Ameris Bancorp
Form S-4/A
October 01, 2013
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As filed with the Securities and Exchange Commission on October 1, 2013

Registration No. 333-189886

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Pre-Effective

Amendment No. 3

to

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

AMERIS BANCORP

(Exact name of registrant as specified in its charter)

Georgia	**6022**	**58-1456434**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

	Mr. Edwin W. Hortman, Jr.
	Chief Executive Officer
Ameris Bancorp	**Ameris Bancorp**
310 First St., S.E.	**310 First St., S.E.**
Moultrie, Georgia 31768	**Moultrie, Georgia 31768**
(229) 890-1111	**(229) 890-1111**
(Address, including ZIP code, and telephone number, including area code, of registrant s principal executive offices)	**(Name, address, including ZIP code, and telephone number, including area code, of agent for service)**

COPIES TO:

Jody L. Spencer, Esq.	**John P. Greeley, Esq.**
Lori A. Gelchion, Esq.	**Smith Mackinnon, PA**
Rogers & Hardin LLP	**255 South Orange Avenue**
2700 International Tower	**Suite 800**
229 Peachtree Street, NE	**Orlando, Florida 32801**
Atlanta, Georgia 30303	**(407) 843-7300**
(404) 522-4700	**(407) 843-2448 (facsimile)**
(404) 525-2224 (facsimile)	

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable following the effectiveness of this Registration Statement and upon completion of the merger described herein.

If the securities being registered on this Form are being offered in connection with formation of a holding company and there is compliance with General Instruction G, check the following box. ¨

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated Filer x
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) ¨

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer ¨

Calculation of Registration Fee

Title of each class of securities to be registered	**Amount to be registered(1)**	**Proposed maximum offering price per share**	**Proposed maximum aggregate offering price(2)**	**Amount of registration fee(3)**
Common Stock, $1.00 par value	1,181,125	N/A	$16,906,105	$2,306

(1) Represents the maximum number of shares of common stock of Ameris Bancorp estimated to be issuable upon completion of the merger described herein in exchange for shares of the common stock of The Prosperity Banking Company that are currently outstanding. Pursuant to Rule 416, this registration statement also covers additional securities that may be issued as a result of stock splits, stock dividends or similar transactions.

(2) Based on the aggregate book value of the Prosperity common stock to be canceled upon completion of the merger described herein, as of March 31, 2013, the latest practicable date prior to the date of filing this registration statement, in accordance with Rule 457(f)(2). Prosperity is a privately held company, and no market exists for its common stock.

(3) Paid with the original filing of this registration statement.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold prior to the time the registration statement becomes effective. This document shall not constitute an offer to sell nor shall there be any sale of these securities in any jurisdiction in which such offer or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY SUBJECT TO COMPLETION DATED OCTOBER 1, 2013

Proxy Statement of The Prosperity Banking Company/Prospectus of Ameris Bancorp

Up to 1,185,125 Shares of Ameris Bancorp Common Stock

PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT

To the Shareholders of The Prosperity Banking Company:

Ameris Bancorp (Ameris) and The Prosperity Banking Company (Prosperity) have entered into a definitive merger agreement that provides for the combination of the two companies. Under the merger agreement, Prosperity will merge with and into Ameris, with Ameris as the surviving company in the merger. Before the merger can be completed, Prosperity shareholders must approve the merger agreement pursuant to Florida law. Prosperity shareholders will vote to approve the merger agreement at a special meeting of shareholders to be held on , 2013. No vote of Ameris shareholders is required to complete the merger. This document, which serves as Prosperity s proxy statement for the special meeting of its shareholders and as a prospectus for the shares of Ameris common stock to be issued in the merger to Prosperity shareholders, gives you detailed information about the special meeting and the merger.

Under the terms of the merger agreement, Prosperity shareholders will be entitled to receive, at their election, for each share of Prosperity voting common stock they hold, 3.125 shares of Ameris common stock or $41.50 in cash, subject to the requirement that no more than 50% of the shares of Prosperity voting common stock may receive cash in the merger (with Prosperity shareholder elections subject to customary proration and allocation procedures applicable to oversubscription for cash consideration). In addition, if the average closing sale price of the Ameris common stock during a specified time period prior to the completion of the merger is less than $11.10 per share and, based on such average closing sale price, the Ameris common stock underperforms the Keefe Bruyette & Woods Regional Banking Index by more than 20% from the date of the merger agreement through a specified time period prior to the completion of the merger, then Prosperity may terminate the merger agreement unless Ameris contributes additional cash consideration for payment to Prosperity shareholders electing to receive Ameris common stock in the merger equal to the difference between such average closing sale price and $11.10 per share.

The value of the shares of Ameris common stock to be issued in the merger will fluctuate between now and the closing date of the merger. You should obtain current sale prices for the Ameris common stock. The Ameris common stock is traded on the Nasdaq Global Select Market under the symbol ABCB. The Prosperity common stock is not listed or traded on any established securities exchange or quotation system.

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The Prosperity board of directors has determined that the merger is fair to, and in the best interests of, Prosperity and its shareholders and unanimously recommends that Prosperity shareholders vote FOR approval of the merger agreement and FOR the approval of the other proposals described in this proxy statement/prospectus.

You should read this entire proxy statement/prospectus, including the appendices and the documents incorporated herein by reference, carefully because it contains important information about the special meeting and the merger. **In particular, you should read carefully the information set forth under Risk Factors beginning on page 18.**

On behalf of the Prosperity board of directors, thank you for your prompt attention to this important matter.

Sincerely,

Eddie Creamer
President and Chief Operating Officer,
The Prosperity Banking Company

The shares of Ameris common stock to be issued in the merger are not savings or deposit accounts or other obligations of any bank or nonbank subsidiary of Ameris or Prosperity, and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the securities to be issued in the merger or passed upon the adequacy or accuracy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This proxy statement/prospectus is dated , 2013, and is being first mailed to Prosperity shareholders on or about , 2013.

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THE PROSPERITY BANKING COMPANY

100 Southpark Boulevard

St. Augustine, Florida 32086

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON , 2013

Dear Shareholder of The Prosperity Banking Company:

The Prosperity Banking Company (Prosperity) will hold a special meeting of shareholders at its corporate headquarters, located at 100 Southpark Boulevard, St. Augustine, Florida, at a.m., local time, on , 2013, to consider and vote on:

1. a proposal to approve the Agreement and Plan of Merger, dated as of May 1, 2013, by and between Ameris Bancorp (Ameris) and Prosperity, as it may be amended from time to time, pursuant to which Prosperity will merge with and into Ameris, with Ameris as the surviving company in the merger (referred to as the merger agreement);

2. any proposal of the Prosperity board of directors to adjourn or postpone the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the merger agreement; and

3. such other business as may properly come before the special meeting or any adjournment or postponement of the special meeting.

The Prosperity board of directors has determined that the merger is fair to, and in the best interests of, Prosperity and its shareholders. **The Prosperity board of directors unanimously recommends that Prosperity shareholders vote FOR approval of the merger agreement and FOR approval of any proposal of the Prosperity board of directors to adjourn or postpone the special meeting, if necessary.**

, 2013 has been fixed as the record date for the determination of Prosperity shareholders entitled to notice of, and to vote at, the special meeting and any adjournment or postponement thereof. Only holders of record of shares of Prosperity voting common stock (referred to as Prosperity common stock) at the close of business on the record date are entitled to notice of, and to vote at, the special meeting.

You are cordially invited to attend the special meeting in person. Please vote, sign, date and return the enclosed proxy card in the enclosed, self-addressed envelope as promptly as possible, even if you plan to attend the special meeting. No additional postage is required if mailed in the United States. If you choose to attend the special meeting, then you may vote your shares in person, even if you have previously signed and returned your proxy card. If you hold your Prosperity shares through a bank, broker or other nominee (commonly referred to as held in street name), then you must direct your bank, broker or other nominee to vote in accordance with the instructions you have received from them. You may revoke your proxy at any time prior to the special meeting as specified in the accompanying proxy statement/prospectus.

In connection with the merger, Prosperity shareholders will have the opportunity to exercise appraisal rights in accordance with the procedures specified in Sections 607.1301 through 607.1333 of the Florida Business Corporation Act (the FBCA), which sections are included in the accompanying proxy statement/prospectus as ***Appendix C***. A dissenting Prosperity shareholder who follows the required appraisal procedures may receive cash in an amount equal to the fair value of his or her shares of Prosperity common stock instead of receiving the merger consideration. A Prosperity shareholder who

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chooses to assert appraisal rights pursuant to Section 607.1302 of the FBCA may provide the required notice specified in Section 607.1321 of the FBCA to Prosperity s principal executive offices at 100 Southpark Boulevard, St. Augustine, Florida 32086, Attention: Eddie Creamer. For additional details about appraisal rights, see The Merger Appraisal Rights for Prosperity Shareholders and ***Appendix C*** to the accompanying proxy statement/prospectus.

By Order of the Board of Directors,

Eddie Creamer
President and Chief Operating Officer,
The Prosperity Banking Company

St. Augustine, Florida

, 2013

YOUR VOTE IS VERY IMPORTANT

WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE MARK, SIGN AND DATE THE ENCLOSED PROXY CARD AND PROMPTLY RETURN IT IN THE ENCLOSED POSTAGE-PAID ENVELOPE.

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WHERE YOU CAN FIND ADDITIONAL INFORMATION

Ameris files annual, quarterly and special reports, proxy statements and other business and financial information with the Securities and Exchange Commission (SEC). You may read and copy any materials that Ameris files with the SEC at its Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, at prescribed rates. Please call the SEC at (800) SEC-0330 ((800) 732-0330) for further information on the public reference room. In addition, Ameris files reports and other business and financial information with the SEC electronically, and the SEC maintains a website located at http://www.sec.gov containing this information. You will also be able to obtain these documents, free of charge, from Ameris by accessing Ameris s website at www.amerisbank.com under the heading Investor Relations. Copies can also be obtained, free of charge, by directing a written or oral request to:

Ameris Bancorp

310 First St., S.E.

Moultrie, Georgia 31768

Telephone: (229) 890-1111

Attn: Corporate Secretary, Ameris Bancorp

Ameris has filed a Registration Statement on Form S-4 to register with the SEC up to 1,181,125 shares of the Ameris common stock to be issued in the merger. This proxy statement/prospectus is a part of that Registration Statement on Form S-4. As permitted by SEC rules, this proxy statement/prospectus does not contain all of the information included in the Registration Statement on Form S-4 or in the exhibits or schedules to the Registration Statement on Form S-4. You may read and copy the Registration Statement on Form S-4, including any amendments, schedules and exhibits, at the SEC s Public Reference Room at the address set forth above. The Registration Statement on Form S-4, including any amendments, schedules and exhibits, is also available, free of charge, by accessing the websites of the SEC and Ameris or upon written or oral request to Ameris at the address and telephone number set forth above.

Statements contained in this proxy statement/prospectus as to the contents of any contract or other documents referred to in this proxy statement/prospectus are not necessarily complete. In each case, you should refer to the copy of the applicable contract or other document filed as an exhibit to the Registration Statement on Form S-4. This proxy statement/prospectus incorporates important business and financial information about Ameris that is not included in or delivered with this document, including incorporating by reference documents that Ameris has previously filed with the SEC. These documents contain important information about Ameris and its financial condition. See Documents Incorporated by Reference. These documents are available free of charge upon written or oral request to Ameris at the address and telephone number listed above.

To obtain timely delivery of these documents, you must request them no later than , 2013 in order to receive them before the special meeting of shareholders.

Ameris supplied all information contained in, or incorporated by reference into, this proxy statement/prospectus relating to Ameris, and Prosperity supplied all information contained in this proxy statement/prospectus relating to Prosperity.

You should rely only on the information contained in, or incorporated by reference into, this proxy statement/prospectus. No one has been authorized to provide you with information that is different from what is contained in this proxy statement/prospectus. You should not assume that the information contained in this proxy statement/prospectus is accurate as of any date other than the date of this proxy statement/prospectus, and neither the mailing of this proxy statement/prospectus to Prosperity shareholders nor the issuance of Ameris common stock or the payment of cash by Ameris in the merger shall create any implication to the contrary.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

Q: Why do Ameris and Prosperity want to merge?

A: We believe the combination of Ameris and Prosperity will create a leading community banking franchise in the Jacksonville, Palm Coast, Daytona Beach, Ormond Beach and Panama City, Florida metropolitan areas, while further expanding Ameris s existing Southeastern footprint in several attractive Florida markets. The Prosperity board of directors has determined that the merger is fair to, and in the best interests of, Prosperity and its shareholders, and unanimously recommends that Prosperity shareholders vote for approval of the merger agreement. You should review the reasons for the merger described in greater detail under The Merger Prosperity s Reasons for the Merger; Recommendation of the Prosperity Board of Directors and The Merger Ameris s Reasons for the Merger.

Q: What will I receive in the merger for my shares of Prosperity common stock?

A: Under the terms of the merger agreement, Prosperity shareholders will be entitled to receive, at their election, for each share of Prosperity common stock they hold, 3.125 shares of Ameris common stock or $41.50 in cash, subject to the requirement that no more than 50% of the shares of Prosperity common stock may receive cash in the merger (with Prosperity shareholder elections subject to customary proration and allocation procedures applicable to oversubscription for cash consideration). Due to these limitations, Prosperity shareholders who elect to receive cash for their shares of Prosperity common stock may not receive cash consideration for all such shares and, instead, may receive shares of Ameris common stock.

In addition, if the average closing sale price of the Ameris common stock during a specified time period prior to the completion of the merger is less than $11.10 per share and, based on such average closing sale price, the Ameris common stock underperforms the Keefe Bruyette & Woods Regional Banking Index by more than 20% from the date of the merger agreement through a specified time period prior to the completion of the merger, then Prosperity may terminate the merger agreement unless Ameris contributes additional cash consideration for payment to Prosperity shareholders electing to receive Ameris common stock in the merger equal to the difference between such average closing sale price and $11.10 per share. See The Merger Agreement Merger Consideration and The Merger Agreement Termination.

The value of the shares of Ameris common stock to be issued to Prosperity shareholders in the merger will fluctuate between now and the closing date of the merger. We make no assurances as to whether or when this merger will be completed. You are advised to obtain current sale prices for the Ameris common stock, which is traded on the Nasdaq Global Select Market under the symbol ABCB.

Q: How and when does a Prosperity shareholder elect the form of consideration he or she prefers to receive?

A: An election statement with instructions for making the election as to the form of consideration preferred is being mailed to Prosperity shareholders simultaneously with this proxy statement/prospectus. To make an election, a Prosperity shareholder must submit an election statement, to Ameris s exchange agent under the merger agreement (referred to as the exchange agent) by 5:00 p.m., Eastern Time, on the date prior to the fifth (5^{th}) business day immediately preceding the closing date of the merger (or such other time and date as Ameris and Prosperity may mutually agree). This date is referred to as the election deadline. Election choices and election procedures are described under The Merger Agreement Elections and The Merger Agreement Election Statements; Exchange of Stock Certificates.

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NOTE: The actual election deadline is not currently known. Ameris and Prosperity anticipate issuing a press release to announce the date of the election deadline at least five (5) business days before that deadline. Additionally, Ameris and Prosperity also anticipate posting the date of the election deadline on their respective web sites at least five (5) business days before that deadline.

Q: May a Prosperity shareholder change his or her election once it has been submitted?

A: Yes. An election may be revoked or changed but only by written notice by the person submitting such election received by the exchange agent prior to the election deadline. If an election is revoked, and unless a subsequent properly executed election statement is actually received by the exchange agent by the election deadline, then the holder having revoked the election will be deemed to have made no election with respect to his or her shares of Prosperity common stock. See The Merger Agreement Election Statements; Exchange of Certificates.

Q: How are outstanding Prosperity stock options addressed in the merger agreement?

A: The merger agreement requires Prosperity to cause all outstanding and unexercised options to purchase shares of Prosperity common stock awarded under the Prosperity 2005 Stock Option and Incentive Plan and the Prosperity 2010 Officers and Employees Stock Option Plan to be canceled prior to the effective time of the merger (collectively referred to as the Prosperity stock plans). The termination of the Prosperity stock options (by their own terms or otherwise) is a condition to Ameris s obligation to complete the merger. Ameris will not assume any outstanding Prosperity stock option or any Prosperity stock plan, and none of the outstanding Prosperity stock options will be converted to, or represent rights to acquire, Ameris common stock. See The Merger Agreement Stock Options and The Merger Agreement Conditions to Completion of the Merger.

No payment will be made to any holder of Prosperity stock options with respect to their cancellation, except that certain executive officers of Prosperity will receive, at the closing of the merger, shares of restricted Ameris common stock (not to exceed 25,000 shares in the aggregate) in respect of the cancellation of certain of their Prosperity stock options. See The Merger Interests of Prosperity Executive Officers and Directors in the Merger Prosperity Stock Options.

Q: What happens if an election is not made prior to the election deadline?

A: If a Prosperity shareholder fails to submit an election statement to the exchange agent by the election deadline, then that holder will be deemed to have made no election and will be issued shares of Ameris common stock in exchange for all shares of Prosperity common stock held by such Prosperity shareholder. See The Merger Agreement Elections and The Merger Agreement Election Statements; Exchange of Stock Certificates.

Q: When and where is the special meeting?

A: The special meeting is scheduled to take place on , 2013, at a.m., local time, at its corporate headquarters, located at 100 Southpark Boulevard, St. Augustine, Florida.

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Q: What will be voted on at the special meeting?

A: At the special meeting, the holders of Prosperity common stock will be asked to approve the merger agreement, as well as any proposal of the Prosperity board of directors to adjourn or postpone the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the merger agreement.

