$ 673.7	\$ 11.1
Other, including U.S. Treasury securities	433.1	433.1	18.3	414.8	—
Municipal bonds	1,827.5	1,827.5	—	1,767.9	59.6
Foreign government bonds	45.1	45.1	—	45.1	—
Corporate bonds	2,122.9	2,122.9	14.9	1,952.2	155.8
Other asset-backed securities	1,231.9	1,231.9	—	1,103.6	128.3
Total fixed maturity securities	6,345.3	6,345.3	33.2	5,957.3	354.8
Equity securities	121.6	121.6	39.2	82.1	0.3
Short-term investments	141.8	141.8	137.7	4.1	—
Other investments	36.3	36.3	—	36.3	—
Totals	\$ 6,645.0	\$ 6,645.0	\$ 210.1	\$ 6,079.8	\$ 355.1
Separate Account (variable annuity) assets <sup>(1)</sup>	\$ 2,891.4	\$ 2,891.4	\$ 2,891.4	\$ —	\$ —
Financial Liabilities					
Investment contract and policy reserves, embedded derivatives	\$ 2.5	\$ 2.5	\$ —	\$ 2.5	\$ —
Other policyholder funds, embedded derivatives	\$ 104.5	\$ 104.5	\$ —	\$ —	\$ 104.5

<sup>(1)</sup> Separate Account (variable annuity) liabilities are equal to the estimated fair value of the Separate Account (variable annuity) assets.

## NOTE 3 - Fair Value of Financial Instruments (continued)

### Changes in Level 3 Fair Value Measurements

The reconciliation for all financial assets and financial liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) was as follows:

(\$ in millions)	Financial Assets						Financial Liabilities <sup>(1)</sup>
	Municipal Bonds	Corporate Bonds	Mortgage-Backed and Other Asset-Backed Securities <sup>(2)</sup>	Total Fixed Maturity Securities	Equity Securities	Total	
Beginning balance, January 1, 2021	\$ 59.6	\$ 155.8	\$ 139.4	\$ 354.8	\$ 0.3	\$ 355.1	\$ 104.5
Transfers into Level 3 <sup>(3)</sup>	—	24.1	3.1	27.2	—	27.2	—
Transfers out of Level 3 <sup>(3)</sup>	—	(27.3)	(5.9)	(33.2)	—	(33.2)	—
Total gains or losses							
Net investment gains (losses) included in net income related to financial assets	—	—	—	—	—	—	—
Net investment (gains) losses included in net income related to financial liabilities	—	—	—	—	—	—	4.3
Net unrealized investment gains (losses) included in OCI	(0.9)	(2.0)	(0.3)	(3.2)	—	(3.2)	—
Purchases	—	—	—	—	—	—	—
Issuances	—	—	—	—	—	—	0.7
Sales	—	—	—	—	—	—	—
Settlements	—	—	—	—	—	—	—
Paydowns, maturities and distributions	(0.1)	(1.5)	(4.1)	(5.7)	—	(5.7)	(1.9)
Ending balance, March 31, 2021	\$ 58.6	\$ 149.1	\$ 132.2	\$ 339.9	\$ 0.3	\$ 340.2	\$ 107.6
Beginning balance, January 1, 2020	\$ 44.3	\$ 104.0	\$ 146.8	\$ 295.1	\$ 0.1	\$ 295.2	\$ 93.7
Transfers into Level 3 <sup>(3)</sup>	63.7	18.9	22.5	105.1	—	105.1	—
Transfers out of Level 3 <sup>(3)</sup>	—	(10.1)	(2.9)	(13.0)	—	(13.0)	—
Total gains or losses							
Net investment gains (losses) included in net income related to financial assets	—	—	—	—	—	—	—
Net investment (gains) losses included in net income related to financial liabilities	—	—	—	—	—	—	(5.0)
Net unrealized investment gains (losses) included in OCI	(3.0)	(5.5)	(24.4)	(32.9)	—	(32.9)	—
Purchases	—	6.9	1.9	8.8	—	8.8	—
Issuances	—	—	—	—	—	—	1.3
Sales	—	—	—	—	—	—	—
Settlements	—	—	—	—	—	—	—
Paydowns, maturities and distributions	(0.1)	(2.5)	(3.4)	(6.0)	—	(6.0)	(2.5)
Ending balance, March 31, 2020	\$ 104.9	\$ 111.7	\$ 140.5	\$ 357.1	\$ 0.1	\$ 357.2	\$ 87.5

