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HORACE MANN EDUCATORS CORP /DE/
Form 11-K
June 27, 2003

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, 2002.

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)

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, 2002 and 2001 are presented on pages 2
through 12.

Financial Statements and Supplemental Schedule

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Horace Mann Service Corporation
Supplemental Retirement and Savings Plan

Years ended December 31, 2002 and 2001
with Report of Independent Auditors

Horace Mann Supplemental
Retirement and Savings Plan

Financial Statements
and Supplemental Schedule

Years ended December 31, 2002 and 2001

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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, 2002 and 2001, 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 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

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December 31, 2002 and 2001, 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, 2002, 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 16, 2003

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Horace Mann Supplemental Retirement and Savings Plan

Statements of Net Assets Available for Benefits

	December 31	
	2002	2001
Assets		
Investments:		
Group Annuity contract		
Equity securities	\$26,589,916	\$35,000,000
Fixed income securities	8,695,259	10,300,000
Fixed fund, at contract value	38,025,921	36,400,000
Horace Mann Educators Corporation Common Stock, at fair value (cost \$9,177,839 in 2002, \$9,372,748 in 2001)	7,480,316	10,200,000
Participant loans	798,517	
Cash	160,636	
Total assets	81,750,565	92,100,000
Liabilities		
Accrued administrative expenses	12,412	
Net assets available for benefits	\$81,738,153	\$92,100,000

See accompanying notes to financial statements.

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Horace Mann Supplemental Retirement and Savings Plan

Statements of Changes in Net Assets Available for Benefits

	Year ended December 31	
	2002	2001

Additions		
Investment income (loss):		
Net realized and unrealized depreciation of investments	\$ (10,953,263)	\$ (4,507,978)
Interest	2,084,571	2,001,458
Participant loan interest income	4,702	-

	(8,863,990)	(2,506,520)
Contributions:		
Employer	3,470,577	2,301,217
Employee	5,923,623	6,266,060

Total additions	530,210	6,060,757
Deductions		
Withdrawals by participants	(10,658,688)	(9,082,208)
Administrative fees	(321,940)	(240,327)

Total deductions	(10,980,628)	(9,322,535)

Net decrease	(10,450,418)	(3,261,778)
Net assets available for benefits		
Beginning of year	92,188,571	95,450,349

End of year	\$ 81,738,153	\$ 92,188,571
	=====	

See accompanying notes to financial statements.

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Horace Mann Supplemental Retirement and Savings Plan

Notes to Financial Statements

December 31, 2002

1. General Plan Information

Description of the Plan

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

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or the employee Summary Plan Description entitled for additional information.

The Plan is a 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 20% 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. Prior to April 1, 2002, participants were able to contribute 10% of eligible compensation.

Participating employees who reached age 50 or older during the 2002 Plan year had the opportunity to make pre-tax-catch-up contributions subject to federal limits.

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 vested 20% 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 replaced the 50% Company match of the first 6% contributed. The 3% Company contribution is 100% vested at the time the contribution is made and is 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 \$200,000 and \$170,000 in 2002 and 2001, respectively. 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.

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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 contribution, and an allocation of Plan investment earnings and charged with an allocation of administrative expenses. 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 2,612 and 2,160 participants at December 31, 2002 and 2001, respectively. At December 31, 2002 and 2001, the number of participants' subaccounts in the respective investment funds were as follows:

2002	2001
------	------

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HMLIC Mutual Funds

Equity Fund	1,073	1,234
Balanced Fund	738	841
Small Cap Growth Fund	802	956
Socially Responsible Fund	583	689
International Equity Fund	644	793
Income Fund	279	221
Short-Term Investment Fund	117	100

Other Mutual Funds

Wilshire Large Company Growth Portfolio	377	335
Wilshire 5000 Index Portfolio	333	391
T. Rowe Price Small Cap Value Fund	331	190
Fidelity VIP Mid Cap Growth Portfolio	273	185
Strong Opportunity Fund II	206	153
Fidelity VIP Growth Portfolio	224	169
T. Rowe Price Small Cap Stock Fund	269	167
Putnam VT Vista Fund	131	110
Davis Value Portfolio	93	76
J.P. Morgan U.S. Disciplined Equity Portfolio	79	58
Fidelity VIP Overseas Portfolio	83	56
Horace Mann Fixed Fund	2,273	1,214
HMEC Common Stock Fund	845	914

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Horace Mann Supplemental Retirement and Savings Plan

Notes to Financial Statements (continued)

1. General Plan Information (continued)

Trust Agreement

All plan assets are in a Master Trust held by The Northern Trust Quantitative Advisors, Inc. The Master Trust also includes the assets of the HMSC Money Purchase Pension Plan. The assets of the Plan represent 44% of the total assets in the Master Trust. The assets of the Plan are participant-directed investments and are deposited in a Horace Mann Life Insurance (HMLIC) Group Annuity Contract (Fixed and Separate Accounts) or an HMEC Common Stock Fund. Investments are available through the HMLIC Group Annuity Contract Separate Account that consists of any of seven Horace Mann Mutual Funds, 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.