Q: What should I do now?

A: After you have carefully read this proxy statement/prospectus, please vote your shares promptly. If you hold shares of Prosperity common stock in your own name as a shareholder of record, you should complete, sign, date, and mail your proxy card in the enclosed postage-paid return envelope as soon as possible. Please vote by proxy even if you plan to attend the special meeting. If you hold your shares of Prosperity common stock through a bank, broker or other nominee (commonly referred to as held in street name), you must direct your bank, broker or other nominee to vote in accordance with the instructions you have received from them.

If you choose to attend the special meeting, then you may vote your shares in person, even if you have previously returned your proxy. Please note that if you hold your shares in street name, you must obtain a legal proxy from your bank, broker or other nominee in order to vote your shares in person at the special meeting.

Q: Why is my vote important?

A: We cannot complete the merger unless Prosperity shareholders approve the merger agreement. Approval of the merger agreement requires the affirmative vote of the holders of at least a majority of the outstanding shares of Prosperity common stock. Accordingly, if you do not vote or if you abstain from voting, it will have the same effect as voting against approval of the merger agreement.

Q: If my shares are held in street name with a bank, broker or other nominee, will my bank, broker or other nominee vote my shares for me?

A: No. Without instructions from you, your bank, broker or other nominee will not be able to vote your shares. This will have the same effect as voting against approval of the merger agreement.

Q: Can I change my vote before the special meeting?

A: Yes. If you are the record holder of your shares, there are three ways you can change your vote after you have submitted your proxy:

First, you may send a written notice to the Corporate Secretary of Prosperity stating that you would like to revoke your proxy.

Second, you may complete and submit a new proxy card bearing a later date. Your proxy card bearing the latest date (and received before the special meeting) will be counted, and any earlier proxy will be revoked.

Third, you may attend the special meeting in person and vote in person. Any earlier proxy will thereby be revoked. However, simply attending the meeting without voting will not revoke an earlier proxy you may have given.

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If you hold your shares of Prosperity common stock in street name with a bank, broker or other nominee, then you must follow the directions you receive from your bank, broker or other nominee to change your vote. Your last vote will be the vote that is counted.

Q: What if I want to exercise appraisal rights?

A: If you want to exercise appraisal rights and receive the fair value of your shares of Prosperity common stock in cash instead of the merger consideration, then you must file a written objection with Prosperity prior to the special meeting stating, among other things, that you will exercise your right to dissent if the merger is completed. Also, you may not vote in favor of the merger agreement and must follow other procedures, both before and after the special meeting, as described in ***Appendix C*** to this proxy statement/prospectus. Note that if you return a signed proxy card without voting instructions or with instructions to vote **FOR** the merger agreement, then your shares will be automatically voted in favor of the merger agreement and you will lose all appraisal rights available under Florida law. See The Merger Appraisal Rights for Prosperity Shareholders.

Q: What are the U.S. federal income tax consequences of the merger to Prosperity shareholders?

A: Although it is expected that the merger will qualify as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code), it is currently unclear, and will remain unclear until the closing date of the merger, whether the merger will so qualify. Therefore, it is possible that Prosperity shareholders will be required to recognize gain or loss for U.S. federal income tax purposes taking into account the amount realized (as defined herein on page 49). Prosperity shareholders should vote to adopt the merger agreement only if they are willing to approve a taxable transaction in which they fully recognize gain or loss.

Q: When do you currently expect to complete the merger?

A: We expect to complete the merger in the fourth quarter of 2013. However, we make no assurances as to whether or if the merger will be completed. We must first obtain the approval of Prosperity shareholders at the special meeting and the necessary regulatory approvals, and the other conditions to completing the merger must be satisfied or waived. See The Merger Agreement Conditions to Completion of the Merger.

Q: Should I send in my Prosperity stock certificates now?

A: No. Please do not send your stock certificates with your proxy card. Promptly after the effective time of the merger, the exchange agent will mail Prosperity shareholders a letter of transmittal and instructions for the surrender of stock certificates for the merger consideration. See The Merger Agreement Election Statements; Exchange of Stock Certificates.

Q: Whom should I call with questions?

A: If you have any questions about the merger or any of the proposals to be considered at the special meeting, need assistance in submitting your proxy or voting your shares or need additional copies of this proxy statement/prospectus or the enclosed proxy card, you should contact Prosperity at:

The Prosperity Banking Company

100 Southpark Boulevard

St. Augustine, Florida 32086

Telephone: (904) 824-9111

Attn: Eddie Creamer

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SUMMARY

The following summary highlights selected information from this proxy statement/prospectus and may not contain all of the information that is important to you. You should read this entire document carefully and in its entirety, including the appendices and the other documents incorporated by reference into this proxy statement/prospectus, to fully understand the merger and the related transactions. For a list of the documents incorporated by reference into this proxy statement/prospectus, see Documents Incorporated By Reference.

Except as otherwise indicated or unless the context requires, as used in this proxy statement/prospectus: (i) references to Ameris refer to Ameris Bancorp and its consolidated subsidiaries; and (ii) references to Prosperity refer to The Prosperity Banking Company and its consolidated subsidiaries.

The Companies (see page 78)

Ameris Bancorp

310 First Street, S.E.

Moultrie, Georgia 31768

Telephone: (229) 890-1111

Internet Address: www.amerisbank.com

Ameris Bancorp, a Georgia corporation, is a bank holding company whose business is conducted primarily through Ameris Bank, a Georgia state-chartered bank and a wholly owned subsidiary of Ameris (Ameris Bank). As a bank holding company, Ameris performs certain shareholder and investor relations functions and seeks to provide financial support, if necessary, to Ameris Bank.

Ameris is headquartered in Moultrie, Georgia, and, through Ameris Bank, provides a full range of banking services to its retail and commercial customers through branches primarily concentrated in select markets in Georgia, Alabama, Florida and South Carolina. These branches serve distinct communities in Ameris s business areas with autonomy but do so as one bank, leveraging Ameris s favorable geographic footprint in an effort to acquire more customers.

Ameris was incorporated on December 18, 1980 as a Georgia corporation. Ameris operates 57 domestic banking offices with no foreign activities. At December 31, 2012, Ameris had approximately $3.00 billion in total assets, $1.96 billion in total loans, $2.62 billion in total deposits and stockholders equity of $279.0 million. Deposits with Ameris Bank are insured, up to applicable limits, by the Federal Deposit Insurance Corporation (the FDIC).

The Ameris common stock is traded on the Nasdaq Global Select Market under the symbol ABCB.

The information on Ameris s website is not a part of this proxy statement/prospectus, and the reference to Ameris s website address does not constitute incorporation by reference of any information on that website into this proxy statement/prospectus.

The Prosperity Banking Company

100 Southpark Boulevard

St. Augustine, Florida 32086

Telephone: (904) 824-9111

Internet Address: www.prosperitybank.com

The Prosperity Banking Company is a bank holding company located in St. Augustine, Florida. Prosperity s wholly owned subsidiaries are Prosperity Bank (Prosperity Bank) and Prosperity Land Holdings, LLC (PLH).

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Prosperity Bank is a Florida state-chartered bank. Its deposits are insured up to applicable limits by the FDIC. Prosperity Bank offers a variety of community banking services, including residential, commercial and consumer loan products, consumer and business deposit products, ATM and debit cards, cash management service, and safe deposit boxes. These services are offered through 12 banking offices located in St. Johns, Duval, Flagler, Bay, Putnam and Volusia Counties, Florida. Prosperity Bank has no foreign activities. PLH was organized to facilitate certain land acquisition transactions.

Prosperity was incorporated on November 12, 2004 as a Florida corporation. At June 30, 2013, Prosperity had approximately $753.9 million in total assets, $484.7 million in total loans, $492.7 million in total deposits and shareholders equity of $14.6 million.

The information on Prosperity s website is not a part of this proxy statement/prospectus, and the reference to Prosperity s website address does not constitute incorporation by reference of any information on that website into this proxy statement/prospectus.

The Merger (see page 36)

The terms and conditions of the merger are contained in the merger agreement, a copy of which is included as ***Appendix A*** *to this proxy statement/prospectus and is incorporated by reference herein. You should read the merger agreement carefully and in its entirety, as it is the legal document governing the merger.*

In the merger, Prosperity will merge with and into Ameris, with Ameris as the surviving company in the merger. It is expected that, after the effective time of the merger and at or after the close of business on the closing date of the merger, Prosperity Bank will merge into Ameris Bank, with Ameris Bank as the surviving bank of such merger. The merger of Ameris Bank and Prosperity Bank may be abandoned at the election of Ameris Bank at any time. We refer to the merger of Ameris Bank and Prosperity Bank as the bank merger.

Closing and Effective Time of the Merger (see page 59)

Unless both Ameris and Prosperity agree to a later date, the closing of the merger will take place on a date no later than three (3) business days after all of the conditions to the completion of the merger have been satisfied or waived, other than those that by their nature are to be satisfied or waived at the closing of the merger. Simultaneously with the closing of the merger, Ameris will file articles of merger with the Secretary of State of the State of Georgia and the Department of State of the State of Florida. The merger will become effective at such time as the last articles of merger are filed or such other time as may be specified in the articles of merger.

Merger Consideration (see page 60)

Under the terms of the merger agreement, each share of Prosperity common stock outstanding immediately prior to the effective time of the merger (excluding dissenting shares, defined below) will be converted into the right to receive, at the election of the holder, either:

- 3.125 shares of Ameris common stock (referred to as the per share stock consideration); or

- $41.50 in cash (referred to as the per share cash consideration).

The foregoing is subject to the requirement that the number of shares of Prosperity common stock receiving the per share cash consideration in the merger may not exceed 50% of the aggregate number of outstanding shares of Prosperity common stock convertible in the merger plus the number of dissenting shares (collectively referred to as the maximum cash shares). Prosperity shareholder elections are subject to customary proration and adjustment procedures if the per share cash consideration is oversubscribed.

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No fractional shares of Ameris common stock will be issued in connection with the merger. Instead, Ameris will make to each Prosperity shareholder who would otherwise receive a fractional share of Ameris common stock a cash payment as specified in the merger agreement. We refer to the per share stock consideration, the per share cash consideration and cash in lieu of any fractional shares, collectively, as the merger consideration.

In addition, if the Average Ameris Stock Price (as defined below) is less than $11.10 per share and, based on the Average Ameris Stock Price, the Ameris common stock underperforms the Keefe Bruyette & Woods Regional Banking Index by more than 20%, considering the performance of such Index during the same period used to calculate the Average Ameris Stock Price as compared to the closing price of such Index on the day immediately prior to the date of the merger agreement, then Prosperity may terminate the merger agreement unless Ameris contributes additional cash consideration for payment to Prosperity shareholders electing to receive Ameris common stock in the merger equal to the difference between the Average Ameris Stock Price and $11.10 per share. We refer to this additional cash consideration generally as the Pricing Differential. The specific calculation of the Pricing Differential is set forth in The Merger Agreement Termination. The Average Ameris Stock Price means the average closing sale price of Ameris common stock on the Nasdaq Global Select Market for the twenty (20) consecutive trading days prior to and ending on the fifth (5^{th}) business day immediately preceding the closing date of the merger, rounded to the nearest whole cent.

A Prosperity shareholder also has the right to obtain the fair value of his or her shares of Prosperity common stock in lieu of receiving the merger consideration by strictly following the appraisal procedures under the Florida Business Corporation Act (the FBCA). Shares of Prosperity common stock outstanding immediately prior to the effective time of the merger and which are held by a shareholder who does not vote to approve the merger agreement and who properly demands the fair value of such shares pursuant to, and who complies with, the appraisal procedures under the FBCA are referred to as dissenting shares.

Equivalent Prosperity Per Share Value (see page 28)

Ameris common stock trades on the Nasdaq Global Select Market under the symbol ABCB. Prosperity common stock is not listed or traded on any established securities exchange or quotation system. Accordingly, there is no established public trading market for the Prosperity common stock. In addition, because there have been no recent private sales of Prosperity common stock, no recent price data regarding the Prosperity common stock is available.

The following table presents the closing sale price of Ameris common stock on May 1, 2013, the last trading day before the date of the public announcement of the merger agreement, and , 2013, the last practicable trading day prior to the printing of this proxy statement/prospectus. The table also presents the equivalent value of the merger consideration per share of Prosperity common stock on those dates (assuming such share is converted into the right to receive the per share stock consideration and excluding cash in payment of the Pricing Differential), calculated by multiplying the closing sale price of Ameris common stock on those dates by 3.125).

Date	Ameris Closing Sale Price	Equivalent Prosperity Per Share Value
May 1, 2013	$13.32	$41.63
, 2013	$	$

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The value of the shares of Ameris common stock to be issued in the merger will fluctuate between now and the closing date of the merger. You should obtain current sale prices for the Ameris common stock.

Surrender of Stock Certificates

Prior to the effective time of the merger, Ameris will appoint as the exchange agent under the merger agreement either its transfer agent, Computershare Investor Services, or an unrelated bank or trust company reasonably acceptable to Prosperity. Promptly after the effective time of the merger, the exchange agent will mail to each holder of record of Prosperity common stock (other than a holder of dissenting shares) a letter of transmittal and instructions for the surrender of the holder s Prosperity stock certificate(s) for the merger consideration (including cash in lieu of any fractional Ameris shares) and any dividends or distributions to which such holder is entitled to pursuant to the merger agreement.

Please do not send in your certificates until you receive these instructions.

Material U.S. Federal Income Tax Consequences of the Merger (see page 46)

Although it is expected that the merger will qualify as a tax-free reorganization within the meaning of Section 368(a) of the Code, it is currently unclear, and will remain unclear until the closing date of the merger, whether the merger will so qualify. If the merger qualifies as a tax-free reorganization, then the holders of shares of Prosperity common stock are not expected to recognize any gain or loss for U.S. federal income tax purposes on the exchange of their shares in the merger, except to the extent of the total per share cash consideration, cash in lieu of any fractional shares of Ameris common stock and cash in payment of the Pricing Differential (if any) received by such holders. If the merger does not qualify as a tax-free reorganization, then the holders of shares of Prosperity common stock would recognize any gain with respect to the entire consideration received in the merger, including the per share stock consideration received.

The U.S. federal income tax consequences described above may not apply to all holders of Prosperity common stock. Tax matters are very complicated and the consequences of the merger to any particular Prosperity shareholder will depend on that shareholder s particular facts and circumstances. **You should consult your own tax advisor to determine the particular tax consequences of the merger to you**.

Appraisal Rights (see page 52 and *Appendix C* to this proxy statement/prospectus)

Under Florida law, Prosperity shareholders have the right to dissent from the merger and receive cash equal to the fair value of their shares of Prosperity common stock instead of receiving the merger consideration. To exercise appraisal rights, Prosperity shareholders must strictly follow the procedures established by Sections 607.1301 through 607.1333 of the FBCA, which include filing a written objection with Prosperity prior to the special meeting stating, among other things, that the shareholder will exercise his or her right to dissent if the merger is completed, and not voting for approval of the merger agreement.

Opinion of Allen C. Ewing & Co. (see pages 41 and *Appendix B*)

On April 26, 2013, Allen C. Ewing & Co. (Ewing) rendered to the Prosperity board of directors Ewing s verbal opinion, which was subsequently confirmed in writing by delivery of Ewing s written opinion also dated April 26, 2013, with respect to the fairness of the merger consideration to be received by Prosperity shareholders, from a financial point of view.

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Ewing s opinion is directed to the Prosperity board of directors and relates only to the fairness of the merger consideration to be received by Prosperity shareholders, from a financial point of view. Ewing s opinion does not address any other aspect of the merger and is not a recommendation to any Prosperity shareholder as to how such shareholder should vote at the special meeting.

The full text of Ewing s April 26, 2013 opinion is included as ***Appendix B*** to this proxy statement and is incorporated by reference herein. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Ewing in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the opinion. Prosperity shareholders are urged to read the entire opinion carefully in connection with their consideration of the merger agreement.

Recommendation of the Prosperity Board of Directors (see page 31)

The Prosperity board of directors has determined that the merger is fair, and in the best interests of, Prosperity and its shareholders and unanimously recommends that Prosperity shareholders vote **FOR** approval of the merger agreement and **FOR** the approval of the other proposals described in this proxy statement/prospectus.

In determining whether to approve the merger agreement, the Prosperity board of directors consulted with certain of its senior management and with its legal and financial advisors. In arriving at its determination, the Prosperity board of directors also considered the factors described under The Merger Prosperity s Reasons for the Merger; Recommendation of the Prosperity Board of Directors.

Interests of Prosperity Directors and Executive Officers in the Merger (see page 56)

Some of the executive officers and directors of Prosperity and Prosperity Bank have interests in the merger that are in addition to, or different from, the interests of Prosperity shareholders generally. These interests include the following:

- Eddie Creamer (President and Chief Operating Officer of Prosperity and President and Chief Executive Officer of Prosperity Bank) (i) will enter into, at the closing of the merger, a three-year employment agreement with Ameris with an anticipated annual base salary of $250,000.00, (ii) will enter into, at the closing of the merger, a three-year non-competition and non-disclosure agreement with Ameris providing for an anticipated annual payment of $350,000.00, and (iii) will receive, at the closing of the merger, 16,277 shares of restricted Ameris common stock in respect of the cancellation of certain of his outstanding Prosperity stock options;

- each of Christopher J. Kamienski, Shirley P. Fiano and Kevin Haynie (each an executive officer of Prosperity Bank) (i) will enter into, at the closing of the merger, a two-year employment agreement with Ameris with an anticipated annual base salary of $171,000.00, $171,000.00 and $143,500.00, respectively, (ii) will enter into, at the closing of the merger, a one-year non-competition and non-disclosure agreement with Ameris providing for an anticipated one-time payment of $171,000.00, $171,000.00 and $143,500.00, respectively, and (iii) will receive, at the closing of the merger, 3,701, 2,511 and 2,511 shares of restricted Ameris common stock, respectively, in respect of the cancellation of certain of their Prosperity stock options;

- each of Randall D. Peterson, Heather B. Hunter and Jason Raymond (each an executive officer of Prosperity Bank) will enter into, at the closing of the merger, a one-year non-competition and non-disclosure agreement with Ameris providing for an anticipated one-time payment of $206,227.00, $196,416.00 and $203,602.00, respectively;

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each non-employee member of the Prosperity board of directors will enter into, at the closing of the merger, a one-year non-competition and non-disclosure agreement with Ameris providing for a one-time payment of $30,000.00; and

Prosperity s directors and executive officers will be entitled to indemnification by Ameris with respect to claims arising from matters occurring at or prior to the effective time of the merger and to coverage under a directors and officers liability insurance policy for six (6) years after the merger.