<sup>(1)</sup> Represents embedded derivatives, all related to the Company's fixed indexed annuity products, reported in Other policyholder funds in the Company's Consolidated Balance Sheets.

<sup>(2)</sup> Includes U.S. Government and federally sponsored agency obligations for mortgage-backed securities and other asset-backed securities.

<sup>(3)</sup> Transfers into and out of Level 3 during the three months ended March 31, 2021 and 2020 were attributable to changes in the availability of observable market information for individual fixed maturity securities. The Company's policy is to recognize transfers into and out of the levels as having occurred at the end of the reporting period in which the transfers were determined.

For the three months ended March 31, 2021 and March 31, 2020, the Company had no net investment gains or losses on Level 3 financial assets. For the three months ended March 31, 2021, the Company had \$4.3 million of net investment losses that were included in net income and were attributable to changes in the fair value of Level 3 financial liabilities; for the three months ended March 31, 2020, the respective net investment gains were \$5.0 million.

## NOTE 3 - Fair Value of Financial Instruments (continued)

### Quantitative Information about Level 3 Fair Value Measurements

The following table provides quantitative information about the significant unobservable inputs for recurring fair value measurements categorized within Level 3.

(\$ in millions)				
Financial Assets	Fair Value at March 31, 2021	Valuation Technique(s)	Unobservable Inputs	Range (Weighted Average) and Single Point Best Estimate <sup>(1)</sup>
Municipal bonds	\$ 58.6	discounted cash flow	I spread <sup>(2)</sup>	307 - 391 bps
Corporate bonds	149.1	discounted cash flow	N spread <sup>(3)</sup>	272 - 553 bps
		market comparable	option adjusted spread	12.54%
Other asset-backed securities	121.9	vendor price	haircut	3.00% - 5.00%
		discounted cash flow	constant prepayment rate	20.00%
		discounted cash flow	T spread <sup>(4)</sup>	235 - 800 bps
		discounted cash flow	PDI interest margin <sup>(5)</sup>	7.13%
		discounted cash flow	SBL interest margin <sup>(6)</sup>	4.50%
Government mortgage-backed securities	10.3	vendor price	haircut	3.00% - 5.00%
Equity securities	0.3	Black Scholes	equity value	low - 31.00%; high - 41.00%
(\$ in millions)				
Financial Liabilities	Fair Value at March 31, 2021	Valuation Technique(s)	Unobservable Inputs	Range (Weighted Average) and Single Point Best Estimate <sup>(1)</sup>
Derivatives embedded in fixed indexed annuity products	\$ 107.6	discounted cash flow	lapse rate	5.30%
			mortality multiplier <sup>(7)</sup>	63.00%
			option budget	0.90% - 2.50%
			non-performance adjustment <sup>(8)</sup>	5.00%

<sup>(1)</sup> When a range of unobservable inputs is not readily available, the Company uses a single point best estimate.

<sup>(2)</sup> "I spread" is the interpolated weighted average life point on the "on the run" (OTR) point of the curve.

<sup>(3)</sup> "N spread" is the interpolated weighted average life point on the swap curve.

<sup>(4)</sup> "T spread" is a specific point on the OTR curve.

<sup>(5)</sup> "PDI" stands for private debt investment.

<sup>(6)</sup> "SBL" stands for broadly syndicated loans.

