



June 2015

Kemper Investor Update



Caution Regarding Forward-looking Statements

This presentation may contain or incorporate by reference information that includes or is based on forward-looking statements within the meaning of the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give expectations or forecasts of future events, and can be identified by the fact that they relate to future actions, performance or results rather than strictly to historical or current facts.

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This presentation contains non-GAAP financial measures that the company believes are meaningful to investors. Non-GAAP financial measures are defined and reconciled to the most comparable GAAP financial measure at the end of this report.

All data in this presentation is as of and for the period ending March 31, 2015 unless otherwise stated.

Kemper Overview

Multi-line national insurer

- Provide private passenger and commercial auto, home and umbrella in 47 states
- Provide basic life, accident and health products in 48 states
- Multi-channel distribution network

Strong capital and liquidity

- \$2.1B shareholders' equity
- 26% debt-to-capital ratio
- 92% of fixed maturity portfolio rated investment grade
- Insurance subs rated "Excellent" by A.M. Best¹



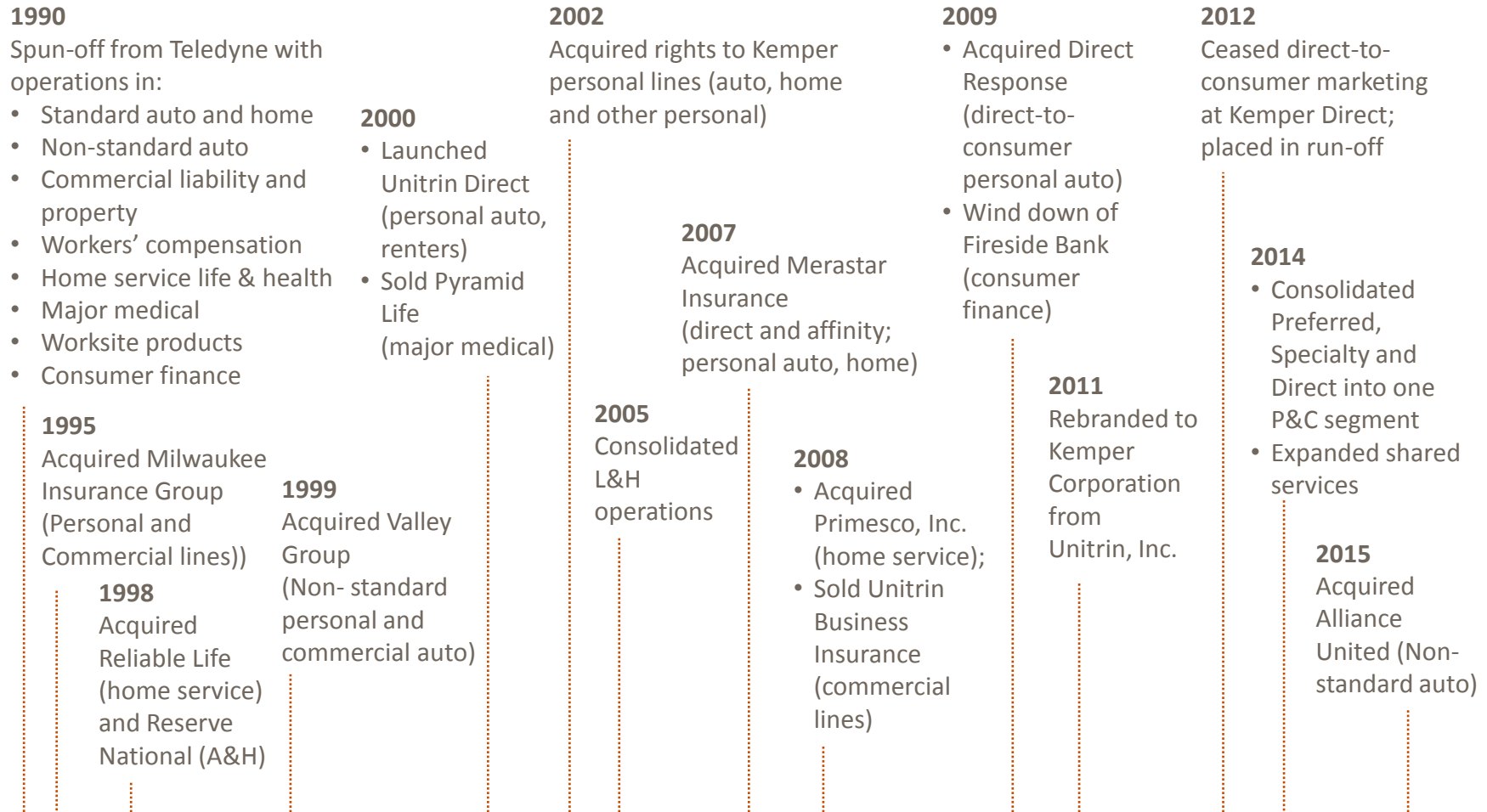
History of opportunistic acquisitions & successful integrations