The Prosperity board of directors was aware of these interests and considered them, among other matters, in approving the merger agreement and the transactions contemplated by the merger agreement.

Treatment of Prosperity Stock Options

The merger agreement requires Prosperity to cause all outstanding and unexercised options to purchase shares of Prosperity common stock awarded under the Prosperity 2005 Stock Option and Incentive Plan and the Prosperity 2010 Officers and Employees Stock Option Plan (collectively referred to as the Prosperity stock plans) to be canceled prior to the effective time of the merger. The termination of the Prosperity stock options (by their own terms or otherwise) is a condition to Ameris s obligation to complete the merger. Ameris will not assume any outstanding Prosperity stock option or Prosperity stock plan, and none of the outstanding Prosperity stock options will be converted to, or represent rights to acquire, Ameris common stock.

No payment will be made to any holder of Prosperity stock options with respect to their cancellation, except that certain executive officers of Prosperity or Prosperity Bank will receive at the closing of the merger shares of restricted Ameris common stock (not to exceed 25,000 shares in the aggregate) in respect of the cancellation of certain of their Prosperity stock options. See The Merger Interests of Prosperity Executive Officers and Directors in the Merger.

In the merger agreement, Prosperity has represented to Ameris that, except for the Prosperity stock options granted under the Prosperity stock plans, Prosperity does not have any outstanding options, warrants, rights or other agreements calling for the issuance of Prosperity common stock or other securities of Prosperity.

Regulatory Approvals

Under federal law, the merger must be approved by the Board of Governors of the Federal Reserve System (the Federal Reserve) and the bank merger must be approved by the FDIC. The U.S. Department of Justice may review the impact of the merger and the bank merger on competition. The Georgia Department of Banking and Finance (the GDBF) has provided its approval of both the merger and the bank merger.

Once the Federal Reserve approves the merger, we must wait for up to thirty (30) days before we can complete the merger. If, however, there are no adverse comments from the U.S. Department of Justice and we receive permission from the Federal Reserve to do so, then the merger may be completed on or after the fifteenth (15^{th}) day after approval from the Federal Reserve. Similarly, after we receive approval of the bank merger from the FDIC, we must wait for up to thirty (30) days before we can complete the bank merger. If, however, there are no adverse comments from the U.S. Department of Justice and we receive permission from the FDIC to do so, the bank merger may be completed on or after the fifteenth (15^{th}) day after approval from the FDIC.

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As of the date of this proxy statement/prospectus, all of the required regulatory applications have been filed. We make no assurance as to whether all regulatory approvals will be obtained or as to the dates of the approvals. We make no assurance that the regulatory approvals, if received, will not contain any condition, or carryover of any condition applicable to Prosperity or Prosperity Bank, that would increase any of the minimum regulatory capital requirements of Ameris following the merger or of Ameris Bank following the bank merger. It is a condition to Ameris s obligation to complete the merger that no such regulatory condition be imposed. See The Merger Agreement Conditions to Completion of the Merger.

Conditions to Completion of the Merger (see page 73)

The completion of the merger depends on a number of conditions being satisfied or, where permitted, waived, including:

- the approval of the merger agreement by Prosperity shareholders;
- the authorization for listing on the Nasdaq Global Select Market of the shares of Ameris common stock to be issued in the merger;
- the effectiveness of the Registration Statement on Form S-4, of which this proxy statement/ prospectus is a part, under the Securities Act of 1933, as amended (the Securities Act);
- the absence of any order, injunction or decree issued by any court or agency of competent jurisdiction or other law preventing or making illegal the consummation of the merger, the bank merger or the other transactions contemplated by the merger agreement;
- the receipt of all regulatory approvals required to consummate the transactions contemplated by the merger agreement, without any condition, or carryover of any condition applicable to Prosperity or Prosperity Bank, that would increase any of the minimum regulatory capital requirements of Ameris following the merger or of Ameris Bank following the bank merger, and the expiration of all statutory waiting periods;
- accuracy, generally in all material respects, of Ameris s and Prosperity s respective representations and warranties in the merger agreement on the date of the merger agreement and as of the effective time of the merger (or such other date specified in the merger agreement);
- performance in all material respects by Ameris and Prosperity of their respective obligations under the merger agreement;
- as a condition to Ameris s obligation to complete the merger, the termination of all outstanding Prosperity stock options;
- as a condition to Ameris s obligation to complete the merger, the dissenting shares constituting less than 10% of the outstanding shares of Prosperity common stock;

as a condition to Ameris s obligation to complete the merger, each of Eddie Creamer (President and Chief Operating Officer of Prosperity and President and Chief Executive Officer of Prosperity Bank) and Christopher J. Kamienski, Shirley P. Fiano and Kevin Haynie (each an executive officer of Prosperity Bank) entering into employment agreements and non-competition and non-disclosure agreements with Ameris;

as a condition to Ameris s obligation to complete the merger, each of Randall D. Peterson, Heather B. Hunter and Jason Raymond (each an executive officer of Prosperity Bank) entering into non-competition and non-disclosure agreements with Ameris; and

as a condition to Ameris s obligation to complete the merger, each non-employee member of the Prosperity board of directors entering into a non-competition and non-disclosure agreement with Ameris.

No assurance is given as to when, or if, the conditions to the merger will be satisfied or waived, or that the merger will be completed.

Third Party Proposals (see page 70)

Until the completion of the merger, with some exceptions, Prosperity is prohibited from soliciting, initiating, encouraging or participating in any discussion of or otherwise considering any inquiries or proposals that may lead to a proposal for the acquisition of Prosperity, such as a merger or other business combination transaction, with any person other than Ameris. Prosperity may respond to an unsolicited proposal if it is a superior proposal as defined in the merger agreement.

Termination (see page 74)

The merger agreement may be terminated at any time prior to the effective time of the merger, whether before or after the approval of the merger agreement by Prosperity shareholders:

by mutual written consent of Ameris and Prosperity;

by either Ameris or Prosperity, if (i) a regulatory or other governmental authority that must grant a requisite regulatory approval has denied approval of the merger or the bank merger and such denial has become final and non-appealable (provided that the denial is not attributable to the failure of the party seeking to terminate the merger agreement to perform any covenant in the merger agreement required to be performed prior to the effective time of the merger) or (ii) a regulatory or other governmental authority has issued a final, non-appealable order, injunction or decree permanently enjoining or otherwise prohibiting or making illegal the completion of the merger or the bank merger;

by either Ameris or Prosperity, if the merger has not been completed by December 31, 2013, unless the failure to complete the merger by such date is due to the failure of the party seeking to terminate the merger agreement to perform or observe the covenants and agreements of such party set forth in the merger agreement;

by either Ameris or Prosperity, if there is a breach by the other party of any representation, warranty, covenant or other agreement set forth in the merger agreement, that would, individually or in the aggregate, result in the failure to satisfy the closing conditions of the party seeking termination and such breach is not cured within twenty (20) days following written notice to the breaching party or by its nature or timing cannot be cured within that time period (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained in the merger agreement);

by Ameris, if (i) the Prosperity board of directors fails to recommend that the Prosperity shareholders approve the merger agreement or withdraws or modifies, in a manner adverse to Ameris, such recommendation or makes, or causes to be made, any third party or public communication proposing or announcing an intention to withdraw or modify, in any manner adverse to Ameris, such recommendation (referred to as a change in recommendation), or (ii) Prosperity materially breaches any of the provisions of the merger agreement relating to third party proposals;

by Prosperity, prior to obtaining the approval of the merger agreement by the Prosperity shareholders, in order to enter into an agreement relating to a superior proposal in accordance with the provisions of the merger agreement relating to third party proposals (provided that Prosperity has not materially breached any such provisions and pays Ameris the required termination fee);

by either Ameris or Prosperity, if the Prosperity shareholders fail to approve the merger agreement at a duly held meeting of Prosperity shareholders or any adjournment or postponement thereof; and

by Prosperity, in the event that the Average Ameris Stock Price is less than $11.10 per share and, based on the Average Ameris Stock Price, the Ameris common stock underperforms the Keefe Bruyette & Woods Regional Banking Index by more than 20%, considering the performance of such Index during the same period used to calculate the Average Ameris Stock Price as compared to the closing price of such Index on the day immediately prior to the date of the merger agreement, provided that, in lieu of such termination, Ameris may contribute additional cash consideration equal to the Pricing Differential for payment to Prosperity shareholders electing to receive Ameris common stock in the merger.

Termination Fees (see page 76)

Prosperity Termination Fee. Prosperity must pay Ameris a termination fee of $2.25 million:

if the merger agreement is terminated by Ameris because the Prosperity board of directors did not recommend that the Prosperity shareholders approve the merger agreement or made a change in recommendation, or because Prosperity materially breached any of the provisions of the merger agreement relating to third party proposals;

if the merger agreement is terminated by Prosperity, prior to obtaining approval of the merger agreement by the Prosperity shareholders, in order to enter into an agreement relating to a superior proposal; or

if the merger agreement is terminated by Ameris or Prosperity because the Prosperity shareholders fail to approve the merger agreement and, if prior to such termination, there is a publicly announced acquisition proposal (as defined in the merger agreement) and, within six (6) months of such termination, Prosperity or any of its significant subsidiaries enters into a definitive agreement with respect to such acquisition proposal or completes such acquisition proposal.

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Ameris Termination Fee. Ameris must pay Prosperity a termination fee:

- equal to $3.20 million, if the merger agreement is terminated by Prosperity as a result of a willful and material breach by Ameris of any of its covenants or agreements set forth in the merger agreement; or

- equal to $1.25 million, if the merger agreement is terminated by Ameris because a regulatory or other governmental authority that must grant a requisite regulatory approval has denied approval of the merger or the bank merger and (i) the regulatory or governmental entity conditioned its provision of such approval solely on an increase in any minimum regulatory capital requirements of Ameris (as the surviving corporation in the merger) or Ameris Bank (as the resulting institution in the bank merger) or (ii) Ameris withdrew any application seeking such approval because such approval would have included a condition increasing any such minimum regulatory capital requirements.

Comparison of Shareholder Rights (see page 104)

Prosperity is incorporated under the laws of the State of Florida and Ameris is incorporated under the laws of the State of Georgia. The rights of holders of Prosperity common stock are governed by Florida law and Prosperity s articles of incorporation and bylaws and the rights of holders of Ameris common stock are governed by Georgia law and Ameris s articles of incorporation and bylaws. Some of the key differences between Florida law and Georgia law and between Prosperity s and Ameris s articles of incorporation and bylaws are:

- the total number of shares of authorized capital stock of Ameris is 105,000,000 shares (100,000,000 common and 5,000,000 preferred), compared to 65,000,000 shares for Prosperity (3,000,000 voting common, 57,000,000 non-voting common and 5,000,000 preferred);

- Ameris s bylaws provide that any action permitted to be taken at a meeting of Ameris shareholders may instead be taken without a meeting if a unanimous consent which sets forth the action is given in writing by each shareholder; Prosperity s bylaws provide that any action permitted to be taken at a meeting of Prosperity shareholders may instead be taken without a meeting by the written consent of the holders of shares having not less than the minimum number of votes that would be necessary to take such action;

- Ameris s bylaws provide that special meetings of Ameris shareholders may be called upon the written request of Ameris shareholders owning at least 50% of the issued and outstanding capital stock of Ameris; Prosperity s bylaws provide that special meetings of Prosperity shareholders may be called upon the written request of the holders of at least 10% of the shares entitled to be voted at such meeting; and

- the Ameris board of directors is divided into three classes, with the directors serving staggered three-year terms and approximately one-third of the directors elected by Ameris shareholders annually; all of the directors of Prosperity are elected by Prosperity shareholders annually.

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Nasdaq Listing (see page 16)

Ameris shall use its commercially reasonable best efforts to cause the shares of Ameris common stock to be issued to the holders of Prosperity common stock in the merger to be authorized for listing on the Nasdaq Global Select Market, subject to official notice of issuance, prior to the effective time of the merger.

Accounting Treatment (see page 51)

Ameris will account for the merger under the acquisition method of accounting for business combinations under accounting principles generally accepted in the United States of America.

Prosperity Special Meeting (see page 31)

The special meeting of Prosperity shareholders will be held on , 2013, at a.m., local time, at its corporate headquarters, located at 100 Southpark Boulevard, St. Augustine Florida. At the special meeting, Prosperity shareholders will be asked to vote on:

- the proposal to approve the merger agreement;
- any proposal of the Prosperity board of directors to adjourn or postpone the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the merger agreement; and
- any other matters as may properly be brought before the special meeting or any adjournment or postponement of the special meeting.

You can vote at the special meeting if you owned Prosperity common stock as of the close of business on , 2013. On that date, there were shares of Prosperity common stock outstanding and entitled to vote, approximately % of which were owned and entitled to be voted by Prosperity directors and executive officers and their affiliates. As of the record date, neither Ameris nor any of its directors or executive officers owned or had the right to vote any of the outstanding shares of Prosperity common stock. You can cast one vote for each share of Prosperity common stock you owned on that date.

In order to approve the merger agreement, the holders of at least a majority of the outstanding shares of Prosperity common stock entitled to vote must vote in favor of doing so. Prosperity s directors have entered into shareholder voting agreements with Ameris under which they have agreed, among other things, to vote all of the shares they beneficially own for approval of the merger agreement. A total of 85,291 shares of Prosperity common stock, representing approximately 22.57% of the outstanding shares of Prosperity common stock entitled to vote at the special meeting, are subject to these shareholder voting agreements.

Market Prices and Dividend Information (see page 29)

The Ameris common stock is traded on the Nasdaq Global Select Market under the symbol ABCB. The Prosperity common stock is not listed or traded on any established securities exchange or quotation system. Accordingly, there is no established public trading market for the Prosperity common stock.

The following table sets forth the reported high and low sales prices of shares of Ameris common stock, as adjusted for stock dividends, and the quarterly cash dividends per share of Ameris common stock declared, in each case for the periods indicated. Prosperity has never paid cash dividends on the Prosperity common stock. The high and low sales prices reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

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	Ameris Common Stock High	Low	Dividends
2013			
First Quarter	$ 14.51	$ 12.79	
Second Quarter	16.94	13.16	
Third Quarter	19.81	16.77	
2012			
First Quarter	$ 13.32	$ 10.34	
Second Quarter	13.40	10.88	
Third Quarter	12.88	11.27	
Fourth Quarter	12.71	10.50	
2011			
First Quarter	$ 11.20	$ 9.15	
Second Quarter	10.25	8.49	
Third Quarter	10.36	8.31	
Fourth Quarter	10.98	8.51	

The holders of Ameris common stock receive dividends if and when declared by the Ameris board of directors out of funds legally available, subject to certain restrictions imposed by state and federal laws and the preferential dividend rights of the Ameris preferred stock.

As of , 2013, the outstanding shares of Ameris common stock were owned by approximately holders of record and the outstanding shares of Prosperity common stock were owned by approximately holders of record.

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RISK FACTORS

In addition to the other information contained in, or incorporated by reference into, this proxy statement/prospectus, including Ameris s Annual Report on Form 10-K for the fiscal year ended December 31, 2012, and the matters addressed under Forward-Looking Statements, Prosperity shareholders should consider the matters described below carefully in determining whether to vote to approve the merger agreement.

Because the sale price of the Ameris common stock may fluctuate, you cannot be sure of the value of the merger consideration that you will receive in the merger if you elect to receive the per share stock consideration.

Under the terms of the merger agreement, each share of Prosperity common stock outstanding immediately prior to the effective time of the merger (excluding dissenting shares) will be converted into the right to receive, at the election of the holder, either 3.125 shares of Ameris common stock or $41.50 in cash, subject to the requirement that the number of shares of Prosperity common stock receiving the per share cash consideration in the merger may not exceed the maximum cash shares (with Prosperity shareholder elections subject to customary proration and allocation procedures applicable to oversubscription for cash consideration). The value of the shares of Ameris common stock to be issued to Prosperity shareholders in the merger will fluctuate between now and the closing date of the merger due to a variety of factors, including general market and economic conditions, changes in the parties respective businesses, operations and prospects, and regulatory considerations, among other things. Many of these factors are beyond the control of Ameris and Prosperity. We make no assurances as to whether or when the merger will be completed. Prosperity shareholders should obtain current sale prices for shares of Ameris common stock before voting their shares of Prosperity common stock at the special meeting and before submitting an election statement indicating the type of merger consideration they wish to receive.

Prosperity shareholders may receive a form of merger consideration different from what they elect.