<sup>(7)</sup> Mortality multiplier is applied to the Annuity 2000 table.

<sup>(8)</sup> Determined as a percentage of a risk-free rate.

The valuation techniques and significant unobservable inputs used in the fair value measurement for financial assets and financial liabilities classified as Level 3 are subject to the control processes as described in Part II - Item 8, Note 3 in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. Generally, valuation techniques for fixed maturity securities include spread pricing, matrix pricing and discounted cash flow methodologies; include inputs such as quoted prices for identical or similar securities that are less liquid; and are based on lower levels of trading activity than securities classified as Level 2. The valuation techniques and significant unobservable inputs used in the fair value measurement for equity securities classified as Level 3 use similar valuation techniques and significant unobservable inputs as those used for fixed maturity securities.

## NOTE 3 - Fair Value of Financial Instruments (continued)

The sensitivity of the estimated fair values to changes in the significant unobservable inputs for fixed maturity and equity securities included in Level 3 include: benchmark yield, liquidity premium, estimated cash flows, prepayment and default speeds, spreads, weighted average life, and credit rating. Significant spread widening in isolation will adversely impact the overall valuation, while significant tightening will lead to substantial valuation increases. Significant increases (decreases) in illiquidity premiums in isolation will result in substantially lower (higher) valuations. Significant increases (decreases) in expected default rates in isolation will result in substantially lower (higher) valuations.

### Financial Instruments Not Carried at Fair Value; Disclosure Required

The Company has various other financial assets and financial liabilities used in the normal course of business that are not carried at fair value, but for which fair value disclosure is required. These financial assets and financial liabilities are further described in Part II - Item 8, Note 3 in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. The following table presents the carrying amount, fair value and fair value hierarchy of these financial assets and financial liabilities.

(\$ in millions)	Carrying Amount	Fair Value	Fair Value Measurements at Reporting Date Using		
			Level 1	Level 2	Level 3
March 31, 2021					
Financial Assets					
Other investments	\$ 167.1	\$ 170.8	\$ —	\$ —	\$ 170.8
Deposit asset on reinsurance	2,442.2	2,796.3	—	—	2,796.3
Financial Liabilities					
Investment contract and policy reserves, fixed annuity contracts	4,876.0	4,995.1	—	—	4,995.1
Investment contract and policy reserves, account values on life contracts	99.9	109.4	—	—	109.4
Other policyholder funds	777.4	777.4	—	720.7	56.7
Short-term debt	135.0	135.0	—	—	135.0
Long-term debt	302.4	331.5	—	331.5	—
December 31, 2020					
Financial Assets					
Other investments	\$ 168.3	\$ 172.1	\$ —	\$ —	\$ 172.1
Deposit asset on reinsurance	2,420.9	3,030.6	—	—	3,030.6
Financial Liabilities					
Investment contract and policy reserves, fixed annuity contracts	4,847.6	4,963.3	—	—	4,963.3
Investment contract and policy reserves, account values on life contracts	98.7	108.4	—	—	108.4
Other policyholder funds	646.8	646.8	—	590.7	56.1
Short-term debt	135.0	135.0	—	—	135.0
Long-term debt	302.3	331.1	—	331.1	—



## NOTE 4 - Deposit Asset on Reinsurance

In the second quarter of 2019, the Company reinsured a \$2.9 billion block of in force fixed and variable annuity business with a minimum crediting rate of 4.5%. This represented approximately 50% of the Company's in force fixed annuity account balances. The arrangement contains investment guidelines and a trust to help meet the Company's risk management objectives.

The annuity reinsurance transaction was effective April 1, 2019. Under the agreement, approximately \$2.2 billion of fixed annuity reserves were reinsured on a coinsurance basis. The separate account assets and liabilities of approximately \$0.7 billion were reinsured on a modified coinsurance basis and thus, remain on the Company's consolidated financial statements, but the related results of operations are fully reinsured.