Experienced management team

¹Alliance United Insurance Company is not rated

Our History

Began with a strong heritage; refined portfolio of companies over time



1990

2015

Lines of Business

| Property & Casualty Insurance \$786MM ¹ statutory surplus | Life & Health Insurance \$412MM statutory surplus | Overall |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| Distribution: <ul style="list-style-type: none"> • Independent Agents • Employer-sponsored voluntary benefit programs | Distribution: <ul style="list-style-type: none"> • Captive home service agents • Independent agents/Brokers • Employer-sponsored voluntary benefit programs | <ul style="list-style-type: none"> • 30,000+ Independent Agents • 2,400 Employee Agents |
| Typical Customer: <ul style="list-style-type: none"> • Preferred/Standard—People with assets to protect; value the advice of agents • Nonstandard—Individuals ineligible for preferred or standard coverage | Typical Customer: <ul style="list-style-type: none"> • Life insurance for modest income consumers • A&H for rural markets • Life and A&H for those at or near retirement age • A&H for employees of small to mid sized businesses | ~6MM policies |
| Product Offerings: <ul style="list-style-type: none"> • Standard & nonstandard private passenger auto • Nonstandard commercial auto • Homeowners and renters • Other personal insurance | Product Offerings: <ul style="list-style-type: none"> • Basic protection products • Life, limited benefit A&H, supplemental A&H, accident and contents | |

¹P&C includes \$10MM from Capitol County Mutual Fire Insurance Company, an affiliated mutual insurance company owned by its policyholders.

P&C Businesses Offer Product and Distribution Diversity

Private Passenger Auto

- Long-term recognized carrier in standard & nonstandard market
- Expanding nonstandard presence in California with Alliance United acquisition
- Preferred/Standard: award-winning claims service
- Nonstandard: claims handling meets unique market needs
- Sold in 47 states and D.C. through more than 11,000 independent agents
- Top premium states: CA, NY, TX & NC

Net Earned Premiums:

1Q15 \$190MM
2014 \$831MM

Commercial Auto

- Focused on light artisan vehicles
- Characteristics similar to private passenger auto
- Customers tend to be owners of small businesses
- Sold in seven states through 2,800 independent insurance agents; strong, expandable regional presence
- Concentrated in two states (56% CA and 27% TX)

Net Earned Premiums:

1Q15 \$13MM
2014 \$55MM

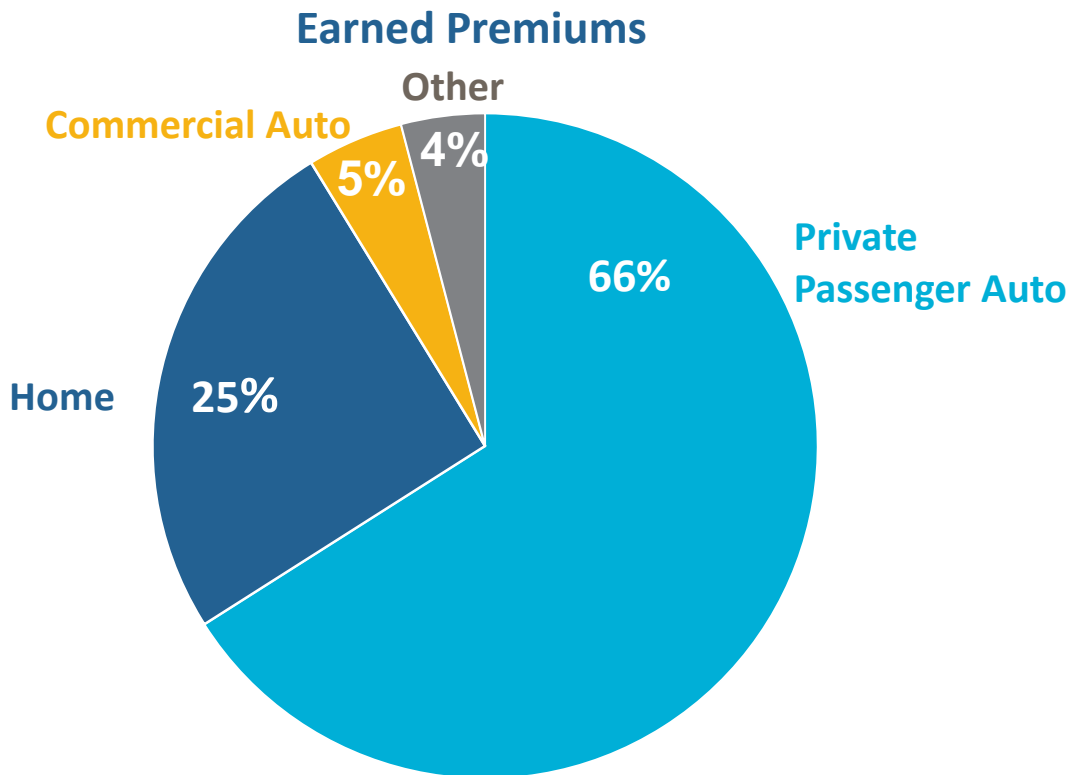
Home and Other Personal

- Often sold with auto as part of our Package Plus offering
- More than 50% of home policies are Package Plus
- Reduced exposures to catastrophe-prone areas in recent years
- Home can be sold with other personal insurance products such as umbrella and inland marine
- Limited earthquake exposures
- Top premium states: NY, CA, TX & NC

Net Earned Premiums:

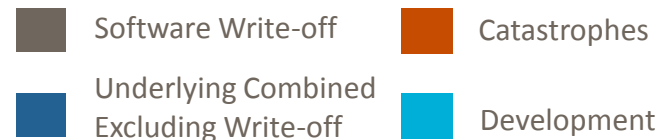
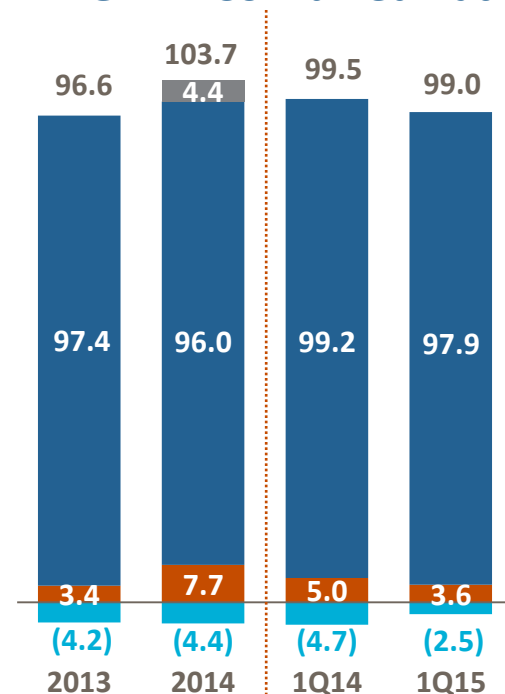
1Q15 \$84MM
2014 \$364MM

Kemper Property & Casualty Financial Highlights



1Q15: \$287MM
2014: \$1,250MM

GAAP Combined Ratio

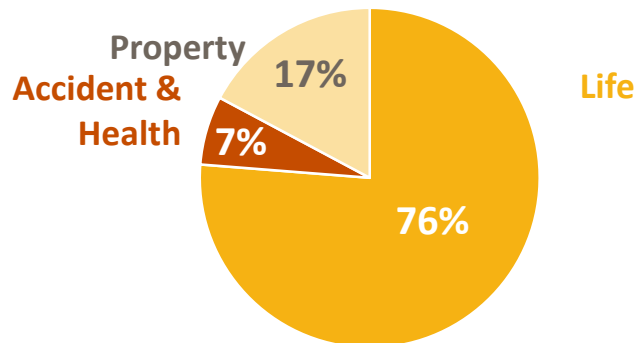


- Margin improvement actions impacted top line; implemented steps to stem decline
- Full-year underlying combined ratio, excluding software write-off, improved 1.4 points
- First quarter underlying loss and LAE ratio improved 2.4 points