Although each Prosperity shareholder may make a cash or stock election with respect to the type of merger consideration they wish to receive in the merger for their shares of Prosperity common stock, the number of shares of Prosperity common stock receiving the per share cash consideration in the merger may not exceed the maximum cash shares (with Prosperity shareholder elections subject to customary proration and allocation procedures applicable to oversubscription for cash consideration). As a result, if the cash consideration is oversubscribed, then a Prosperity shareholder who makes a cash election for such holder s shares of Prosperity common stock may nevertheless receive some stock consideration in respect of such shares. See The Merger Agreement Elections and The Merger Agreement Proration and Adjustment Procedures.

Ameris may fail to realize all of the anticipated benefits of the merger.

The success of the merger will depend on, among other things, Ameris s ability to realize anticipated cost savings and to combine the businesses of Ameris and Prosperity in a manner that does not materially disrupt the existing customer relationships of either Ameris or Prosperity or result in decreased revenues from customers of either of them. If Ameris is not able to successfully achieve these objectives, then the anticipated benefits of the merger may not be realized fully, if at all, or may take longer to realize than expected.

Ameris and Prosperity have operated and, until the completion of the merger, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees, the disruption of either Ameris s or Prosperity s ongoing businesses or inconsistencies in standards,

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controls, procedures and policies that adversely affect the ability of Ameris or Prosperity to maintain relationships with their respective clients, customers, depositors and employees or to achieve the anticipated benefits of the merger. Integration efforts by Ameris and Prosperity will also divert management attention and resources. These integration matters could have an adverse effect on each of Ameris and Prosperity during the transition period and on the combined company following completion of the merger.

The termination fees and the restrictions on third party proposals set forth in the merger agreement may discourage others from trying to acquire Prosperity.

Until the completion of the merger, with some exceptions, Prosperity is prohibited from soliciting, initiating, encouraging or participating in any discussion of or otherwise considering any inquiries or proposals that may lead to a proposal to acquire Prosperity, such as a merger or other business combination transaction, with any person other than Ameris. In addition, Prosperity has agreed to pay to Ameris in certain circumstances a termination fee equal to $2.25 million. These provisions could discourage other companies from trying to acquire Prosperity even though those other companies might be willing to offer greater value to Prosperity shareholders than Ameris has offered in the merger. The payment of any termination fee could also have a material adverse effect on Prosperity s financial condition. See The Merger Agreement Third Party Proposals, The Merger Agreement Termination and The Merger Agreement Termination Fees.

The opinion that Prosperity has obtained from Ewing has not been, and is not expected to be, updated to reflect any changes in circumstances that may have occurred since the signing of the merger agreement.

The opinion issued to the Prosperity board of directors by Ewing, financial advisor to Prosperity, with respect to the fairness of the merger consideration to be received by Prosperity shareholders, from a financial point of view, speaks only as of April 26, 2013. Changes in the operations and prospects of Ameris or Prosperity, general market and economic conditions and other factors which may be beyond the control of Ameris and Prosperity, and on which the opinion was based, may have altered the value of Ameris or Prosperity or the sale prices of shares of Ameris common stock as of the date of this proxy statement/prospectus, or may alter such values and sale prices by the time the merger is completed. Ewing does not have any obligation to update, revise or reaffirm its opinion to reflect subsequent developments and has not done so. Because Prosperity does not currently anticipate asking Ewing to update its opinion, the opinion will not address the fairness of the merger consideration from a financial point of view at the time the merger is completed. The Prosperity board of directors recommendation that Prosperity shareholders vote **FOR** approval of the merger agreement, however, is made as of the date of this proxy statement/prospectus. See The Merger Opinion of Ewing and ***Appendix B*** to this proxy statement/prospectus.

The merger and the bank merger are subject to the receipt of consents and approvals from regulatory authorities that may impose conditions that could have an adverse effect on Ameris.

Before the merger and the bank merger can be completed, various approvals or consents must be obtained from bank regulatory authorities. These authorities may impose conditions on the completion of the merger or the bank merger or require changes to their terms. While Ameris and Prosperity do not currently expect that any such conditions or changes will be imposed, there is no assurance that they will not be, and such conditions or changes could have the effect of delaying completion of the merger or the bank merger, or imposing additional costs on or limiting the revenues of Ameris following the merger, any of which might have a material adverse effect on Ameris following the merger. Neither party is obligated to complete the merger if the regulatory approvals received in connection with the completion

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of the merger impose any condition applicable to Prosperity or Prosperity Bank that would increase any of the minimum regulatory capital requirements of Ameris following the merger or of Ameris Bank following the bank merger. See The Merger Agreement Conditions to Completion of the Merger.

The merger may not qualify as a tax-free reorganization within the meaning of the Code.

Although it is expected that the merger will qualify as a tax-free reorganization within the meaning of Section 368(a) of the Code, it is currently unclear, and will remain unclear until the closing date of the merger, whether the merger will qualify as a tax-free reorganization within the meaning of the Code. If the merger does not qualify as a tax-free reorganization, then the holders of shares of Prosperity common stock would recognize any gain with respect to the entire consideration received in the merger, including the per share stock consideration received.

Tax matters are very complicated and the consequences of the merger to any particular Prosperity shareholder will depend on that shareholder s particular facts and circumstances. **You should consult your own tax advisor to determine the particular tax consequences of the merger to you**.

The combined company expects to incur substantial expenses related to the merger.

The combined company expects to incur substantial expenses in connection with completing the merger and combining the business, operations, networks, systems, technologies, policies and procedures of Ameris and Prosperity. Although Ameris and Prosperity have assumed that a certain level of transaction and combination expenses would be incurred, there are a number of factors beyond their control that could affect the total amount or the timing of their combination expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. Due to these factors, the transaction and combination expenses associated with the merger could, particularly in the near term, exceed the savings that the combined company expects to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings related to the combination of the businesses following the completion of the merger.

Shares of Ameris common stock to be received by Prosperity shareholders as a result of the merger will have rights different from the shares of Prosperity common stock.

Upon completion of the merger, the rights of former Prosperity shareholders who receive Ameris common stock in the merger, and thereby become Ameris shareholders, will be governed by the articles of incorporation and bylaws of Ameris. The rights associated with Prosperity common stock are different from the rights associated with Ameris common stock. In addition, the rights of shareholders under Georgia law, where Ameris is incorporated, may differ from the rights of shareholders under Florida law, where Prosperity is incorporated. See Comparison of Shareholder Rights.

Ameris has various provisions in its articles of incorporation that could impede a takeover of Ameris.

The articles of incorporation of Ameris contain provisions providing for, among other things, a classified board of directors and the ability to issue preferred stock without shareholder approval. Although these provisions were not adopted for the express purpose of preventing or impeding the takeover of Ameris without the approval of the Ameris board of directors, such provisions may have that effect. Such provisions may prevent former Prosperity shareholders who receive shares of Ameris common stock in the merger from taking part in a transaction in which Ameris shareholders could realize a premium over the current market price of Ameris common stock. See Comparison of Shareholders Rights.

Prosperity s executive officers and directors have financial interests in the merger that are different from, or in addition to, the interests of Prosperity shareholders.

Executive officers of Prosperity negotiated the terms of the merger agreement with Ameris, and the Prosperity board of directors unanimously approved and recommended that Prosperity shareholders vote to approve the merger agreement. In considering these facts and the other information contained in this proxy statement/prospectus, you should be aware that certain Prosperity executive officers and directors have financial interests in the merger that are different from, or in addition to, the interests of Prosperity shareholders generally. See The Merger Interests of Prosperity Executive Officers and Directors in the Merger for information about these financial interests.

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FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus, including information included in, or incorporated by reference into, this proxy statement/prospectus, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to: (i) statements about the benefits of the merger, including future financial and operating results and cost savings that may be realized from the merger; (ii) statements about our respective plans, objectives, expectations and intentions and other statements that are not historical facts; and (iii) other statements identified by words such as expects, anticipates, intends, plans, believes, s estimates or words of similar meaning. These forward-looking statements are based on current beliefs and expectations of Ameris s and Prosperity s managements, and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond Ameris s and Prosperity s control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

Accordingly, actual results may differ materially from those expressed in, or implied by, the forward-looking statements. Some of the factors that may cause actual results or earnings to differ materially from those contemplated by the forward-looking statements include, but are not limited to, those discussed under Risk Factors and those discussed in the filings of Ameris with the SEC that are incorporated by reference into this proxy statement/prospectus, as well as the following:

the merger may not be completed when expected because the requisite regulatory approvals for the merger, and/or the approval of the merger agreement by Prosperity shareholders, might not be obtained or other conditions to the completion of the merger set forth in the merger agreement might not be satisfied or waived;

the sale price for the Ameris common stock could decline, before the completion of the merger, including as a result of the financial performance of Prosperity, or mottom"> 1,141

Settlement loss (gain)		288		(17)	1,050	807
Net periodic pension expense	$	575	$	393	$ 2,099	$ 2,039

Supplemental Defined Benefit Plans

	Three Months Ended September 30, 2006		2005	Nine Months Ended September 30, 2006	2005
Components of net periodic pension expense:					
Service cost	$	(7)	$ (8)	$ (21)	$ (22)
Interest cost		227	230	683	688
Expected return on plan assets					
Recognized net actuarial loss		154	156	460	468
Settlement loss					
Net periodic pension	$	374	$ 378	$ 1,122	$ 1,134

expense

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Note 5 - Pension Plans and Other Postretirement Benefits-(Continued)

In September 2006, the Company contributed $6,450 to the defined benefit plan and does not anticipate making any additional contributions to this plan during the remaining three months of 2006. Consistent with disclosure in Notes to Consolidated Financial Statements Note 9 Pension Plans and Other Postretirement Benefits of the Company s Annual Report on Form 10-K for the year ended December 31, 2005, the Company expects to contribute $1,057 to the supplemental defined benefit plans in 2006, of which $855 was contributed during the nine months ended September 30, 2006.

In addition to providing pension benefits, the Company also provides health care and life insurance benefits to certain retired employees, who meet the Plan s eligibility requirements, and their eligible dependents. The following table summarizes the components of the net periodic benefit cost of postretirement benefits other than pension for the three and nine months ended September 30, 2006 and 2005.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Components of net periodic cost (gain):				
Service cost	$ 11	$ 21	$ 25	$ 65
Interest cost	353	450	645	1,348
Amortization of prior service cost	(1,244)	(178)	(1,362)	(538)
Recognized net actuarial loss (gain)	(524)	118	(446)	354
Net periodic benefit cost (gain)	$ (1,404)	$ 411	$ (1,138)	$ 1,229

Consistent with disclosure in Notes to Consolidated Financial Statements Note 9 Pension Plans and Other Postretirement Benefits of the Company s Annual Report on Form 10-K for the year ended December 31, 2005, the Company expects to contribute $2,072 to the postretirement benefit plan in 2006, of which $1,679 was contributed during the nine months ended September 30, 2006.

In July 2006, the Company announced that effective January 1, 2007 it would eliminate the current health care benefits for individuals 65 years of age and over and establish a Health Reimbursement Account (HRA) for each eligible participant. Health care benefits for eligible individuals under 65 years of age will continue to be provided as a bridge to Medicare eligibility. Eligible participants will receive a one-time credit of $10 thousand to their HRA account to use for covered expenses incurred on or after age 65. Also, the new plan does not provide life insurance benefits to individuals who retired in 1994 or later.

As a result of the changes in the plan for other postretirement benefits, the Company anticipates a reduction in its postretirement benefit expenses of approximately $2,300 in 2006, $4,500 in 2007 and $2,300 in 2008.

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Note 6 - 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 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:

Three months ended September 30, 2006	**Gross Amount**	**Ceded**	**Assumed**	**Net**
Premiums written and contract deposits	$ 259,691	$ 9,428	$ 1,975	$ 252,238
Premiums and contract charges earned	170,412	9,439	1,786	162,759
Benefits, claims and settlement expenses	105,762	4,235	650	102,177
Three months ended September 30, 2005				
Premiums written and contract deposits	$ 262,106	$ 15,426	$ 2,193	$ 248,873
Premiums and contract charges earned	171,263	15,452	2,576	158,387
Benefits, claims and settlement expenses	185,733	58,866	3,748	130,615
Nine months ended September 30, 2006				
Premiums written and contract deposits	$ 747,000	$ 28,688	$ 5,558	$ 723,870
Premiums and contract charges earned	510,787	29,248	5,775	487,314
Benefits, claims and settlement expenses	316,968	25,977	1,934	292,925
Nine months ended September 30, 2005				
Premiums written and contract deposits	$ 751,288	$ 28,592	$ 7,229	$ 729,925
Premiums and contract charges earned	515,274	29,578	9,211	494,907
Benefits, claims and settlement expenses	388,063	68,352	8,877	328,588

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Note 7 - Segment Information

The Company conducts and manages its business through four segments. The three operating segments, representing the major lines of insurance business, are: property and casualty insurance, principally personal lines automobile and homeowners products; annuity products, principally individual, tax-qualified fixed and variable deposits; and life insurance. The Company does not allocate the impact of corporate level transactions to the insurance segments, consistent with how management evaluates the results of those segments, but classifies those items in the fourth segment, corporate and other. In addition to debt service, realized investment gains and losses and certain public company expenses, within the past four years such items have included debt retirement costs/gains and restructuring charges. Summarized financial information for these segments is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Insurance premiums and contract charges earned				
Property and casualty	$ 133,679	$ 130,336	$ 400,835	$ 409,892
Annuity	4,953	4,551	14,593	13,277
Life	24,127	23,500	71,886	71,738
Total	$ 162,759	$ 158,387	$ 487,314	$ 494,907
Net investment income				
Property and casualty	$ 8,879	$ 8,252	$ 25,806	$ 24,689
Annuity	30,395	28,401	89,078	84,017
Life	13,592	12,403	39,688	36,778
Corporate and other	565	139	1,071	288
Intersegment eliminations	(279)	(283)	(839)	(851)
Total	$ 53,152	$ 48,912	$ 154,804	$ 144,921
Net income (loss)				
Property and casualty	$ 14,453	$ (8,037)	$ 53,277	$ 33,886
Annuity	3,340	6,462	9,857	11,942
Life	3,945	1,984	10,996	10,093
Corporate and other	(2,431)	612	(4,077)	5,255
Total	$ 19,307	$ 1,021	$ 70,053	$ 61,176
Amortization of intangible assets, pretax (included in segment net income)				
Value of acquired insurance in force				
Annuity	$ 938	$ 853	$ 3,138	$ 3,197
Life	349	366	1,057	1,110
Total	$ 1,287	$ 1,219	$ 4,195	$ 4,307

	September 30, 2006	December 31, 2005
Assets		
Property and casualty	$ 915,000	$ 895,467
Annuity	4,025,380	3,809,648
Life	1,244,908	1,080,451
Corporate and other	124,808	79,813
Intersegment eliminations	(32,555)	(24,772)

Total	$ 6,277,541	$ 5,840,607

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Dollars in millions, except per share data)

Forward-looking Information

Statements made in the following discussion that state the Company s or management s intentions, hopes, beliefs, expectations or predictions of future events or the Company s future financial performance are forward-looking statements and involve known and unknown risks, uncertainties and other factors. Horace Mann is not under any obligation to (and expressly disclaims any such obligation to) update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. It is important to note that the Company s actual results could differ materially from those projected in forward-looking statements due to, among other risks and uncertainties inherent in the Company s business, the following important factors:

Changes in the composition of the Company s assets and liabilities which may result from occurrences such as acquisitions, divestitures, impairment in asset values or changes in estimates of insurance reserves.

Fluctuations in the market value of securities in the Company s investment portfolio and the related after-tax effect on the Company s shareholders equity and total capital through either realized or unrealized investment losses. In addition, the impact of fluctuations in the financial markets on the Company s defined benefit pension plan assets and the related after-tax effect on the Company s operating expenses, shareholders equity and total capital.

The impact of fluctuations in the financial markets on the Company s variable annuity fee revenues, valuations of deferred policy acquisition costs and value of acquired insurance in force, and the level of guaranteed minimum death benefit reserves.

The impact of fluctuations in the capital markets on the Company s ability to refinance outstanding indebtedness or repurchase shares of the Company s common stock.

Defaults on interest or dividend payments in the Company s investment portfolio due to credit issues and the resulting impact on investment income.

Prevailing interest rate levels, including the impact of interest rates on (i) unrealized gains and losses in the Company s investment portfolio and the related after-tax effect on the Company s shareholders equity and total capital, (ii) the book yield of the Company s investment portfolio and (iii) the Company s ability to maintain appropriate interest rate spreads over the fixed rates guaranteed in the Company s life and annuity products.

The cyclicality of the insurance industry and the related effects of changes in price competition and industry-wide underwriting results.

The frequency and severity of catastrophes such as hurricanes, earthquakes, storms and wildfires and the ability of the Company to provide accurate estimates of ultimate catastrophe costs in its consolidated financial statements in light of such factors as: the proximity of the catastrophe occurrence date to the date of the consolidated financial statements; potential inflation of property repair costs in the affected area; the occurrence of multiple catastrophes in a geographic area over a relatively short period of time; the outcome of litigation which may be filed against the Company by policyholders, state attorneys general and other parties relative to loss coverage disputes and loss settlement payments; and the ability of state insurance facilities to assess participating insurers when financial deficits occur.

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The Company s risk exposure to catastrophe-prone areas. Based on property and casualty direct earned premiums for 2005, the Company s ten largest states represented 56% of the segment total. Included in this top ten group are certain states in which catastrophe occurrences are relatively common: California, Florida, North Carolina, South Carolina, Louisiana and Texas.

The potential near-term, adverse impact of underwriting actions to mitigate the Company s risk exposure to catastrophe-prone areas on premium, policy and earnings growth.

The ability of the Company to maintain a favorable catastrophe reinsurance program considering both availability and cost; and the collectibility of reinsurance receivables.