The Company determined that the reinsurance agreement does not expose the reinsurer to a reasonable possibility of a significant loss from insurance risk. Therefore, the Company recognizes the reinsurance agreement using the deposit method of accounting. The assets transferred to the reinsurer as consideration paid is reported as a Deposit asset on reinsurance on the Company's Consolidated Balance Sheets. As amounts are received or paid, consistent with the underlying reinsured contracts, the Deposit asset on reinsurance is adjusted. The Deposit asset on reinsurance is accreted to the estimated ultimate cash flows using the interest method and the adjustment is reported as Net investment income. Interest accreted on the Deposit asset on reinsurance was \$24.4 million and \$23.7 million for the three months ended March 31, 2021 and 2020, respectively.

## NOTE 5 - Goodwill and Intangible Assets

The Company conducts impairment testing for goodwill and intangible assets at least annually, or more often if events, changes or circumstances indicate that the carrying amount may not be recoverable. See Part II - Item 8, Note 1 in the Company's Annual Report on Form 10-K for the year ended December 31, 2020 for further description of impairment testing.

There were no changes in the carrying amount of goodwill by reporting unit for the three months ended March 31, 2021. The carrying amount of goodwill by reporting unit as of March 31, 2021 was as follows:

(\$ in millions)	March 31, 2021
Property and Casualty	\$ 9.5
Supplemental Retirement	19.6
Life	4.5
	9.9
Total	\$ 43.5

As of March 31, 2021, the outstanding amounts of definite-lived intangible assets subject to amortization are attributable to the acquisitions of Benefit Consultants Group, Inc. (BCG) and NTA Life Enterprises, LLC (NTA) during 2019. The acquisition of BCG resulted in initial recognition of definite-lived intangible assets subject to amortization in the amount of \$14.1 million and the acquisition of NTA resulted in initial recognition of definite-lived intangible assets subject to amortization in the amount of \$160.4 million. As of March 31, 2021 the outstanding amounts of definite-lived intangible assets subject to amortization were as follows:

## NOTE 5 - Goodwill and Intangible Assets (continued)

(\$ in millions)	Weighted Average Useful Life (in Years)		
At inception:			
Value of business acquired	30	\$	94.4
Value of distribution acquired	17		54.0
Value of agency relationships	14		17.0
Value of customer relationships	10		9.1
Total	23		174.5
Accumulated amortization and impairments:			
Value of business acquired			(12.6)
Value of distribution acquired			(9.4)
Value of agency relationships			(4.6)
Value of customer relationships			(3.5)
Total			(30.1)
Net intangible assets subject to amortization:		\$	144.4

With regards to the definite-lived intangible assets in the table above, the value of business acquired intangible asset represents the present value of the expected underwriting profit within policies that were in force on the date of acquisition. The value of distribution acquired intangible asset represents the present value of future business to be written by the existing agency force. The value of agency relationships intangible asset represents the present value of the commission overrides retained by NTA. The value of customer relationships intangible asset represents the present value of the expected profits from existing BCG customers in force at the date of acquisition. All of the aforementioned definite-lived intangible assets were valued using the income approach.

Estimated future amortization of the Company's definite-lived intangible assets were as follows:

(\$ in millions)			
Year Ending December 31,			
2021 (excluding the three months ended March 31, 2021)		\$	9.8
2022			12.1
2023			11.2
2024			10.5
2025			9.8
Thereafter			91.0
Total		\$	144.4

The value of business acquired intangible asset is being amortized by product based on the present value of future premiums to be received. The value of distribution acquired intangible asset is being amortized on a straight-line basis. The value of agency relationships intangible asset is being amortized based on the present value of future premiums to be received. The value of customer relationships intangible asset is being amortized based on the present value of future profits to be received.

