

NASD
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. E8A2005011501

TO: Department of Enforcement
NASD

RE: Horace Mann Investors Inc.
(CRD No. 11643)

Pursuant to Rule 9216 of NASD Code of Procedure, Horace Mann Investors Inc. ("Member") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described in Part II below. This AWC is submitted on the condition that, if accepted, NASD will not bring any future actions against the Member alleging violations based on the same factual findings.

The Member understands that:

1. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by NASD's Department of Enforcement and National Adjudicatory Council ("NAC") Review Subcommittee or Office of Disciplinary Affairs ("ODA"), pursuant to NASD Rule 9216;
2. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Member; and,
3. If accepted:
 - a. this AWC will become part of the Member's permanent disciplinary record and may be considered in any future actions brought by NASD or any other regulator against it;
 - b. this AWC will be made available through NASD's public disclosure program in response to public inquiries about the Member's disciplinary record;
 - c. NASD may make a public announcement concerning this agreement and the subject matter thereof in accordance with NASD Rule 8310 and IM-8310-2; and,
 - d. the Member may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any allegation in this AWC or create

000057345 2006

the impression that the AWC is without factual basis. Nothing in this provision affects the Member's testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which NASD is not a party.

The Member also understands that its experience in the securities industry and disciplinary history may be factors that will be considered in deciding whether to accept this AWC. That experience and history are as follows:

Horace Mann Investors Inc. became registered with the Securities and Exchange Commission ("SEC") on September 6, 1957, and became a member of NASD on April 8, 1983. The Member securities business consists of the sale of mutual funds, municipal securities and variable life insurance or annuities, on a fully disclosed basis. The Member's membership with NASD and registration with the SEC remain currently in effect. The Member has no history of disciplinary action with NASD.

I.

WAIVER OF PROCEDURAL RIGHTS

The Member specifically and voluntarily waives the following rights granted under NASD's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against it;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and,
- D. To appeal any such decision to the NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the Member specifically and voluntarily waives any right to claim bias or prejudice of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

The Member further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Rule 9143 or the separation of functions prohibitions of Rule 9144, in connection with such person's or body's participation in discussions

regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

II.

ACCEPTANCE AND CONSENT

A. The Member hereby accepts and consents, without admitting or denying the allegations or findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of NASD, or to which NASD is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by NASD:

1. On September 7, 2001, the Member received a written complaint letter from TS a member of the public. TS' registered representative of record was Jerry D. Scott ("Scott"), who was registered with the Member as an Investment Company and Variable Contracts Products Representative. The complaint letter stated that TS did not give anyone written permission to transfer any funds from his fixed annuity. The Member informed TS that they had an Annuity Change Request Form ("Change Request Form"), authorizing the transfer, which TS signed.
2. A copy of the Change Request Form was mailed to TS, and TS then complained to the State of Tennessee, Department of Commerce and Insurance, that the signature on the Change Request Form was not his signature.
3. The Member received TS' complaint letter to the State of Tennessee on September 17, 2001. On September 24, 2001, Scott admitted to the Member that he signed TS' name to the Change Request Form, without discussing his action with TS. On September 28, 2001, the Member sent a letter to TS stating that "because you did not sign the Annuity change request form dated July 19, 2001, the transfer which was completed effective July 24, 2001 has been reversed."

Failure to Promptly and Accurately Report TS' Forgery Complaint Pursuant NASD Conduct Rule 3070(a) and (b).

4. On October 10, 2001, the Member filed a 3070 Report of TS' complaint against Scott, but incorrectly coded the TS' complaint on the Report as "Unauthorized Trading."

5. On February 6, 2006, at the request of NASD staff, the Member filed an amended Rule 3070 Report stating that the TS' complaint involved forgery.
6. NASD Conduct Rule 3070 requires that members report written customer complaints involving allegations of, among other things, forgery, within 10 business days after the member knows or should have known of the existence of such complaints.
7. Such acts, practices and conduct constitute separate and distinct violations of NASD Conduct Rules 2110 and 3070(a) and (b) by the Member.

**Failure to Amend Form U-4 (Uniform
Application for Securities Industry Registration for
Transfer) to Report A Forgery Complaint**

8. In 2001, the Form U-4 Uniform Application for Securities Industry Registration or Transfer Form ("Form U-4") included question 23I(3)(b), which stated that:

Within the past twenty-four (24) months, have you been the subject of an investment-related, consumer-initiated, written complaint, not otherwise reported under question 23I(1) or (2) above, which,

....

(b) alleged that you were involved in forgery, theft, misappropriation or conversion of funds or securities?

9. Article V, Section 2 (c) of NASD By-Laws states that every application for registration filed with NASD shall be kept current at all times by supplementary amendments, which shall be filed with NASD not later than 30 days after learning of the facts or circumstances giving rise to the amendment.
10. On September 17, 2001, the Member learned of TS' complaint that a registered representative forged the customer's name on a document related to TS' variable annuity, which is a securities product. The document that the Member received on September 17, 2001, constituted an investment-related, consumer-initiated, written complaint within the definitions used by Form U-4. On September 24, 2001, Scott admitted that he signed TS' name on the Change Request Form.

11. The Member failed to amend Scott's Form U-4 to disclose that TS had submitted a written complaint against Scott for forging his name on the Change Request Form.
 12. Such acts, practices and conduct constitute separate and distinct violations of Article V, Section 2(c) of NASD By-Laws and NASD Conduct Rule 2110 by the Member.
- B. The Member also consents to the imposition, at a maximum, of the sanctions of a censure and a fine of \$10,000.

The sanctions imposed herein shall be effective on a date set by NASD staff.

III.

OTHER MATTERS

- A. The Member understands that it may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Member also understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD or its staff.
- B. The Member agrees to pay any monetary sanctions imposed on it upon notice that this AWC has been accepted and that such payments are due and payable and have attached Election of Payment forms showing the method by which it proposes to pay any fine imposed.
- C. The Member specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, any monetary sanction imposed in this matter.

~~Horace Mann Investors Inc.~~

By Christopher Fehr
Its President & CEO

Carlotta A. Romano
Senior Vice President and Regional Director
NASD, District 8
55 West Monroe Street, Suite 2700
Chicago, Illinois 60603-5052

Statement of Corrective Action
Horace Mann Investors, Inc.
NASD Examination No. E8A20050115

November 7, 2006

The charges against Horace Mann Investors, Inc. (the "Respondent") from Examination No. E8A20050115 stem from a situation that occurred in September of 2001. Since that time, the entire management and compliance staff of the Respondent has changed. In 2002, current management implemented procedures reasonably designed to identify and properly report all customer complaints. These procedures encompass all reporting requirements represented in NASD Rule 3070.

Additionally, the Respondent has in place written procedures regarding timely processing and amending of Forms U-4 and U-5. These procedures include amendments arising from NASD Rule 3070 reporting requirements.

This Statement of Corrective Action is submitted by the Respondent. It does not constitute factual or legal findings by NASD, nor does it reflect the views of NASD or its staff.