Adverse development of property and casualty loss and loss adjustment expense reserve experience and its impact on estimated claims and claim settlement expenses for losses occurring in prior years.

Adverse changes in business persistency, policyholder mortality and morbidity rates and the resulting impact on both estimated reserves and the valuations of deferred policy acquisition costs and value of acquired insurance in force.

Changes in insurance regulations, including (i) those affecting the ability of the Company s insurance subsidiaries to distribute cash to the holding company and (ii) those impacting the Company s ability to profitably write property and casualty insurance policies in one or more states.

Changes in accounting or financial reporting standards issued by the FASB, SEC or other standard-setting bodies which may have an adverse effect on the Company s financial condition, results of operations and/or cost of doing business.

Changes in federal income tax laws and changes resulting from federal tax audits affecting corporate tax rates or taxable income.

Changes in federal and state laws and regulations which affect the relative tax and other advantages of the Company s life and annuity products to customers, including, but not limited to, changes in IRS regulations governing 403(b) plans.

The resolution of legal proceedings and related matters including the potential adverse impact on the Company s reputation and charges against the Company s earnings resulting from legal defense costs, a settlement agreement and/or an adverse finding or findings against the Company from the proceedings.

The Company s ability to maintain favorable claims-paying ability, financial strength and debt ratings.

The competitive impact of entrants such as mutual funds and banks into the tax-deferred annuity products markets, and the Company s ability to profitably expand its property and casualty business in highly competitive environments.

The Company s ability to develop and expand its agent force and its independent agent distribution system, as well as the Company s ability to maintain and secure product sponsorships by local, state and national education associations.

The Company s dated and complex information systems, which are more prone to error than advanced technology systems.

Disruptions of the general business climate, investments, capital markets and consumer attitudes caused by pandemics or geopolitical acts such as terrorism, war or other similar events.

The impact of a disaster or catastrophic event affecting the Company s employees or its home office facilities and the Company s ability to recover and resume its business operations on a timely basis.

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Executive Summary

Horace Mann Educators Corporation (HMEC ; and together with its subsidiaries, the Company or Horace Mann) is an insurance holding company. Through its subsidiaries, HMEC markets and underwrites personal lines of property and casualty and life insurance and retirement annuities in the U.S. The Company markets its products primarily to educators and other employees of public schools and their families.

For the nine months ended September 30, 2006, the Company s net income excluding net realized investment gains significantly exceeded the same period in the prior year primarily due to lower catastrophe losses for the current period compared to the significant level experienced a year ago. Net income in the first nine months of 2006 also benefited from a higher amount of favorable development of prior years property and casualty claim reserves compared to the same period in 2005. In the current period, earnings from the property and casualty segment continued to benefit from underwriting and pricing actions taken in recent years, ongoing improvements in claims processes, cost containment initiatives, and low non-catastrophe claim frequencies, somewhat offset by the increased costs of the Company s enhanced catastrophe reinsurance program. The property and casualty combined ratio was 88.3% for the first nine months of 2006 compared to 95.3% for the same period in 2005. Annuity segment net income decreased compared to the first nine months of 2005, while life segment net income improved over the same period. Net income in the first nine months of 2005 benefited by approximately $10.1 million from a reduction in contingent tax liabilities and interest on income tax refunds.

Premiums written and contract deposits decreased 1% compared to the first nine months of 2005. In 2006, the additional costs associated with the Company s enhanced property and casualty catastrophe reinsurance program represented an $8.7 million decrease to current year premiums, while the first nine months of 2005 reflected a decrease of $8.9 million due to additional ceded premiums to reinstate its property and casualty catastrophe reinsurance coverage following hurricane catastrophe recoveries. In addition to the effect of reinsurance costs, the decrease in property and casualty premiums written reflected a decrease in average automobile premium per policy primarily due to the continued improvement in the quality of this book of business and a slight decline in policies in force compared to prior year. As a result of recent initiatives, new automobile sales units increased 7% in both the third quarter and year-to-date compared to 2005. This sales growth, along with continued improvements in retention, resulted in quarterly sequential increases in voluntary automobile policies in force for both the second and third quarters, driven primarily by growth in educator policies. Annuity contract deposits increased slightly compared to a year ago and life segment insurance premiums and contract deposits decreased compared to the prior year.

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Critical Accounting Policies

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires the Company s management to make estimates and assumptions based on information available at the time the consolidated financial statements are prepared. These estimates and assumptions affect the reported amounts of the Company s consolidated assets, liabilities, shareholders equity and net income. Certain accounting estimates are particularly sensitive because of their significance to the Company s consolidated financial statements and because of the possibility that subsequent events and available information may differ markedly from management s judgements at the time the consolidated financial statements were prepared. Management has discussed with the Audit Committee the quality, not just the acceptability, of the Company s accounting principles as applied in its financial reporting. The discussions generally included such matters as the consistency of the Company s accounting policies and their application, and the clarity and completeness of the Company s consolidated financial statements, which include related disclosures. For the Company, the areas most subject to significant management judgements include: liabilities for property and casualty claims and claim settlement expenses, liabilities for future policy benefits, deferred policy acquisition costs, value of acquired insurance in force for annuity and interest-sensitive life products, valuation of investments and valuation of assets and liabilities related to the defined benefit pension plan.

Liabilities for Property and Casualty Claims and Claim Settlement Expenses

Underwriting results of the property and casualty segment are significantly influenced by estimates of the Company s ultimate liability for insured events. There is a high degree of uncertainty inherent in the estimates of ultimate losses underlying the liability for unpaid claims and claim settlement expenses. This inherent uncertainty is particularly significant for liability-related exposures due to the extended period, often many years, that transpires between a loss event, receipt of related claims data from policyholders and ultimate settlement of the claim. Reserves for property and casualty claims include provisions for payments to be made on reported claims, claims incurred but not yet reported (IBNR) and associated settlement expenses. The process by which these reserves are established requires reliance upon estimates based on known facts and on interpretations of circumstances, including the Company s experience with similar cases and historical trends involving claim payments and related patterns, pending levels of unpaid claims and product mix, as well as other factors including court decisions, economic conditions and public attitudes.

The Company continually updates loss estimates using both quantitative and qualitative information from its reserving actuaries and information derived from other sources. Adjustments may be required as information develops which varies from experience, or, in some cases, augments data which previously were not considered sufficient for use in determining liabilities. The effects of these adjustments may be significant and are charged or credited to income for the period in which the adjustments are made. Detailed discussion of the impact of adjustments recorded during recent years is included in Results of Operations for the Three Years Ended December 31, 2005 Benefits, Claims and Settlement Expenses and in the Notes to Consolidated Financial Statements Note 3 Property and Casualty Unpaid Claims and Claim Expenses of the Company s Annual Report on Form 10-K for the year ended December 31, 2005. Due to the nature of the Company s personal lines business, the Company has no exposure to claims for toxic waste cleanup, other environmental remediation or asbestos-related illnesses other than claims under homeowners insurance policies for environmentally related items such as mold.

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The Company completes a detailed study of property and casualty reserves based on information available at the end of each quarter and year. Trends of reported losses (paid amounts and case reserves on claims reported to the Company) for each accident year are reviewed and ultimate loss costs for those accident years are estimated. For 2001 through 2005, the Company engaged an independent property and casualty actuarial consulting firm to prepare an independent study of the Company s property and casualty reserves at June 30 and December 31 of each year. Beginning in 2006, the independent actuarial consulting firm will prepare an independent study of reserves at December 31, supplemented by other analyses throughout the year.

The Company s liabilities for property and casualty unpaid claims and claim settlement expenses were as follows:

	September 30, 2006			December 31, 2005		
	Case Reserves	IBNR Reserves	Total (1)	Case Reserves	IBNR Reserves	Total (1)
Automobile liability	$ 84.6	$ 139.7	$ 224.3	$ 77.3	$ 144.3	$ 221.6
Automobile other	4.7	2.6	7.3	13.9	5.7	19.6
Homeowners	13.7	42.2	55.9	14.4	52.0	66.4
All other	5.3	29.9	35.2	7.6	27.5	35.1
Total	$ 108.3	$ 214.4	$ 322.7	$ 113.2	$ 229.5	$ 342.7

(1) These amounts are gross, before reduction for ceded reinsurance reserves.

Some risk factors will affect more than one product line. One of these factors is changes in claim department practices, including claim closure rates, number of claims closed without payment, the use of outside claims adjusters, and the level of case reserve estimated by the adjuster. Other risk factors include changes in claim frequency, changes in claim severity, regulatory and legislative actions, court actions, changes in economic conditions and trends (medical costs, labor rates, the cost of materials), the occurrence of unusually large or frequent catastrophic loss events, timeliness of claim reporting, the state in which the claim occurred, and degree of claimant fraud. The extent of the impact of a risk factor will also vary by coverages within a product line. Individual risk factors are also subject to interactions with other risk factors within product line coverages.

While all product lines are exposed to these risks, there are some loss types or product lines for which the financial effect will be more significant. For instance, the use of outside adjusters for large catastrophe losses adds a level of risk to this loss type not present when employee adjusters handle claims. Also, regulatory and court actions and changes in economic conditions and trends could be expected to impact the longer-tail automobile liability product line more extensively than other lines. Given the relatively large proportion (approximately 60% to 70%) of the Company s reserves that are in the longer-tail automobile liability lines, the Company s exposure to these risks will be more significant.

As noted above, there are a number of assumptions involved in the determination of the property and casualty liability for unpaid claims and claim settlement expense (loss reserves). Among the factors affecting recorded loss reserves, claim severity is of particular significance. Management believes that claim severity is reasonably likely to deviate by 1% from the targeted claim severity for the most recent 36-month period. This deviation would have between a $3 million and $5 million impact on net loss reserves on automobile liability coverages and between a $1.5 million to $2.0 million impact on net loss reserves on homeowners coverages. These results may change, depending on the magnitude and direction of the deviation.

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Information regarding the Company s property and casualty segment claims and claims settlement expense reserve development is located in Business Property and Casualty Segment Property and Casualty Reserves of the Company s Annual Report on Form 10-K for the year ended December 31, 2005.

Liabilities for Future Policy Benefits

Liabilities for future benefits on life and annuity policies are established in amounts adequate to meet the estimated future obligations on policies in force. Liabilities for future policy benefits on certain life insurance policies are computed using the net level premium method and are based on assumptions as to future investment yield, mortality and withdrawals. Mortality and withdrawal assumptions for all policies have been based on actuarial tables which are consistent with the Company s own experience. Liabilities for future benefits on annuity contracts and certain long-duration life insurance contracts are carried at accumulated policyholder values without reduction for potential surrender or withdrawal charges. In the event actual experience varies from the estimated liability assumptions, adjustments are charged or credited to income for the period in which the adjustments are made.

Deferred Policy Acquisition Costs and Value of Acquired Insurance in Force for Annuity and Interest-Sensitive Life Products

Policy acquisition costs, consisting of commissions, policy issuance and other costs, which vary with and are primarily related to the production of business, are capitalized and amortized on a basis consistent with the type of insurance coverage. For all investment (annuity) contracts, acquisition costs, and also the value of annuity business acquired in the 1989 acquisition of the Company (Annuity VIF), are amortized over 20 years in proportion to estimated gross profits. Capitalized acquisition costs for interest-sensitive life contracts are also amortized over 20 years in proportion to estimated gross profits.

The most significant assumptions that are involved in the estimation of annuity gross profits include future financial market performance, interest rate spreads, business surrender/lapse rates and the impact of realized investment gains and losses. For the variable deposit portion of the annuity segment, the Company amortizes policy acquisition costs and the Annuity VIF utilizing a future financial market performance assumption of a 10% reversion to the mean approach with a 200 basis point corridor around the mean. At September 30, 2006, the ratio of capitalized annuity policy acquisition costs and the Annuity VIF asset to the total annuity accumulated cash value was approximately 4%.

In the event actual experience differs significantly from assumptions or assumptions are significantly revised, the Company may be required to record a material charge or credit to amortization expense for the period in which the adjustment is made. As noted above, there are a number of assumptions involved in the valuation of capitalized policy acquisition costs and the Annuity VIF. As one example of the volatility of this amortization, if all other assumptions are met, a 1% deviation from the targeted financial market performance for the underlying mutual funds of the Company s variable annuities would currently impact amortization between \$0.1 million and \$0.2 million. This result may change depending on the magnitude and direction of the deviation. Detailed discussion of the impact of adjustments to the amortization of capitalized acquisition costs and Annuity VIF is included in Results of Operations Amortization of Policy Acquisition Expenses and Intangible Assets .

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Valuation of Investments

The Company s methodology of assessing other-than-temporary impairments is based on security-specific facts and circumstances as of the date of the reporting period. Based on these facts, if management believes it is probable that amounts due will not be collected according to the contractual terms of a debt security not impaired at acquisition, or if the Company does not have the ability or intent to hold a debt security with an unrealized loss until it matures or recovers in value, an other-than-temporary impairment shall be considered to have occurred. As a general rule, if the fair value of a debt security has fallen below 80% of book value for more than six months, this security will be reviewed for an other-than-temporary impairment. Additionally, if events become known that call into question whether the security issuer has the ability to honor its contractual commitments, whether or not such security has been trading above an 80% fair value to book value relationship, such security holding will be evaluated to determine whether or not such security has suffered an other-than-temporary decline in value.

The Company reviews the fair value of all investments in its portfolio on a monthly basis to assess whether an other-than-temporary decline in value has occurred. These reviews, in conjunction with the Company s investment managers monthly credit reports and relevant factors such as (1) the financial condition and near-term prospects of the issuer, (2) the Company s ability or intent to retain the investment long enough to allow for the anticipated recovery in fair value, (3) the stock price trend of the issuer, (4) the market leadership position of the issuer, (5) the debt ratings of the issuer and (6) the cash flows of the issuer, are all considered in the impairment assessment. A write-down of an investment is recorded when a decline in the fair value of that investment is deemed to be other-than-temporary, with a realized investment loss charged to income for the period.

A decline in fair value below amortized cost is not assumed to be other-than-temporary for fixed maturity investments with unrealized losses due to market conditions or industry-related events where there exists a reasonable expectation that fair value will recover versus historical cost and the Company has the intent and ability to hold the investment until maturity or a market recovery is realized. An other-than-temporary impairment loss will be recognized based upon all relevant facts and circumstances for each investment, as appropriate.

Valuation of Assets and Liabilities Related to the Defined Benefit Pension Plan

Effective April 1, 2002, participants stopped accruing benefits under the defined benefit pension plan but continue to retain the benefits they had accrued to date.

The Company s cost estimates for its defined benefit pension plan are determined annually based on assumptions which include the discount rate, expected return on plan assets, anticipated retirement rate and estimated lump sum distributions. A discount rate of 5.5% was used by the Company for estimating accumulated benefits under the plan at December 31, 2005, which was based on the average yield for long-term, high grade securities having maturities generally consistent with the defined benefit pension payout period. To set its discount rate, the Company looks to leading indicators, including Moody s Aa long-term bond index. The expected annual return on plan assets assumed by the Company at December 31, 2005 was 7.5%. The assumption for the long-term rate of return on plan assets was determined by considering actual investment experience during the lifetime of the plan, balanced with reasonable expectations of future growth considering the various classes of assets and percentage allocation for each asset class. Management believes that it has adopted realistic assumptions for investment returns, discount rates and other key factors used in the estimation of pension costs and asset values.

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To the extent that actual experience differs from the Company s assumptions, subsequent adjustments may be required, with the effects of those adjustments charged or credited to income and/or shareholders equity for the period in which the adjustments are made. Generally, a change of 50 basis points in the discount rate would inversely impact pension expense and accumulated other comprehensive income (AOCI) by approximately $0.1 million and $1.5 million, respectively. In addition, for every $1 million increase (decrease) in the value of pension plan assets, there is an equal increase (decrease) in AOCI.

Results of Operations

Insurance Premiums and Contract Charges

Insurance Premiums Written and Contract Deposits

(Includes annuity and life contract deposits)

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005	Change From Prior Year Percent	Change From Prior Year Amount
Property & casualty				
Automobile and property (voluntary)	$ 396.7	$ 403.5	-1.7%	$ (6.8)
Involuntary and other property & casualty	11.0	9.7	13.4%	1.3
Total property & casualty	407.7	413.2	-1.3%	(5.5)
Annuity deposits	241.1	240.2	0.4%	0.9
Life	75.1	76.5	-1.8%	(1.4)
Total	$ 723.9	$ 729.9	-0.8%	$ (6.0)

Insurance Premiums and Contract Charges Earned

(Excludes annuity and life contract deposits)

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005	Change From Prior Year Percent	Change From Prior Year Amount
Property & casualty				
Automobile and property (voluntary)	$ 393.0	$ 403.5	-2.6%	$ (10.5)
Involuntary and other property & casualty	7.8	6.4	21.9%	1.4
Total property & casualty	400.8	409.9	-2.2%	(9.1)
Annuity	14.6	13.3	9.8%	1.3
Life	71.9	71.7	0.3%	0.2
Total	$ 487.3	$ 494.9	-1.5%	$ (7.6)

For the first nine months of 2006, the Company s premiums written and contract deposits decreased 0.8% compared to the prior year. In 2006, the additional costs associated with the Company s enhanced property and casualty catastrophe reinsurance program represented an $8.7 million decrease to current year premiums, while the first nine months of 2005 reflected a decrease of $8.9 million due to additional ceded premiums to reinstate its property and casualty catastrophe reinsurance coverage following hurricane catastrophe recoveries. Voluntary property and casualty business represents policies sold through the Company s marketing organization and issued under the Company s underwriting guidelines. Involuntary property and casualty business consists of allocations of business from state mandatory insurance facilities and assigned risk business.