Life & Health Businesses—Stable Base + Growth Areas

Kemper Home Service Companies

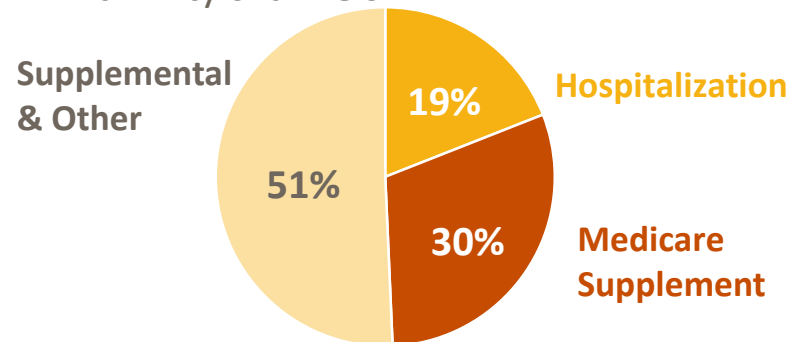
- 2,400 career agents in 25 states serving 5MM policies
- Low face amount protection for individuals and families
- Lead product: ordinary life insurance, including permanent & term insurance
- Limited sensitivity to interest rate or stock market volatility
- Simple products with stable cash flows
- No fixed or variable annuity exposure



Net Earned Premiums: 1Q15 \$110MM
2014 \$479MM

Reserve National

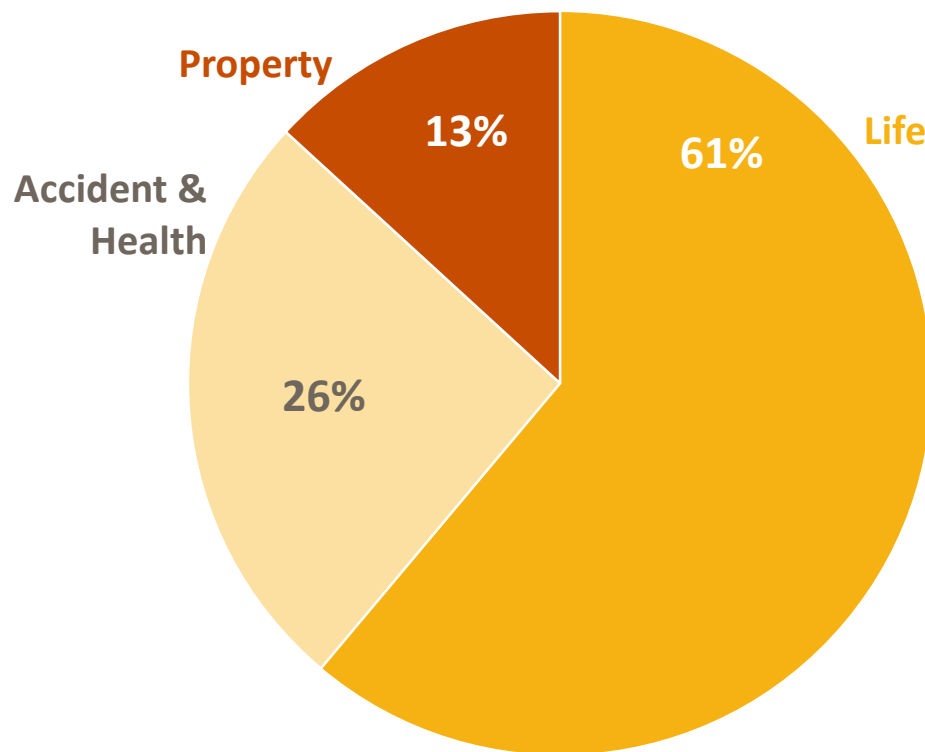
- 20,000+ independent agents
- Historically served rural markets:
 - Individuals, self-employed & employers
 - Licensed in 48 states
- Moving toward supplemental products
- Key growth initiatives and products
 - Kemper Senior Solutions: small face life and limited home health care for those at or near retirement age
 - Kemper Benefits: critical illness and accident insurance offered through worksite and affinity channels