Indefinite-lived intangible assets (not subject to amortization) as of March 31, 2021 were as follows:

(\$ in millions)			
Trade names		\$	7.9
State licenses			2.9
Total		\$	10.8

The trade names intangible asset represents the present value of future savings accruing to NTA and BCG by virtue of not having to pay royalties for the use of the trade names, valued using the relief from royalty method. The state licenses intangible asset represents the regulatory licenses held by NTA that were valued using the cost approach.

## NOTE 6 - Unpaid Claims and Claim Expenses

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

(\$ in millions)	Three Months Ended March 31,	
	2021	2020
Property and Casualty		
Beginning gross reserves <sup>(1)</sup>	\$ 372.2	\$ 387.0
Less: reinsurance recoverables	112.9	120.5
Net reserves, beginning of period <sup>(2)</sup>	259.3	266.5
Incurred claims and claim expenses:		
Claims occurring in the current period	94.8	105.5
Decrease in estimated reserves for claims occurring in prior periods <sup>(3)</sup>	—	(1.0)
Total claims and claim expenses incurred <sup>(4)</sup>	94.8	104.5
Claims and claim expense payments for claims occurring during:		
Current period	34.4	43.5
Prior periods	58.1	64.3
Total claims and claim expense payments	92.5	107.8
Net reserves, end of period <sup>(2)</sup>	261.6	263.2
Plus: reinsurance recoverables	112.5	119.0
Ending gross reserves <sup>(1)</sup>	\$ 374.1	\$ 382.2

(1) Unpaid claims and claim expenses as reported in the Consolidated Balance Sheets also include reserves for Supplemental, Retirement and Life of \$78.4 million and \$56.2 million as of March 31, 2021 and 2020, respectively, in addition to Property and Casualty reserves.

(2) Reserves net of anticipated reinsurance recoverables.

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

(4) Benefits, claims and settlement expenses as reported in the Consolidated Statements of Operations also include amounts for Supplemental, Retirement and Life of \$39.5 million and \$34.2 million for the three months ended March 31, 2021 and 2020, respectively, in addition to Property and Casualty amounts.

Net favorable development of total reserves for Property and Casualty claims occurring in prior years was \$0.0 million and \$1.0 million for the three months ended March 31, 2021 and 2020, respectively. The favorable development for the three months ended March 31, 2020 was the result of favorable loss trends in automobile for accident years 2019 and prior.

## NOTE 7 - Reinsurance

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

(\$ in millions)	Gross Amount	Ceded to Other Companies <sup>(1)</sup>	Assumed from Other Companies	Net Amount
<b>Three months ended March 31, 2021</b>				
Premiums written and contract deposits <sup>(2)</sup>	\$ 320.6	\$ 5.9	\$ 1.5	\$ 316.2
Premiums and contract charges earned	234.2	8.4	1.8	227.6
Benefits, claims and settlement expenses	135.6	2.5	1.2	134.3
<b>Three months ended March 31, 2020</b>				
Premiums written and contract deposits <sup>(2)</sup>	\$ 333.7	\$ 6.3	\$ 1.4	\$ 328.8
Premiums and contract charges earned	243.2	8.4	1.5	236.3
Benefits, claims and settlement expenses	139.5	1.9	1.1	138.7

<sup>(1)</sup> Excludes the annuity reinsurance transaction accounted for using the deposit method that is discussed in Note 4.

<sup>(2)</sup> This measure is not based on accounting principles generally accepted in the United States of America (non-GAAP). An explanation of this non-GAAP measure is contained in the Glossary of Selected Terms included as Exhibit 99.1 in the Company's reports filed with the SEC.

## NOTE 8 - Commitments

### Investment Commitments

The Company has outstanding commitments to fund investments primarily in limited partnership interests. Such unfunded commitments were \$752.3 million and \$571.9 million as of March 31, 2021 and December 31, 2020, respectively.