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The Company s exclusive agent force totaled 833 at September 30, 2006, reflecting a decrease of 1.9% compared to 849 agents at September 30, 2005 and a decrease of 2.6% compared to 855 agents at December 31, 2005. The decline in the number of agents over the nine months ended September 30, 2006 was due in part to the strategic restructuring of the Company s agencies in catastrophe-prone areas of Florida and Louisiana. At the time of this Quarterly Report on Form 10-Q, management anticipates growth in the size of the Company s exclusive agent force in the remainder of 2006, although tempered somewhat by increased selectivity in agent geographic placement as the Company more aggressively manages its property and casualty risk exposure. Of the current period-end total, 244 agents were in their first 24 months with the Company, reflecting a decrease of 7.2% compared to September 30, 2005. Terminations of agents in their first 24 months with the Company in the current period were at a higher level than was experienced in the first nine months of 2005. The number of experienced agents in the agent force, 589, increased 0.5% compared to a year earlier.

The Company is beginning the transition from a single person agent operation to its new Agency Business Model, with agents in outside offices with support personnel and licensed product specialists, designed to remove current capacity constraints and increase productivity. The first Agency Business School session was conducted in October 2006, beginning the roll-out of this model. At the time of this Quarterly Report on Form 10-Q, management anticipates 35 agents and 15 agency managers will complete this training in 2006, with approximately 185 agents and the remaining 42 agency managers targeted for training in 2007. Property and casualty initiatives to support that transition and drive business growth include expanding to more states the Company s Educator Segmentation Model a more precise approach to pricing automobile business and its Product Management Organization focusing on localized approaches to pricing, underwriting and marketing. The Company is also developing a new property and casualty policy administration system with an automated point-of-sale front end. Annuity and life initiatives included the roll out of a new lineup of Horace Mann manufactured and branded products, as described below.

For the first nine months of 2006, total sales, which include the independent agent distribution channel, increased 2.6% compared to a year earlier. A 3.4% increase in annuity new business was comprised of a 5.2% increase in annuity business from the Company s career agents, including an increase in sales of partner company products, partially offset by a 5.6% decline in new business from independent agents. New automobile sales units increased 7% in both the third quarter and year-to-date compared to 2005. In total, career agent sales for the first nine months of 2006 increased 3.7% compared to the same period in 2005, reflecting an increase in average overall productivity per agent. Average agent productivity is measured as new sales premiums from the exclusive agent force per the average number of exclusive agents for the period.

Total voluntary automobile and homeowners premium written decreased 1.7%, or $6.8 million, in the first nine months of 2006 with the components of catastrophe reinsurance costs which affect premiums being comparable in amount as described above. The automobile average written premium per policy decreased while the homeowners average premium increased in the current period compared to prior year, with the change in average premium for both lines adversely impacted by the improved quality of the books of business. In addition, written premium was impacted by the slight decline in policies in force. At September 30, 2006, there were 531,000 voluntary automobile and 265,000 homeowners policies in force, for a total of 796,000 policies, compared to a total of 797,000 policies at December 31, 2005 and 799,000 at September 30, 2005.

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To curtail the decline in automobile policies in force, in 2005 the Company implemented both short- and medium-term initiatives to increase new business and improve policy retention. Based on policies in force, the total property and casualty 12-month retention rate for new and renewal policies was 86% at September 30, 2006 compared to 85% at September 30, 2005. Through September 30, 2006, approved rate increases for the Company s automobile and homeowners business were minimal, similar to rate actions in 2005.

Voluntary automobile premium written decreased 3.9% ($11.2 million) compared to the first nine months of 2005. Average written premium per policy decreased 3% compared to a year ago and average earned premium per policy also decreased 3% for the same period. As of September 30, 2006, automobile policies in force decreased by 1,000 compared to September 30, 2005 and increased by 2,000 compared to June 30, 2006 and 4,000 compared to March 31, 2006, with the improved trend primarily reflecting the increase in educator policies over the last several quarters.

Homeowners premium written increased 3.8% ($4.4 million) compared to the first nine months of 2005 including the components of catastrophe reinsurance costs described above. Average written premium per policy increased 3% for homeowners compared to a year earlier and average earned premium per policy increased 4%. Homeowners policies in force decreased 2,000 compared to September 30, 2005 and 1,000 compared to December 31, 2005, as growth in the number of educator policies was offset by expected reductions, primarily in non-educator policies, due to the Company s pricing and underwriting actions, including actions in catastrophe-prone coastal areas.

In 2005, the Company was assessed $1.8 million and $1.3 million from the Citizens Property Insurance Corporation (Florida Citizens) and Louisiana Citizens Fair and Coastal Plan (Louisiana Citizens), respectively, as a result of extensive hurricane catastrophe losses in both states. Both of these assessments were paid in 2005 (reflected as a component of benefits, claims and settlement expenses). Beginning in May 2006, the Company is assessing its Florida and Louisiana property policyholders over the following 12-24 months to recoup these amounts. The Company continues to evaluate and implement actions to further mitigate its risk exposure in hurricane-prone areas. Such actions could include, but are not limited to, non-renewal of homeowners policies, restricted agent geographic placement and further tightening of underwriting standards.

In June 2006, the Florida Office of Insurance Regulation issued an order to all insurers authorized to write property and casualty business in that state regarding an emergency assessment to offset obligations of the Florida Hurricane Catastrophe Fund and the Florida Hurricane Catastrophe Corporation. Insurers will be required to collect the assessment, equal to 1% of direct written premiums on property and casualty lines of business with limited exceptions, on all Florida policies written or renewed on or after January 1, 2007. On a quarterly basis, insurers will then remit to Florida all collected assessments. In September 2006, Louisiana Citizens issued an emergency assessment equal to 3.6% of direct written premiums effective January 1, 2007. This assessment will be collected by insurers from property and casualty policyholders and remitted to Louisiana in a process similar to the one described for Florida. These emergency assessments will not impact the Company s financial results.

New annuity deposits increased 0.4% compared to the first nine months of 2005. In the current period, new scheduled annuity deposits as well as single premium and rollover deposits increased slightly compared to the first nine months of 2005. While new deposits to fixed accounts decreased 2.1%, or $3.0 million, compared to the prior year, new deposits to variable accounts increased 4.0%, or $3.9 million, compared to the first nine months of 2005.

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The Company utilizes a nationwide network of independent agents who comprise a second distribution channel for the Company s 403(b) tax-qualified annuity products. The independent agent distribution channel included 795 authorized agents at September 30, 2006. During the first nine months of 2006, this channel generated $25.2 million in annualized new annuity sales for the Company compared to $26.7 million for the first nine months of 2005.

Total annuity accumulated cash value of $3.5 billion at September 30, 2006 increased 7.5% compared to a year earlier, reflecting the increase from new business, continued favorable retention and improved financial market performance over the 12 months. At September 30, 2006, the number of annuity contracts outstanding of 163,000 increased 0.6%, or 1,000 contracts, compared to December 31, 2005 and 1.9%, or 3,000 contracts, compared to September 30, 2005.

Variable annuity accumulated balances were 9.4% higher at September 30, 2006 than at September 30, 2005 and annuity segment contract charges earned increased 9.8%, or $1.3 million, compared to the first nine months of 2005.

Life segment premiums and contract deposits declined 1.8%, or $1.4 million, compared to the first nine months of 2005. The ordinary life insurance in force lapse ratio was 6.0% for the 12 months ended September 30, 2006 compared to 6.6% for the twelve months ended September 30, 2005.

In 2006, the Company introduced new Horace Mann manufactured and branded products to better address the financial planning needs of educators. In February 2006, the Company introduced Life by Design, a new portfolio of life insurance products. The Life by Design portfolio features new individual and joint whole life, and individual and joint term products. Included in the new choices are individual and joint 10-, 20- and 30-year level term policies. The policies have premiums that are guaranteed for the duration of the contract and offer lower minimum face amounts. In March 2006, the Company introduced new annuity products. The Goal Planning Annuity (GPA) offers educators a variable annuity product with a fixed interest account option and two optional riders that enhance the death benefit feature of the product. Developed in partnership with Wilshire Associates, the Company s fund advisors, GPA provides educators the opportunity to invest with fund families such as: T. Rowe Price, Fidelity, Alliance, Davis, Ariel Capital Management and Putnam, among others. By utilizing tools that provide assistance in determining needs and making asset allocation decisions, educators are able to choose the investment mix that meets their personal risk tolerance and retirement goals. Expanding Horizon is a new fixed interest rate annuity contract for more conservative investors. This product offers educators a competitive rate of interest on their retirement dollars and the choice of bonuses to optimize their benefits at retirement. In May 2006, the Company added 12 new investment options to its variable annuity products. This included seven new lifecycle funds, with assets allocated among multiple investment classes within each fund, based on its specified targeted retirement year.

Net Investment Income

Pretax investment income of $154.8 million for the nine months ended September 30, 2006 increased 6.8%, or $9.9 million, (6.5%, or $6.4 million, after tax) compared to the prior year. The increase reflects growth in the size of the investment portfolio and a slight increase in the portfolio yield. Average invested assets (excluding securities lending collateral) increased 6.0% over the past 12 months. The average pretax yield on the investment portfolio was 5.4% (3.6% after tax) for the first nine months of 2006, compared to a pretax yield of 5.3% (3.6% after tax) for the same period in 2005.

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Net Realized Investment Gains

Net realized investment gains (pretax) were $5.3 million for the first nine months of 2006 compared to $9.1 million in the prior year. In the nine months ended September 30, 2006, the Company recorded an impairment of $0.1 million related to fixed income securities from one issuer. There were no impairment charges from the Company s fixed income security portfolio for the nine months ended September 30, 2005. Net realized investment gains for the first nine months of 2006 included $0.3 million from sales of securities for which impairment charges were recorded in the fourth quarter of 2005 and gains realized for the first nine months of 2005 included $1.9 million from sales of securities for which impairment charges were recorded in 2003. The net gains in both years were realized from ongoing investment portfolio management activity.

The table below presents the Company s fixed maturity securities portfolio as of September 30, 2006 by major asset class, including the ten largest sectors of the Company s corporate bond holdings.

	Number of Issuers	Fair Value	Amortized Cost	Pretax Unrealized Gain (Loss)
Corporate bonds				
Banking and Finance	43	$ 394.4	$ 389.7	$ 4.7
Energy	57	254.0	249.7	4.3
Telecommunications	24	184.2	182.3	1.9
Utilities	27	176.7	174.8	1.9
Health Care	23	155.6	155.9	(0.3)
Insurance	13	98.6	96.6	2.0
Transportation	12	97.6	97.9	(0.3)
Food and Beverage	20	78.2	78.5	(0.3)
Automobiles	9	60.1	59.3	0.8
Real Estate	13	56.4	56.7	(0.3)
All Other Corporates (1)	149	489.7	486.3	3.4
Total corporate bonds	390	2,045.5	2,027.7	17.8
Mortgage-backed securities				
U.S. government and federally sponsored agencies	433	768.9	780.6	(11.7)
Other	20	87.7	87.3	0.4
Municipal bonds	161	537.3	530.8	6.5
Government bonds				
U.S.	8	237.4	239.3	(1.9)
Foreign	6	17.7	17.2	0.5
Collateralized debt obligations (2)	1	3.0	3.0	*
Asset-backed securities	17	108.9	109.2	(0.3)
Total fixed maturity securities	1,036	$ 3,806.4	$ 3,795.1	$ 11.3

* Less than $0.1 million.

(1) All Other Corporates category contains 19 additional industry classifications. Metal and mining; broadcasting and media; defense; technology; cable and industry, manufacturing represented $282.6 million of fair value at September 30, 2006, with the remaining 13 classifications each representing less than $35 million of the fair value at September 30, 2006.

(2) All of the securities were rated investment grade by Standard and Poor s Corporation and/or Moody s Investors Service, Inc. at September 30, 2006.

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At September 30, 2006, the Company s diversified fixed maturity portfolio consisted of 1,257 investment positions, issued by 1,036 entities, and totaled approximately $3.8 billion in fair value. The portfolio was 94.8% investment grade, based on fair value, with an average quality rating of A+. At September 30, 2006, the portfolio had $48.6 million pretax of total gross unrealized losses related to 601 positions. The following table provides information regarding fixed maturity securities that had an unrealized loss at September 30, 2006, including the length of time that the securities have continuously been in an unrealized loss position.

Investment Positions With Unrealized Losses Segmented by Quality

and Period of Continuous Unrealized Loss

As of September 30, 2006

	Number of Positions	Fair Value	Amortized Cost	Pretax Unrealized Loss
Investment grade				
6 Months or less	28	$ 32.9	$ 33.2	$ (0.3)
7 through 12 months	117	633.1	641.8	(8.7)
13 through 24 months	206	1,113.2	1,141.1	(27.9)
25 through 36 months	36	188.9	194.3	(5.4)
37 through 48 months	11	56.9	60.3	(3.4)
Greater than 48 months				
Total	398	$ 2,025.0	$ 2,070.7	$ (45.7)
Non-investment grade				
6 Months or less	82	$ 45.8	$ 46.5	$ (0.7)
7 through 12 months	55	31.6	32.5	(0.9)
13 through 24 months	59	29.7	30.9	(1.2)
25 through 36 months	3	1.1	1.2	(0.1)
37 through 48 months				
Greater than 48 months				
Total	199	$ 108.2	$ 111.1	$ (2.9)
Not rated				
Total, all greater than 48 months	4	$ 1.5	$ 1.5	$ *
Grand total	601	$ 2,134.7	$ 2,183.3	$ (48.6)

* Less than $0.1 million.

Of the investment positions with unrealized losses, no issuers had pretax unrealized losses greater than $1.3 million. No fixed maturity securities were trading below 80% of book value at September 30, 2006. The Company views the decrease in value of all of the securities with unrealized losses at September 30, 2006 as temporary, expects recovery in fair value, anticipates continued payments under the terms of the securities, and has the intent and ability to hold these securities until maturity or a recovery in fair value occurs. Therefore, no impairment of these securities was recorded at September 30, 2006. Future changes in circumstances related to these and other securities could require subsequent recognition of other-than-temporary impairment losses. The Company s investment guidelines generally limit single corporate issuer concentrations to 1.0% of invested assets for AA or AAA rated securities, 0.75% of invested assets for A rated securities, 0.5% of invested assets for BBB rated securities, and 0.2% of invested assets for non-investment grade securities.

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Benefits, Claims and Settlement Expenses

	Nine Months Ended September 30, 2006	2005	Change From Prior Year Percent	Amount
Property and casualty	$ 257.6	$ 296.2	-13.0%	$ (38.6)
Annuity	0.7	0.4	75.0%	0.3
Life	34.6	32.0	8.1%	2.6
Total	$ 292.9	$ 328.6	-10.9%	$ (35.7)
Property and casualty catastrophe losses, included above (1)	$ 18.6	$ 39.5		$ (20.9)

(1) See footnote (2) to the table below.

Property and Casualty Claims and Claim Expenses (losses)

	Nine Months Ended September 30, 2006	2005
Incurred claims and claim expenses:		
Claims occurring in the current year	$ 274.8	$ 304.0
Increase (decrease) in estimated reserves for claims occurring in prior years (1):		
Policies written by the Company (2)	(17.2)	(7.8)
Business assumed from state reinsurance facilities		
Total (2)	(17.2)	(7.8)
Total claims and claim expenses incurred	$ 257.6	$ 296.2
Property and casualty loss ratio:		
Total	64.3%	72.3%
Effect of catastrophe costs, included above (2)	4.7%	11.1%

(1) Shows the amounts by which the Company increased or 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.

(2) The nine months ended September 30, 2006 included development of prior years reserves for catastrophe losses in captions related to catastrophe losses/costs as well as captions related to prior years reserve development as follows: total property and casualty, unfavorable development of $1.4 million; voluntary automobile, favorable development of $1.5 million; and total property, unfavorable development of $2.9 million.

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For the nine months ended September 30, 2006, the Company s benefits, claims and settlement expenses decreased compared to the prior year, primarily reflecting a decrease in catastrophe losses, the decrease in estimated reserves for property and casualty claims occurring in prior years and favorable current year voluntary automobile claim frequency. The Company s catastrophe losses decreased compared to a year earlier, primarily reflecting the significant level of hurricane losses incurred in 2005. The current period did, however, reflect higher non-hurricane related catastrophe losses, including third quarter hail storms in Minnesota, as well as increased severity of non-hurricane losses primarily from wind damage. Catastrophe losses in the current period included $1.4 million of adverse development of prior years catastrophe loss reserves (recorded in the second quarter), primarily due to increases in ultimate net settlement cost related to two third quarter 2005 events: a severe hail storm in Minnesota and Hurricane Katrina. The gross loss and loss adjustment expense estimate for Hurricane Katrina was increased to $82 million, which now exceeds the Company s reinsurance limit of $80 million in effect during 2005. Excluding the adverse development of prior years catastrophe reserves, development of prior years property and casualty reserves had an $18.6 million favorable effect on benefits, claims and settlement expenses in the first nine months of 2006 compared to $7.8 million of favorable development in the prior year period. The 2006 favorable development was the result of actual and remaining projected losses for prior years, primarily accident years 2005 and 2004, being below the level anticipated in the December 31, 2005 loss reserve estimate for both the voluntary automobile and property lines of business, which was driven by emerging claim trends related to frequency, severity and claims handling.