Net Earned Premiums: 1Q15 \$34MM
2014 \$134MM

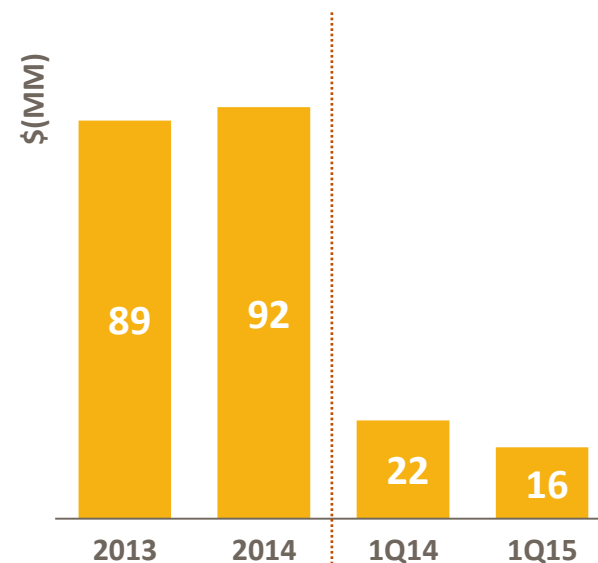
Kemper Life & Health Financial Highlights