## NOTE 9 - Segment Information

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

(\$ in millions)	Three Months Ended March 31,	
	2021	2020
Insurance premiums and contract charges earned		
Property and Casualty	\$ 155.8	\$ 166.5
Supplemental	31.7	33.0
Retirement	8.6	7.4
Life	31.5	29.4
Total	\$ 227.6	\$ 236.3
Net investment income		
Property and Casualty	\$ 10.8	\$ 10.3
Supplemental	5.3	3.5
Retirement	60.4	53.5
Life	19.6	15.6
Corporate and Other	—	(0.1)
Intersegment eliminations	(0.6)	(0.5)
Total	\$ 95.5	\$ 82.3
Net income (loss)		
Property and Casualty	\$ 27.9	\$ 26.6
Supplemental	11.4	10.5
Retirement	10.6	(0.9)
Life	0.7	0.6
Corporate and Other	(11.3)	(18.3)
Total	\$ 39.3	\$ 18.5
(\$ in millions)	March 31, 2021	December 31, 2020
Assets		
Property and Casualty	\$ 1,298.9	\$ 1,324.9
Supplemental	824.7	811.5
Retirement	9,455.6	9,198.7
Life	2,069.0	2,044.5
Corporate and Other	163.1	182.3
Intersegment eliminations	(65.8)	(90.1)
Total	\$ 13,745.5	\$ 13,471.8

## NOTE 10 - Accumulated Other Comprehensive Income (Loss)

AOCI represents the accumulated change in shareholders' equity from transactions and other events and circumstances from non-shareholder sources. For the Company, AOCI includes the after tax change in net unrealized investment gains (losses) on fixed maturity securities and the after tax change in net funded status of benefit plans for the periods as shown in the Consolidated Statements of Changes in Shareholders' Equity. The following table reconciles these components.

(\$ in millions)	Net Unrealized Investment Gains (Losses) on Securities <sup>(1)(2)</sup>	Net Funded Status of Benefit Plans <sup>(1)</sup>	Total <sup>(1)</sup>
Beginning balance, January 1, 2021	\$ 366.3	\$ (11.2)	\$ 355.1
Other comprehensive income (loss) before reclassifications	(129.1)	—	(129.1)
Amounts reclassified from AOCI	6.4	—	6.4
Net current period other comprehensive income (loss)	(122.7)	—	(122.7)
Ending balance, March 31, 2021	\$ 243.6	\$ (11.2)	\$ 232.4
Beginning balance, January 1, 2020	\$ 230.4	\$ (10.7)	\$ 219.7
Other comprehensive income (loss) before reclassifications	(104.5)	—	(104.5)
Amounts reclassified from AOCI	10.7	—	10.7
Net current period other comprehensive income (loss)	(93.8)	—	(93.8)
Ending balance, March 31, 2020	\$ 136.6	\$ (10.7)	\$ 125.9

<sup>(1)</sup> All amounts are net of tax.

<sup>(2)</sup> The pretax amounts reclassified from AOCI, \$(8.1) million and \$(13.6) million, are included in Net investment losses and the related income tax expenses, \$(1.7) million and \$(2.9) million, are included in Income tax expense in the Consolidated Statements of Operations for the three month periods ended March 31, 2021 and 2020 respectively.

Comparative information for elements that are not required to be reclassified in their entirety to net income in the same reporting period is disclosed in Note 2.

## NOTE 11 - Supplemental Consolidated Cash and Cash Flow Information

(\$ in millions)	March 31, 2021	December 31, 2020
Cash	\$ 38.3	\$ 21.8
Restricted cash	1.1	0.5
Total cash and restricted cash reported in the Consolidated Balance Sheets	\$ 39.4	\$ 22.3

(\$ in millions)	Three Months Ended March 31,	
	2021	2020
Cash paid (recovered) during the three months for:		
Interest	\$ 0.6	\$ 1.4
Income taxes	(0.1)	(0.7)

Non-cash investing activities with respect to modifications or exchanges of fixed maturity securities as well as paid-in-kind activity for policy loans were insignificant for the three months ended March 31, 2021 and 2020, respectively.