Transfers and Withdrawals

Participants may transfer all or a portion of their account balance between the various investment funds on a daily basis. Participant withdrawals (as allowed under the Plan) are permitted on a weekly basis.

Loans

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Effective October 1, 2002, participants may borrow a minimum of \$1,000 up to a maximum of 50% of their vested account balance, but no more than \$50,000. The minimum term for a loan is 12 months and the maximum is 60 months (180 months for primary residence loans). Participants may have up to two active loans at one time. A \$65 loan administration fee is deducted from the participant's loan proceeds. Loans totaling \$798,517 from 104 active participants were outstanding at December 31, 2002. 5.75% interest was charged on participant loans.

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 pre-January 1, 2002 matching contributions and related investment earnings.

2. Investments

HMLIC Group Annuity Contract - (Fixed and Separate Accounts)

Fixed Account

Within the HMLIC Group Annuity Contract plan participants may invest in a fixed interest rate fund. Plan assets invested in this contract are guaranteed by HMLIC and, as a result, are presented in the financial

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Horace Mann Supplemental Retirement and Savings Plan

Notes to Financial Statements (continued)

2. Investments (continued)

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.

The actual credited interest rate on the group annuity contract was 5.00% and 5.25% for the years ended December 31, 2002 and 2001, 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. On November 1, 2002, the credited interest rate was changed from 5.25% to 5.00%. Beginning January 1, 2003 the actual crediting rate was continued at 5.00%, until March 1, 2003. The actual crediting rate on March 1, 2003 was changed to 4.75%.

Separate Account

Within the HMLIC Group Annuity Contract, a separate account is available for the purpose of separately investing Plan assets in one or more of seven HMLIC mutual funds, (Equity Fund, Balanced Fund, Small Cap Growth Fund, Socially Responsible Fund, International Equity Fund, Income Fund, and Short-Term Investment Fund) and eleven additional mutual fund options including 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.

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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	
	2002	2001

Equity Fund	\$10,921,692	\$15,559,955
Balanced Fund	7,487,099	9,535,942
Small Cap Growth Fund	-	4,948,649
HMLIC group annuity contract - Fixed Account	38,025,921	36,447,269
Horace Mann Educators Corporation common stock	7,480,316	10,279,600

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Horace Mann Supplemental Retirement and Savings Plan

Notes to Financial Statements (continued)

2. Investments (continued)

The Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) depreciated in value during 2002 and 2001 as follows:

	Net Realized and Unrealized Depreciation in Fair Value of Investments	
	2002	2001
Mutual funds	\$ (8,244,116)	\$ (3,493,605)
Common stock	(2,709,147)	(168,236)

Total	\$ (10,953,263)	\$ (3,661,841)
	=====	

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

	Annual Investment Returns			
	1 Year		Period ended December 31, 2002	
	2002	2001	5 year	10 y

HMLIC Mutual Funds:				
Equity Fund	(19.43)%	(5.41)%	(5.04)%	7.4

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Balanced Fund	(8.27)	0.12	(0.01)	8.0
Small Cap Growth Fund	(38.93)	(30.70)	(7.05)	
Socially Responsible Fund	(13.48)	(8.47)	(.76)	
International Equity Fund	(20.99)	(27.29)	(2.81)	
Income Fund	9.20	7.53	6.61	7.3
Short-Term Investment Fund	1.72	3.86	4.48	4.7
Other Mutual Funds				
Wilshire Large Company				
Growth Portfolio	(21.73)	(16.62)	-	
Wilshire 5000 Index Portfolio	(21.35)	(11.50)	-	
T. Rowe Price Small Cap Value Fund	(2.04)	(21.84)	-	
Fidelity VIP Mid Cap Portfolio	(10.03)	(3.49)	-	
Strong Opportunity Fund II	(26.82)	(3.92)	-	
Fidelity VIP Growth Portfolio	(16.84)	(17.85)	-	
T. Rowe Price Small Cap Stock				
Fund	(14.41)	6.60	-	
Putnam VT Vista Fund	(30.58)	(33.53)	-	
Davis Value Portfolio	(16.26)	(10.38)	-	
J.P. Morgan U.S. Disciplined Equity				
Portfolio	(24.62)	(11.92)	-	
Fidelity VIP Overseas Portfolio	(20.45)	(21.15)	-	

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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, 2002 and 2001, was as follows:

	2002	2001
	-----	-----
Equity Fund:		
Common and preferred stock	99%	99%
Cash and short-term investments	1	1
Balanced Fund:		
Equity Fund	60	62
Income Fund	40	38
Small Cap Growth Fund:		
Common stock	98	96
Cash and short-term investments	2	4
Socially Responsible Fund:		
Common and preferred stock	98	97
Cash and short-term investments	2	3
International Equity Fund:		
Common and preferred stock	98	95
Cash and short-term investments	2	5
Income Fund:		
U.S. and foreign government and agency obligations	50	62
Corporate bonds/notes	46	38

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Cash and short-term investments	4	-
Short-Term Investment Fund:		
U.S. and foreign government and agency obligations	43	92
Repurchase agreements	48	-
Cash and short-term investments	9	8
Wilshire Large Company Growth Portfolio:		
Common and preferred stocks	100	100
T. Rowe Price Small Cap Value Fund:		
Common and preferred stocks	100	100

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Horace Mann Supplemental Retirement and Savings Plan

Notes to Financial Statements (continued)

2. Investments (continued)

	2002	2001
	-----	-----
Wilshire 5000 Index Portfolio:		
Common and preferred stocks	100%	100%
Fidelity VIP Mid Cap Portfolio:		
Common and preferred stocks	100	100
T. Rowe Price Small Cap Stock Fund:		
Common and preferred stocks	100	100
Fidelity VIP Growth Portfolio:		
Common and preferred stocks	100	100
Strong Opportunity Fund II:		
Common and preferred stocks	100	100
Putnam VT Vista Fund:		
Common and preferred stocks	97	97
Short-term investments	3	3
Davis Value Portfolio:		
Common and preferred stocks	100	100
Fidelity VIP Overseas Portfolio		
Common and preferred stocks	100	100
J.P. Morgan U.S. Disciplined Equity Portfolio:		
Common and preferred stocks	100	100

HMEC Common Stock Fund

The Plan's HMEC Common Stock Fund at December 31, 2002 and 2001, consisted of a pooled investment in 487,953 shares and 484,430 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 \$15.33 and \$21.22 per share, respectively.

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

Annual Investment Returns		
1 Year		Since inception
2002	2001	(November 1991)
(26.06)%	1.5%	6.47%

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Horace Mann Supplemental Retirement and Savings Plan

Notes to Financial Statements (continued)

3. Administrative Expenses

The Plan pays for its own administrative fees, consisting primarily of trustee, audit, and legal fees. All investment fees have been included in the quarterly performance gains or losses reported for individual Plan funds.

4. Income Tax Status

The Plan has received a determination letter from the Internal Revenue Service (IRS) 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, as amended, is qualified and the related trust is tax exempt.

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Supplemental Schedule

EIN: 37-0972590
Plan: 004

Horace Mann Supplemental Retirement and Savings Plan
Schedule H, Line 4i - Schedule of Assets (Held at End or Year)
December 31, 2002

Number
of Shares
or Units

Description of Investment

Cost

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Separate Account - Horace Mann Mutual Funds*:			
676,941	Equity Fund	\$15,117,102	\$10,9
461,813	Balanced Fund	8,255,547	7,4
364,405	Small Cap Growth Fund	5,281,554	2,7
227,665	Socially Responsible Fund	2,992,767	2,7
241,035	International Equity Fund	3,269,527	2,0
64,472	Income Fund	930,345	1,0
16,659	Short-Term Investment Fund	182,496	1
Total separate account - Horace Mann Mutual Funds		36,029,338	27,1
Other Mutual Funds:			
64,274	Wilshire Large Company Growth Portfolio	3,234,497	1,5
61,850	T. Rowe Price Small Cap Value Fund	1,615,561	1,5
208,230	Wilshire 5000 Index Portfolio	1,888,376	1,5
53,420	Fidelity VIP Mid Cap Portfolio	1,013,034	9
26,900	T. Rowe Price Small Cap Stock Fund	714,258	6
23,230	Fidelity VIP Growth Portfolio	752,657	5
27,512	Strong Opportunity Fund II	675,077	5
27,842	Putnam VT Vista Fund	320,427	2
26,696	Davis Value Portfolio	255,225	2
13,110	Fidelity VIP Overseas Portfolio	212,665	1
13,815	J.P. Morgan U.S. Disciplined Equity Portfolio	166,698	1
Total other mutual funds		10,848,475	8,1
N/A	HMLIC Fixed Account*	38,025,921	38,0
487,953	Horace Mann Educators Corporation Common Stock*	9,177,839	7,4
	Participant loans	-	7
		\$94,081,573	\$81,5

*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 27 June 2003

HORACE MANN SUPPLEMENTAL RETIREMENT AND SAVINGS PLAN

/s/ Kathryn E. Karr

Kathryn E. Karr
Plan Administrator
Vice President,