Earned Premiums



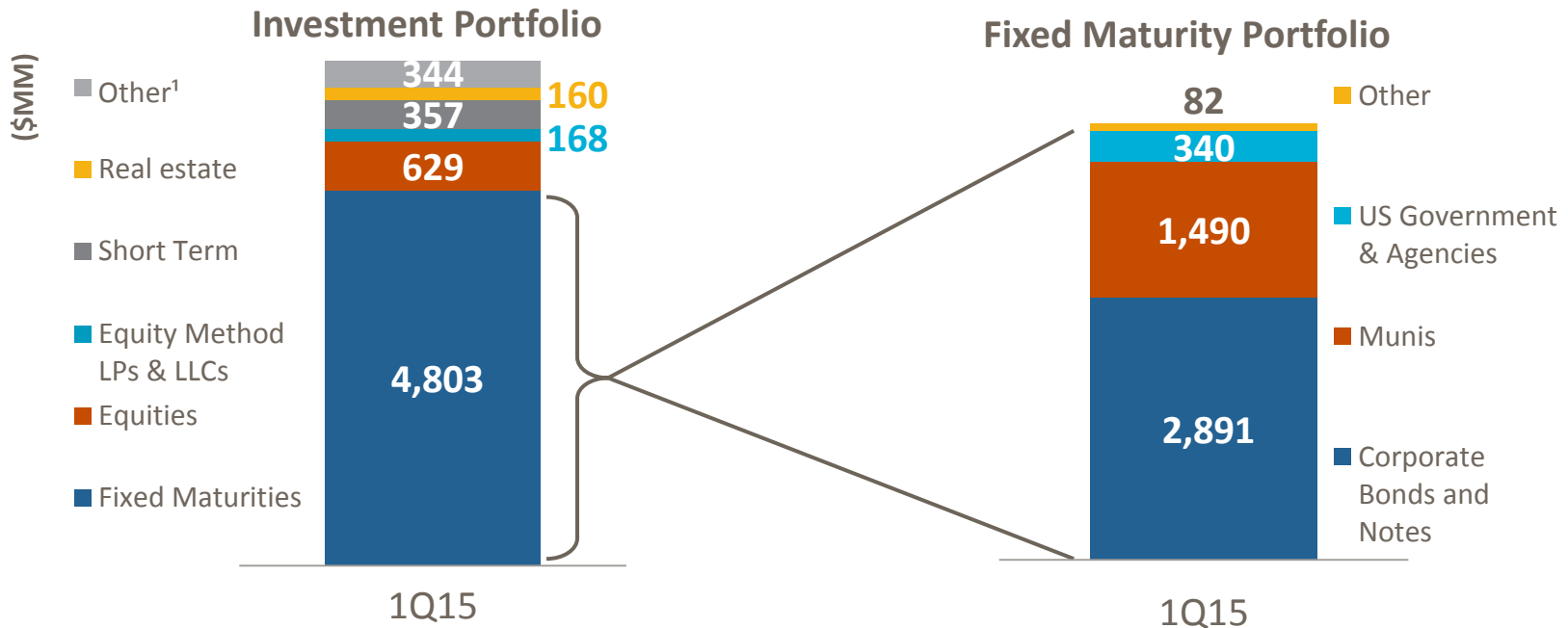
1Q15: \$144MM
2014: \$613MM

Net Operating Income



- Stable earned premiums with upside from Reserve National's distribution initiatives
- Low interest rate environment continues to pressure earnings
- 1Q15 results include \$5MM adjustment to deferred premium reserves

Kemper Investment Portfolio Overview



Total Investments: \$6,461MM

- Total return investment strategy with an emphasis on yield
- No direct exposure to:
 - Securities lending
 - Credit or other derivatives
- Minimal exposure to foreign sovereign governments
- Centralized investment function

¹ Includes \$285MM policyholder loans, \$54MM fair value option investments, and \$5MM other investments