For the nine months ended September 30, 2006, the voluntary automobile loss ratio of 64.5% decreased by 2.9 percentage points compared to the same period a year earlier, including a 3.9 percentage point improvement due to the change in development of prior years reserves excluding the favorable development of prior years catastrophe reserves. The homeowners loss ratio of 61.4% for the nine months ended September 30, 2006 decreased 21.1 percentage points compared to a year earlier, primarily reflecting the higher level of catastrophe costs in 2005 as well as the effect of the increase in ceded premium as a result of the Company s enhanced catastrophe reinsurance program which added approximately 4.3 percentage points to the current period ratio. Catastrophe costs, including adverse development of prior years catastrophe reserves in 2006, represented 14.6 percentage points of the homeowners loss ratio for the current period compared to 35.4 percentage points for the prior year, representing a decrease of 20.8 percentage points.

For the annuity segment, benefits increased by a minimal amount compared to the prior year. The Company s guaranteed minimum death benefits (GMDB) reserve was $0.7 million at September 30, 2006, compared to $0.7 million at December 31, 2005 and $0.5 million at September 30, 2005.

Interest Credited to Policyholders

	Nine Months Ended September 30,		Change From Prior Year	
	2006	**2005**	**Percent**	**Amount**
Annuity	$ 64.2	$ 60.4	6.3%	$ 3.8
Life	26.9	25.7	4.7%	1.2
Total	$ 91.1	$ 86.1	5.8%	$ 5.0

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Compared to prior year, the current period increase in annuity segment interest credited reflected a 6.8% increase in average accumulated fixed deposits, partially offset by a 2 basis point decline in the average annual interest rate credited to 4.37%. Life insurance interest credited increased as a result of the growth in interest-sensitive life insurance reserves.

The net interest spread on fixed annuity account value on deposit measures the difference between the rate of income earned on the underlying invested assets and the rate of interest which policyholders are credited on their account values. Fixed annuity crediting rates were lowered in recent years to reflect the decline in the rate of income on invested assets caused by lower investment rates on new and reinvested funds. The net interest spreads for the nine months ended September 30, 2006 and 2005 were 125 basis points and 131 basis points, respectively. Excluding the benefit of prepayment income on a structured mortgage-backed security, the corresponding net interest spreads were 125 and 130 basis points.

As of September 30, 2006, fixed annuity account values totaled $2.1 billion, including $1.8 billion of deferred annuities. Approximately 14% of the deferred annuity account values had minimum guaranteed interest rates of 3% or lower while approximately 74% of account values had minimum guaranteed rates of 4.5% or greater. For $1.6 billion of the deferred annuity account values, the credited interest rate was equal to the minimum guaranteed rate. Due to limitations on the Company s ability to further lower interest crediting rates, the Company may experience additional fixed annuity spread compression in future periods.

Operating Expenses

For the first nine months of 2006, operating expenses decreased 0.5%, or $0.5 million, compared to the prior year, primarily reflecting benefits from the Company s expense control initiatives. The property and casualty expense ratio of 24.0% for the nine months ended September 30, 2006 increased 1.0 percentage point compared to the prior year, including the effect on this ratio of a reduced level of premiums earned.

The Company offers long-term care insurance, variable and fixed interest rate universal life policies (Life Partner Products), and equity indexed annuities and single premium immediate annuities (Annuity Partner Products), with three third-party vendors underwriting and bearing the risk of such insurance, and the Company receiving a commission on the sale of that business. The volume of Life Partner Product sales by the Company s agents decreased approximately $0.1 million during the first nine months of 2006. Sales of Annuity Partner products were $18.5 million in the first nine months of 2006, compared to $9.7 million in the first nine months of 2005 when these products were first introduced. The amount of Life Partner Product and Annuity Partner Product commissions received by the Company in the first nine months of 2006, in excess of costs for agent commissions and commission related expenses, was approximately $1.9 million, compared to approximately $1.1 million for the same period in 2005.

In July 2006, the Company announced that effective January 1, 2007 it would eliminate the current health care benefits for individuals 65 years of age and over and establish a Health Reimbursement Account (HRA) for each eligible participant. Health care benefits for eligible individuals under 65 years of age will continue to be provided as a bridge to Medicare eligibility. Eligible participants will receive a one-time credit of $10 thousand to their HRA account to use for covered expenses incurred on or after age 65. Also, the new plan does not provide life insurance benefits to individuals who retired in 1994 or later. As a result of the changes in the plan for other postretirement benefits, a reduction in postretirement benefit expenses of approximately $1.5 million was recognized in the third quarter of 2006 and the Company anticipates a reduction in its postretirement benefit expenses of approximately $2.3 million in 2006, $4.5 million in 2007 and $2.3 million in 2008.

Amortization of Policy Acquisition Expenses and Intangible Assets

For the nine months ended September 30, 2006, the combined amortization of policy acquisition expenses and intangible assets was $58.9 million compared to $58.7 million recorded for the same period in the prior year. Amortization of intangible assets was $4.2 million for the nine months ended September 30, 2006 compared to $4.3 million for the same period a year earlier. The September 30, 2006 valuation of Annuity VIF resulted in a $0.1 million increase in amortization compared to a $0.3 million increase in amortization from a similar valuation at September 30, 2005.

Amortized policy acquisition expenses were $54.7 million for the first nine months of 2006 compared to $54.4 million for the same period in 2005. The September 30, 2006 valuation of annuity deferred policy acquisition costs resulted in a $0.2 million increase in amortization compared to a $2.0 million increase in amortization resulting from a similar valuation at September 30, 2005. For the life segment, the September 30, 2006 valuation of deferred policy acquisition costs resulted in a $0.1 million decrease in amortization compared to a $0.6 million decrease from the 2005 valuation. The remaining increases in amortized policy acquisition costs were due to scheduled amortization of capitalized costs.

Income Tax Expense

The effective income tax rate on the Company s pretax income, including net realized investment gains, was 29.8% for the nine months ended September 30, 2006 compared to 16.3% for the same period in 2005. Income from investments in tax-advantaged securities reduced the effective income tax rate 5.8 and 7.7 percentage points for the nine months ended September 30, 2006 and 2005, respectively.

As previously disclosed, for the nine months ended September 30, 2005, the Company s federal income tax expense reflected a reduction of $9.1 million as a result of closing tax years 1996 through 2001 with favorable resolution of the contingent tax liabilities. The Company also received interest on income tax refunds of $1.4 million, which was recorded by the Company as pretax income in the second quarter of 2005. No similar reductions to federal income tax expense were recorded in 2006.

The Company records contingent tax liabilities for exposures from uncertain tax filing positions based upon management s assessment of the amounts that are probable of being sustained upon Internal Revenue Service (IRS) audit. These liabilities are reevaluated routinely and are adjusted appropriately based upon changes in facts or law. The Company has no unrecorded contingent tax exposures.

At September 30, 2006, the Company had federal income tax returns for the 2002 through 2005 tax years still open and subject to adjustment upon IRS examination. The Company has recorded $4.0 million of contingent tax liabilities related to those open tax years.

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Net Income

For the nine months ended September 30, 2006, the Company s net income excluding net realized investment gains significantly exceeded the same period in the prior year primarily due to lower catastrophe losses for the current period compared to the significant level experienced a year ago. Net income in the first nine months of 2006 also benefited from a higher amount of favorable development of prior years property and casualty claim reserves compared to the same period in 2005. In the current period, earnings from the property and casualty segment continued to benefit from underwriting and pricing actions taken in recent years, ongoing improvements in claims processes, cost containment initiatives, and low non-catastrophe claim frequencies, somewhat offset by the increased costs of the Company s enhanced catastrophe reinsurance program. The property and casualty combined ratio was 88.3% for the first nine months of 2006 compared to 95.3% for the same period in 2005. Annuity segment net income decreased compared to the first nine months of 2005, while life segment net income improved over the same period. Net income in the first nine months of 2005 benefited by approximately $10.1 million from a reduction in contingent tax liabilities and interest on income tax refunds.

Net income by segment and net income per share were as follows:

	Nine Months Ended September 30,		Change From Prior Year	
	2006	2005	Percent	Amount
Analysis of net income (loss) by segment:				
Property and casualty	$ 53.3	$ 33.9	57.2%	$ 19.4
Annuity	9.9	11.9	-16.8%	(2.0)
Life	11.0	10.1	8.9%	0.9
Corporate and other (1)	(4.1)	5.3		(9.4)
Net income	$ 70.1	$ 61.2	14.5%	$ 8.9
Effect of catastrophe costs, after tax, included above	$ (12.5)	$ (31.8)		$ 19.3
Diluted:				
Net income per share	$ 1.55	$ 1.32	17.4%	$ 0.23
Weighted average number of shares and equivalent shares (in millions)	46.0	47.8	-3.8%	(1.8)
Property and casualty combined ratio:				
Total	88.3%	95.3%		-7.0%
Effect of catastrophe costs, included above	4.8%	11.6%		-6.8%

(1) The corporate and other segment includes interest expense on debt, realized investment gains and losses, certain public company expenses and other corporate level items. The Company does not allocate the impact of corporate level transactions to the insurance segments, consistent with how management evaluates the results of those segments.

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For the nine months ended September 30, 2006, net income for the property and casualty segment increased as described above.

Compared to the first nine months of 2005, annuity segment net income for the current period decreased, primarily reflecting the favorable resolution of contingent tax liabilities and tax refund interest received in 2005, with no similar benefit in 2006, partially offset by a reduced level of amortization of deferred policy acquisition costs and value of acquired insurance in force in the current period.

Life segment net income increased compared to the first nine months of 2005. Higher investment income was partially offset by an increase in life reserves. Mortality was comparable in both years.

The change in net income for the corporate and other segment compared to the first nine months of 2005 was due primarily to the $5.5 million reduction in federal income tax expense in the prior year from the elimination of the contingent tax liability for the 1996 through 2001 tax years as well as the current period decrease in net realized investment gains and the increase in debt interest expense.

Return on shareholders equity based on net income was 15% for the trailing 12 months ended September 30, 2006 and 2005.

Based on results for the first nine months of 2006 and in anticipation of continued favorable underlying property and casualty loss trends, at the time of this Quarterly Report on Form 10-Q, management estimates that 2006 full year net income before realized investment gains and losses will be within a range of $1.90 to $2.05 per share. Consistent with the Company s previous projection for 2006, this projection also reflects additional costs of approximately $0.16 per share associated with an enhanced catastrophe reinsurance program, as described in Business Property and Casualty Segment Property and Casualty Reinsurance of the Company s Annual Report on Form 10-K for the year ended December 31, 2005. As described in Critical Accounting Policies , certain of the Company s significant accounting measurements require the use of estimates and assumptions. As additional information becomes available, adjustments may be required. Those adjustments are charged or credited to income for the period in which the adjustments are made and may impact actual results compared to management s current estimate. A projection of net income including realized investment gains and losses is not accessible on a forward-looking basis because it is not possible to provide a reliable forecast of realized investment gains and losses, which can vary substantially from one period to another and may have a significant impact on net income.

Liquidity and Financial Resources

Special Purpose Entities

At September 30, 2006 and 2005, the Company did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or for other contractually narrow or limited purposes. As such, the Company is not exposed to any financing, liquidity, market or credit risk that could arise if the Company had engaged in such relationships.

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Related Party Transactions

The Company does not have any contracts or other transactions with related parties that are required to be reported under the applicable securities laws and regulations.

Ariel Capital Management, Inc., HMEC s largest shareholder with 16.5% of the common shares outstanding per their SEC filing on Form 13F as of June 30, 2006, is the investment adviser for two of the mutual funds offered to the Company s annuity customers. In addition, T. Rowe Price Associates, Inc., HMEC s eighth largest shareholder with 3.3% of the common shares outstanding per their SEC filing on Form 13F as of June 30, 2006, is the investment advisor for three of the mutual funds offered to the Company s annuity customers.

Investments

Information regarding the Company s investment portfolio, which is comprised primarily of investment grade, fixed income securities, is located in Results of Operations Net Realized Investment Gains and Losses and in the Notes to Consolidated Financial Statements Note 4 Investments .

Cash Flow

The short-term liquidity requirements of the Company, within a 12-month operating cycle, are for the timely payment of claims and benefits to policyholders, operating expenses, interest payments and federal income taxes. Cash flow generated from operations has been, and is expected to be, adequate to meet the Company s operating cash needs in the next 12 months. Cash flow in excess of operational needs has been used to fund business growth, retire short-term debt, pay dividends to shareholders and repurchase shares of the Company s common stock. Long-term liquidity requirements, beyond one year, are principally for the payment of future insurance policy claims and benefits and retirement of long-term debt.

Operating Activities

As a holding company, HMEC conducts its principal operations in the personal lines segment of the property and casualty and life insurance industries through its subsidiaries. HMEC s insurance subsidiaries generate cash flow from premium and investment income, generally well in excess of their immediate needs for policy obligations, operating expenses and other cash requirements. Cash provided by operating activities primarily reflects net cash generated by the insurance subsidiaries. For the first nine months of 2006, net cash provided by operating activities decreased compared to the same period in 2005 including a decline in premiums received and an increase in federal income tax payments.

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Payment of principal and interest on debt, dividends to shareholders and parent company operating expenses are dependent upon the ability of the insurance subsidiaries to pay cash dividends or make other cash payments to HMEC, including tax payments pursuant to tax sharing agreements. Historical payments for the share repurchase program also had this dependency. The insurance subsidiaries are subject to various regulatory restrictions which limit the amount of annual dividends or other distributions, including loans or cash advances, available to HMEC without prior approval of the insurance regulatory authorities. Dividends which may be paid by the insurance subsidiaries to HMEC during 2006 without prior approval are approximately $74 million, of which $13 million was paid during the nine months ended September 30, 2006 and an additional $8 million was declared in September 2006 and subsequently paid in October 2006. Although regulatory restrictions exist, dividend availability from subsidiaries has been, and is expected to be, adequate for HMEC s capital needs.

Investing Activities

HMEC s insurance subsidiaries maintain significant investments in fixed maturity securities to meet future contractual obligations to policyholders. In conjunction with its management of liquidity and other asset/liability management objectives, the Company, from time to time, will sell fixed maturity securities prior to maturity and reinvest the proceeds in other investments with different interest rates, maturities or credit characteristics. Accordingly, the Company has classified the entire fixed maturity securities portfolio as available for sale .

Financing Activities

Financing activities include primarily payment of dividends, the receipt and withdrawal of funds by annuity contractholders, repurchases of the Company s common stock, fluctuations in bank overdraft balances, and borrowings, repayments and repurchases related to its debt facilities.

In March, April and July 2006, the Company repurchased a portion of the outstanding Senior Convertible Notes ($175.9 million aggregate principal amount, $83.6 million carrying value) at an aggregate cost of $82.8 million. The March and April repurchases were initially funded by $74.0 million in borrowings under the Company s Bank Credit Facility and the July repurchase was funded with cash proceeds from the issuance of the Senior Notes due 2016.

In April 2006, the Company issued $125.0 million aggregate principal amount of 6.85% senior notes, which will mature on April 15, 2016 (Senior Notes due 2016), at a discount of 0.305%. As of September 30, 2006, $74.0 million of the net proceeds were used to repay in full the balance then outstanding on the Bank Credit Facility and $9.4 million of the net proceeds was used in July 2006 for additional repurchase of Senior Convertible Notes. See Capital Resources for a description of management s anticipated utilization of the remaining net proceeds.

For the nine months ended September 30, 2006, receipts from annuity contracts increased 0.4% compared to the prior year. Annuity contract benefits and withdrawals increased $19.0 million, or 20.8%, compared to the first nine months of 2005. Cash value retentions for variable and fixed annuity options were 91.2% and 93.8%, respectively, for the 12 month period ended September 30, 2006. Net transfers to variable annuity accumulated cash values increased $1.2 million, or 1.4%, compared to the prior year.

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Contractual Obligations

The annual disclosure of the Company s contractual obligations was provided in Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Financial Resources Contractual Obligations in the Company s Annual Report on Form 10-K for the year ended December 31, 2005. With the exception of the Company s long-term debt obligations, the Company s contractual obligations at September 30, 2006 were not materially different than those at December 31, 2005. Discussion of the recent changes in the Company s long-term debt obligations is included in Capital Resources . The table below identifies the future payments due on debt obligations that were outstanding as of September 30, 2006.

		Payments Due By Period As of September 30, 2006			
	Total	Less Than 1 Year (2006)(1)	1 - 3 Years (2007 and 2008)	3 5 Years (2009 and 2010)	More Than 5 Years (2011 and beyond)
Long-Term Debt Obligations (2):					
Senior Convertible Notes					
Due May 14, 2032 (3)	$ 69.5	$ 0.5	$ 0.5		$ 68.5
Senior Notes Due June 15, 2015	115.9	2.3	9.1	$ 9.1	95.4
Senior Notes Due April 15, 2016	210.4	4.1	17.1	17.1	172.1
Total debt obligations	$ 395.8	$ 6.9	$ 26.7	$ 26.2	$ 336.0

(1) October 1, 2006 through December 31, 2006.
(2) Includes principal and interest.
(3) The Company may redeem the Senior Convertible Notes, in whole or in part, at any time on or after May 7, 2007 and holders of the Senior Convertible Notes may require HMEC to purchase all or a portion of their Senior Convertible Notes on either May 14, 2007, 2012, 2017, 2022, or 2027 as further described in Notes to Consolidated Financial Statements Note 4 Debt of the Company s Annual Report on Form 10-K for the year ended December 31, 2005.

Capital Resources

The Company has determined the amount of capital which is needed to adequately fund and support business growth, primarily based on risk-based capital formulas including those developed by the National Association of Insurance Commissioners (NAIC). Historically, the Company s insurance subsidiaries have generated capital in excess of such needed capital. These excess amounts have been paid to HMEC through dividends. HMEC has then utilized these dividends and its access to the capital markets to service and retire long-term debt, pay dividends to its shareholders, fund growth initiatives, repurchase shares of its common stock and for other corporate purposes. Management anticipates that the Company s sources of capital will continue to generate capital in excess of the needs for business growth, debt interest payments and shareholder dividends.