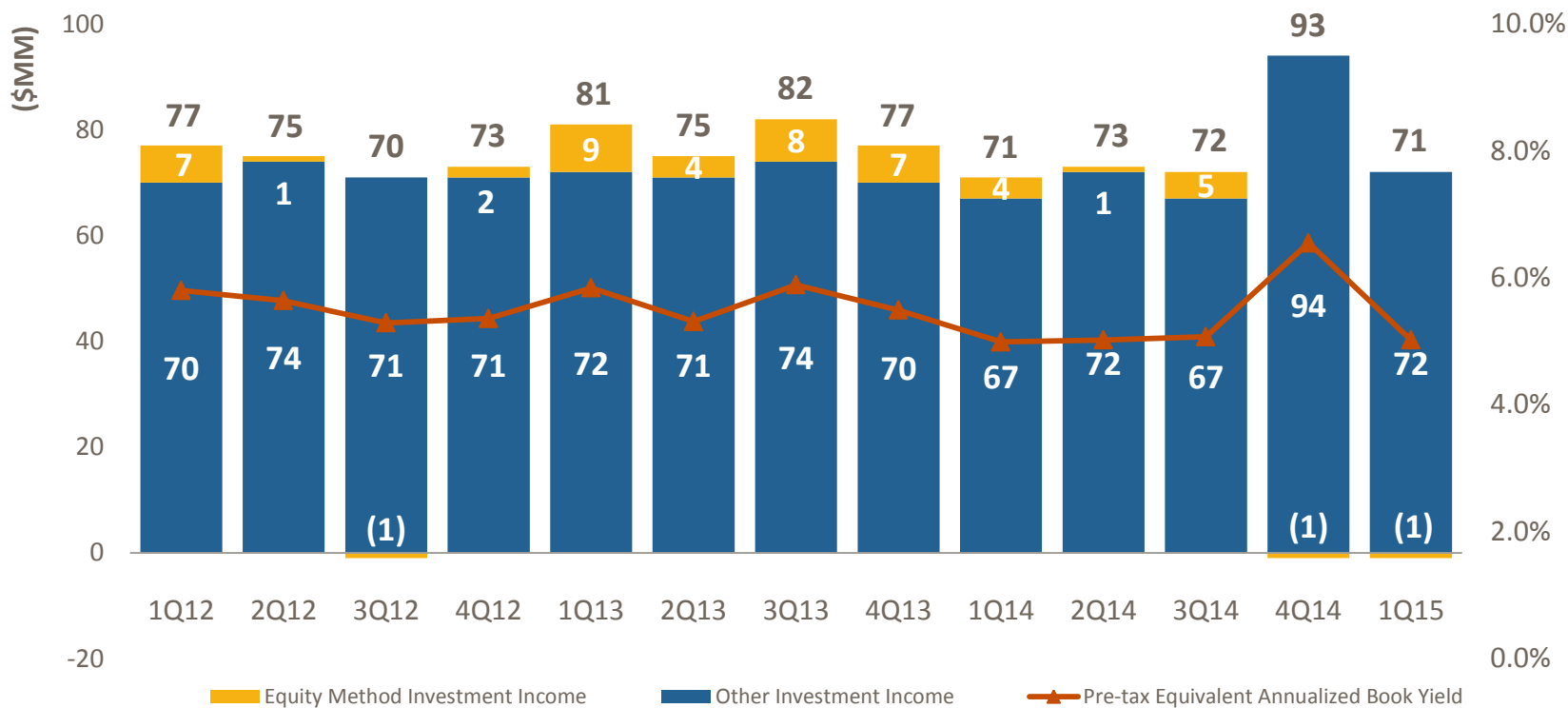
Total Fixed Maturities: \$4,803MM

Unrealized Gain: \$486MM

- Primarily high grade municipal, corporate and agency bonds; 92% investment grade
- ~30% of fixed maturities held in states and political subdivisions (munis); maximum exposure in any one state is 1.3% of total investments
- Average duration is 6.8 years
- Pre-tax annualized book yield of 5.0% in 1Q15

Investment Portfolio Metrics

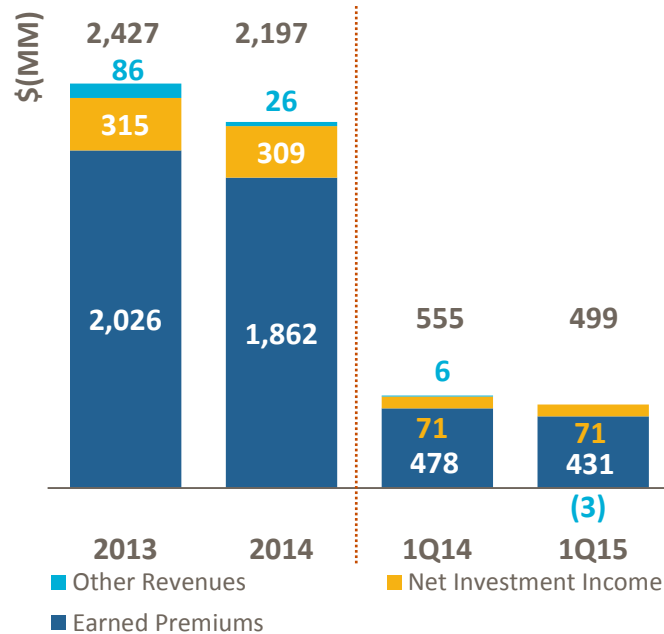
Total net investment income and yield



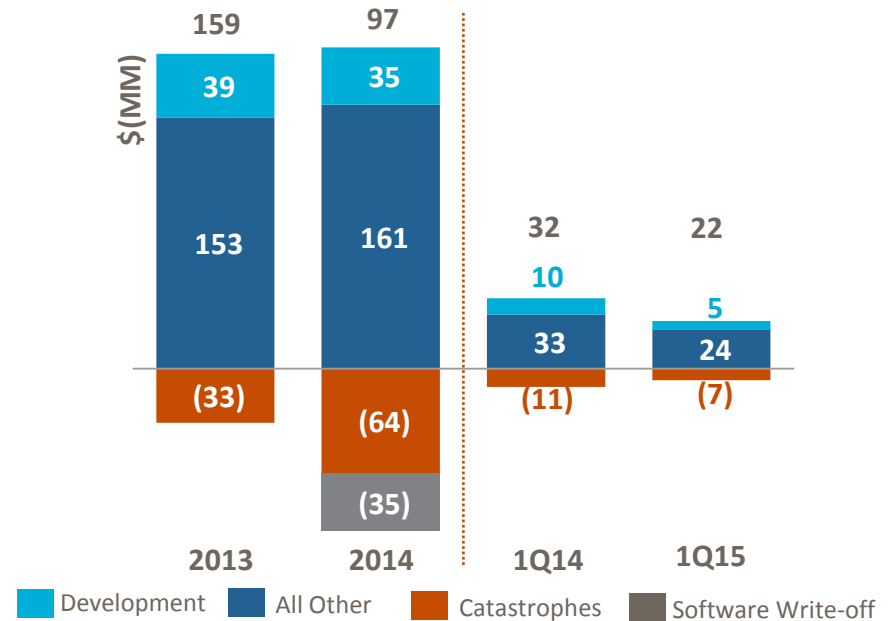
- Relatively stable income and yield; \$ 22MM special dividend received 4Q14
- Equity method investments provide above average yields but come with volatility
- Portfolio is well positioned over the medium term