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The total capital of the Company was $848.4 million at September 30, 2006, including $232.0 million of long-term debt and no short-term debt outstanding. Total debt represented 27.6% of total capital excluding unrealized investment gains and losses (27.3% including unrealized investment gains and losses) at September 30, 2006, which was modestly above the Company s long-term target of 25%.

Shareholders equity was $616.4 million at September 30, 2006, including a net unrealized gain in the Company s investment portfolio of $7.0 million after taxes and the related impact on deferred policy acquisition costs and the value of acquired insurance in force associated with annuity and interest-sensitive life policies. The market value of the Company s common stock and the market value per share were $827.4 million and $19.23, respectively, at September 30, 2006. Book value per share was $14.33 at September 30, 2006 ($14.17 excluding investment fair value adjustments).

As of September 30, 2006, the Company had outstanding $68.6 million aggregate principal amount of 1.425% Senior Convertible Notes (Senior Convertible Notes), which will mature on May 14, 2032, issued at a discount of 52.5% resulting in an effective yield of 3.0%. Interest on the Senior Convertible Notes is payable semi-annually at a rate of 1.425% from November 14, 2002 until May 14, 2007. After that date, cash interest will not be paid on the Senior Convertible Notes prior to maturity unless contingent cash interest becomes payable. From May 15, 2007 through maturity of the Senior Convertible Notes, interest will be recognized at the effective rate of 3.0% and will represent the accrual of discount, excluding any contingent cash interest that may become payable. The Company may redeem the Senior Convertible Notes, in whole or in part, at any time on or after May 7, 2007. Holders of the Senior Convertible Notes may require HMEC to purchase all or a portion of their Senior Convertible Notes on either May 14, 2007, 2012, 2017, 2022, or 2027. Detailed information regarding the contingent cash interest, conversion and redemption terms of the Senior Convertible Notes is contained in the Notes to Consolidated Financial Statements Note 4 Debt of the Company s Annual Report on Form 10-K for the year ended December 31, 2005.

In September 2002, the Company s Board of Directors authorized the Company to repurchase, from time to time, for cash or other consideration, its Senior Convertible Notes. As described in Cash Flow Financing Activities , the Company repurchased $175.9 million aggregate principal amount, $83.6 million carrying value, of the outstanding Senior Convertible Notes in March, April and July 2006. See discussion regarding Senior Notes due 2016 below.

The Senior Convertible Notes have an investment grade rating from Standard & Poor s Corporation (S&P) (BBB), Moody s Investors Service, Inc. (Moody s) (Baa3), and A.M. Best Company, Inc. (A.M. Best) (bbb-). See also Financial Ratings . The Senior Convertible Notes are traded in the open market (HMN 1.425).

As of September 30, 2006, the Company had outstanding $75.0 million aggregate principal amount of 6.05% Senior Notes (Senior Notes due 2015), which will mature on June 15, 2015, issued at a discount resulting in an effective yield of 6.1%. Interest on the Senior Notes due 2015 is payable semi-annually at a rate of 6.05%. Detailed information regarding the redemption terms of the Senior Notes due 2015 is contained in the Notes to Consolidated Financial Statements Note 4 Debt of the Company s Annual Report on Form 10-K for the year ended December 31, 2005.

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The Senior Notes due 2015 have an investment grade rating from S&P (BBB), Moody s (Baa3), and A.M. Best (bbb-). See also Financial Ratings . The Senior Notes due 2015 are traded in the open market (HMN 6.05).

On April 21, 2006, the Company issued $125.0 million aggregate principal amount of 6.85% Senior Notes (Senior Notes due 2016), which will mature on April 15, 2016, issued at a discount of 0.305% resulting in an effective yield of 6.893%. Interest on the Senior Notes due 2016 is payable semi-annually at a rate of 6.85%. The Senior Notes due 2016 are redeemable in whole or in part, at any time, at the Company s option, at a redemption price equal to the greater of (1) 100% of the principal amount of the notes being redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted, on a semi-annual basis, at the Treasury yield (as defined in the indenture) plus 30 basis points, plus, in either of the above cases, accrued interest to the date of redemption. $74.0 million of the net proceeds were used to repay in full the $74.0 million balance then outstanding on the Bank Credit Facility and $9.4 million was used in July 2006 for additional repurchases of Senior Convertible Notes. Remaining net proceeds are anticipated by management to be used to further reduce corporate indebtedness and for general corporate purposes.

The Senior Notes due 2016 have an investment grade rating from S&P (BBB), Moody s (Baa3), and A.M. Best (bbb-). See also Financial Ratings . The Senior Notes due 2016 are traded in the open market (HMN 6.85).

As of September 30, 2006, the Company had no balance outstanding under its Bank Credit Facility. The Bank Credit Facility provides for unsecured borrowings of up to $100.0 million and expires on May 30, 2009. Interest accrues at varying spreads relative to corporate or Eurodollar base rates and is payable monthly or quarterly depending on the applicable base rate. The unused portion of the Bank Credit Facility is subject to a variable commitment fee, which was 0.175% on an annual basis at September 30, 2006. To initially fund the repurchases of the Senior Convertible Notes, the Company borrowed $67.0 million in March 2006 and $7.0 million in April 2006 under the Bank Credit Facility and subsequently repaid this balance in full on April 21, 2006 utilizing a portion of the proceeds from the issuance of the Senior Notes due 2016, described above.

To provide additional capital management flexibility, the Company filed a universal shelf registration on Form S-3 with the SEC in December 2003. The registration statement, which registers the offer and sale by the Company from time to time of up to $300 million of various securities, which may include debt securities, preferred stock, common stock and/or depositary shares, was declared effective on December 30, 2003. The $75.0 million face amount of Senior Notes due 2015 and $125.0 million face amount of Senior Notes due 2016 were issued utilizing this registration statement. No other securities associated with the registration statement have been issued as of the date of this Quarterly Report on Form 10-Q.

Total shareholder dividends were $13.7 million for the nine months ended September 30, 2006. In March, May and September 2006, the Board of Directors announced regular quarterly dividends of $0.105 per share.

Information regarding the reinsurance program for the Company s property and casualty segment is located in Business Property and Casualty Segment Property and Casualty Reinsurance of the Company s Annual Report on Form 10-K for the year ended December 31, 2005.

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Information regarding the reinsurance program for the Company s life segment is located in Business Life Segment of the Company s Annual Report on Form 10-K for the year ended December 31, 2005.

Financial Ratings

The Company s principal insurance subsidiaries are rated by Standard & Poor s Corporation (S&P), Moody s Investors Service, Inc. (Moody s) ar A.M. Best Company, Inc. (A.M. Best). These rating agencies have also assigned ratings to the Company s long-term debt securities.

Assigned ratings as of November 1, 2006 were as follows (the insurance financial strength ratings for the Company s property and casualty insurance subsidiaries and the Company s principal life insurance subsidiary are the same):

	Insurance Financial Strength Ratings (Outlook)	Debt Ratings (Outlook)
As of November 1, 2006		
S&P (1)	A (stable)	BBB (stable)
Moody s (1)	A3(stable)	Baa3(stable)
A.M. Best	A-(stable)	bbb-(stable)

(1) This agency has not yet rated Horace Mann Lloyds.

The ratings above were unchanged from the disclosure in the Company s Annual Report on Form 10-K for 2005. In April 2006, all three of the rating agencies affirmed their debt ratings as they assigned a rating to the Senior Notes due 2016.

Market Value Risk

Market value risk, the Company s primary market risk exposure, is the risk that the Company s invested assets will decrease in value. This decrease in value may be due to a change in (1) the yields realized on the Company s assets and prevailing market yields for similar assets, (2) an unfavorable change in the liquidity of the investment, (3) an unfavorable change in the financial prospects of the issuer of the investment, or (4) a downgrade in the credit rating of the issuer of the investment. See also Results of Operations Net Realized Investment Gains and Losses .

Significant changes in interest rates expose the Company to the risk of experiencing losses or earning a reduced level of income based on the difference between the interest rates earned on the Company s investments and the credited interest rates on the Company s insurance liabilities. See also Results of Operations Interest Credited to Policyholders .

The Company seeks to manage its market value risk by coordinating the projected cash inflows of assets with the projected cash outflows of liabilities. For all its assets and liabilities, the Company seeks to maintain reasonable durations, consistent with the maximization of income without sacrificing investment quality, while providing for liquidity and diversification. The investment risk associated with variable annuity deposits and the underlying mutual funds is assumed by those contractholders, and not by the Company. Certain fees that the Company earns from variable annuity deposits are based on the market value of the funds deposited.

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More detailed descriptions of the Company s exposure to market value risks and the management of those risks is presented in Management s Discussion and Analysis of Financial Condition and Results of Operations Market Value Risk of the Company s Annual Report on Form 10-K for the year ended December 31, 2005.

Recent Accounting Changes

SFAS No. 158 and the Pension Protection Act of 2006

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 158, Employer s Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R) , which requires recognition in the statement of financial position of the over or underfunded status of defined benefit pension plans and other postretirement benefit plans, measured as the difference between the fair value of plan assets and the projected benefit obligation for the pension plan and the accumulated benefit obligation for the Company s other postretirement benefit plans. This effectively requires the recognition of all previously unrecognized actuarial gains and losses and unamortized prior service cost as a component of accumulated other comprehensive income, net of tax. In addition, SFAS No. 158 requires, on a prospective basis, the actuarial gains and losses and the prior service costs and credits that arise during any reporting period but are not recognized as components of net periodic benefit cost be recognized as a component of other comprehensive income, net of tax, the measurement date of the plans is also required to be the same as the statement of financial position, and disclosure in the notes to the financial statements must contain certain effects on the net periodic benefit cost in the upcoming fiscal year that arise from delayed recognition of the actuarial gains and losses and the prior service costs and credits. Guidance relating to the recognition of the over or underfunded status of the plan and additional disclosure requirements is effective for years ending after December 15, 2006. Guidance relating to the measurement date of the plans is effective for the years ending after December 15, 2008; however, this provision will have no impact on the Company. There is no impact on results of operations or cash flows. Retrospective application of this standard is not permitted. Based on management s current interpretation and the most recent measurement date of the Company s defined benefit pension plan and postretirement benefit plan of December 31, 2005, and also incorporating the disclosed changes to the Company s retiree health care benefit plan, if the standard had been effective and adopted as of December 31, 2005, shareholders equity and book value per share would have increased by approximately $7 million and $0.16, respectively, and the debt to total capital ratio would have decreased approximately 0.2 points. Actual adoption impacts will be based on the most recent measurement date of the plans as of December 31, 2006.

Also during the third quarter of 2006, the federal government enacted the Pension Protection Act of 2006 (the Act) which changes the manner in which pension funding is determined. The new rules are effective for funding beginning in 2008. Management is currently reviewing the implications of the Act, but does not expect it to have a material impact on funding.

The Company s funding policy for the defined benefit pension plan is to contribute amounts which are actuarially determined to provide the plan with sufficient assets to meet future benefit payments consistent with the funding requirements of federal laws and regulations. There was no minimum funding requirement for the defined benefit pension plan as of December 31, 2005.

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The Company s obligations have not changed as a result of these developments. The pension and other postretirement plans are subject to revision at the discretion of management. Any revisions could result in significant changes to the Company s pension plan obligations and the obligation to fund the plans.

SFAS No. 157

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements . This standard will be effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Generally, the provisions of this statement are to be applied prospectively as of the beginning of the fiscal year of adoption. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in accordance with GAAP and expands disclosures about fair value measurements. This pronouncement does not require any new fair value measurements. Management is currently assessing the impact of this SFAS but anticipates that its adoption will not have a material effect on the results of operations or financial position of the Company.

SAB 108

In September 2006, the SEC issued Staff Accounting Bulletin (SAB) No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements . The guidance provided in this SAB is applicable for annual financial statements covering the first fiscal year ending after November 15, 2006. SAB 108 addresses diversity in practice in quantifying financial statement misstatements and the potential under current practice for buildup of improper amounts on the balance sheet. Management believes that this guidance will not have a material effect on the Company s results of operations or financial position.

FIN 48

In July 2006, the FASB issued FASB Interpretation (FIN) No. 48, Accounting for Uncertainty in Income Taxes . This standard will be effective as of the beginning of the first fiscal year beginning after December 15, 2006. FIN 48 provides recognition of tax benefits from tax return positions only if it is more likely than not the position will be sustainable, upon examination, on its technical merits and any relevant administrative practices or precedents. The amount of the tax benefit to be recognized is the greatest amount of benefit that is cumulatively greater than 50% likely of being recognized based upon the probabilities of amounts that could be realized upon ultimate settlement. In addition, FIN 48 requires tabular disclosure of beginning and ending balances of unrecognized tax benefits and an evaluation of any possible ultimate settlement in the next 12 months. The Company does not anticipate any significant impact from the implementation of FIN 48.

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SOP 05-1

In October 2005, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 05-1, Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts . SOP 05-1 provides guidance on accounting by insurance enterprises for deferred acquisition costs (DAC) on internal replacements of insurance and investment contracts other than those specifically described in SFAS No. 97, Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments . SOP 05-1 defines an internal replacement as a modification in product benefits, features, rights, or coverages that occurs by the exchange of a contract for a new contract, or by amendment, endorsement or rider to a contract, or by the election of a feature or coverage within a contract. This SOP will be effective for internal replacements occurring in fiscal years beginning after December 15, 2006. Management is currently assessing the impact of the SOP but believes that its adoption will not have a material effect on the results of operations or financial position of the Company.

Other Matters

In 2002, the Company began providing fixed and variable annuity options to Chicago Public School (CPS) employees through the CPS 403(b) program. Based on advice of counsel, the Company did not believe that registration with the SEC was required. When it came to light that the issue was not free from doubt, management consulted current counsel and the SEC. As a result of these consultations, the Company registered the CPS group variable annuity product and the CPS Separate Account with the SEC and was notified by the SEC that the registrations were declared effective on October 16, 2006. With the registration complete, the Company is in compliance with applicable law and regulation. At the time of this Quarterly Report on Form 10-Q, management believes that resolution of the matter will not have a material impact on the Company s results of operations or financial position.

The Company described proposed regulations regarding the nature of Section 403(b) arrangements, including annuities, in Business Regulation Regulation at Federal Level in its Annual Report on Form 10-K for the year ended December 31, 2005. While these proposals are still being considered, it is now understood that any changes generally would be effective no earlier than January 1, 2008 versus the previously proposed effective date of January 1, 2007. At the time of this Quarterly Report on Form 10-Q, the final form of any changes, their timing, or their impact on the Section 403(b) market is unknown.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

The information required by Item 305 of Regulation S-K is contained in Management s Discussion and Analysis of Financial Condition and Results of Operations contained in this Quarterly Report on Form 10-Q.

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Item 4: Controls and Procedures

Management s Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of the Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the design and operation of the Company s disclosure controls and procedures, as such term is defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 as amended (the Exchange Act), as of September 30, 2006 pursuant to Rule 13a-15(b) of the Exchange Act. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) that is required to be included in the Company s periodic Securities and Exchange Commission filings. No significant deficiencies or material weaknesses in the Company s disclosure controls and procedures were identified in the evaluation and therefore, no corrective actions were taken. There were no significant changes in the Company s internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company s internal control over financial reporting that occurred during the Company s last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1A. Risk Factors

At the time of this Quarterly Report on Form 10-Q, management believes there are no material changes from the risk factors as previously disclosed in the Company s Annual Report on Form 10-K for the year ended December 31, 2005.

Item 4: Submission of Matters to a Vote of Security Holders

None.

Item 5: Other Information

The Company is not aware of any information required to be disclosed in a report on Form 8-K during the nine months ended September 30, 2006 which has not been filed with the SEC.

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Item 6: Exhibits

Exhibit No. **Description**

(a) The following items are filed as Exhibits.

(10) Material contracts:

10.1* Change in Control Agreement between HMEC, Horace Mann Service Corporation (HMSC) and certain officers of HMEC and/or HMSC, incorporated by reference to Exhibit 10.13 to HMEC s Annual Report on Form 10-K for the year ended December 31, 2004, filed with the SEC on March 31, 2005.

10.1(a)* Schedule to Change in Control Agreements between HMEC, HMSC and certain officers of HMEC and/or HMSC.

(11) Statement re computation of per share earnings.

(15) KPMG LLP letter regarding unaudited interim financial information.

(31) Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.1 Certification by Louis G. Lower II, Chief Executive Officer of HMEC.

31.2 Certification by Peter H. Heckman, Chief Financial Officer of HMEC.

(32) Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.1 Certification by Louis G. Lower II, Chief Executive Officer of HMEC.

32.2 Certification by Peter H. Heckman, Chief Financial Officer of HMEC.

(99.1) Glossary of Selected Terms.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	HORACE MANN EDUCATORS CORPORATION
	(Registrant)
Date November 9, 2006	/s/ Louis G. Lower II Louis G. Lower II President and Chief Executive Officer
Date November 9, 2006	/s/ Peter H. Heckman Peter H. Heckman Executive Vice President and Chief Financial Officer
Date November 9, 2006	/s/ Bret A. Conklin Bret A. Conklin Senior Vice President and Controller

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HORACE MANN EDUCATORS CORPORATION

EXHIBITS

To

FORM 10-Q

For the Quarter Ended September 30, 2006

VOLUME 1 OF 1

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The following items are filed as Exhibits to Horace Mann Educators Corporation s Quarterly Report on Form 10-Q for the quarter ended September 30, 2006. Management contracts and compensatory plans are indicated by an asterisk (*).

EXHIBIT INDEX

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