Kemper Corporation Consolidated Financial Highlights

Total Revenues



Consolidated Net Operating Income



Net Operating EPS¹ Details (\$)

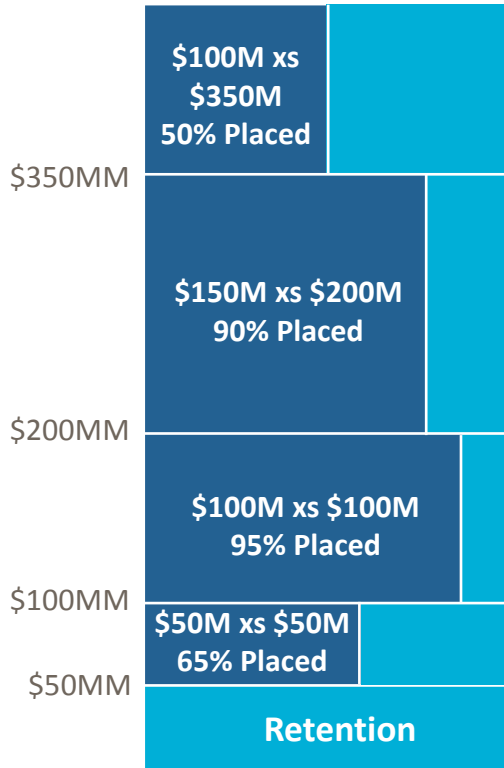
| | 2013 | 2014 | 1Q14 | 1Q15 |
|--------------------------------|-------------|-------------|-------------|-------------|
| Catastrophes | (0.58) | (1.19) | (0.19) | (0.13) |
| Prior Year Reserve Development | 0.68 | 0.64 | 0.18 | 0.09 |
| Equity Method Investments | 0.30 | 0.11 | 0.04 | (0.01) |
| Software Write-off | - | (0.66) | - | - |
| All Other | 2.38 | 2.89 | 0.53 | 0.47 |
| Total | 2.78 | 1.79 | 0.56 | 0.42 |

¹ Consolidated net operating income per diluted share

Catastrophe Risk Management

2013: Expired

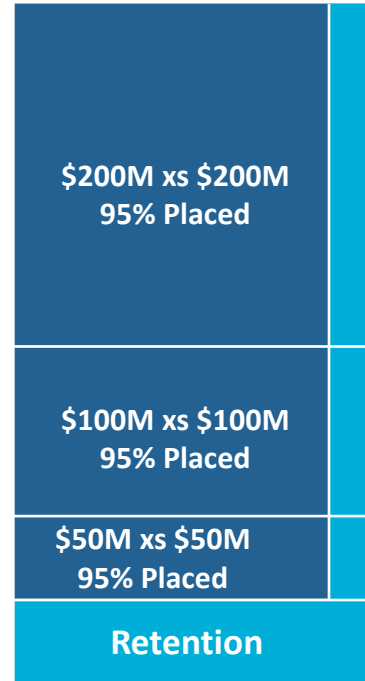
1 in 250 PML¹: \$430MM



Total Cost \$23.6 MM

2014: Expired

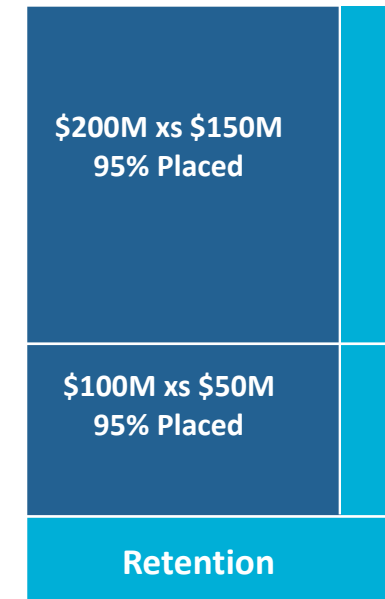
1 in 250 PML: \$350MM



Total Cost \$17.7 MM

2015: In Place

1 in 250 PML: \$320MM



Total Cost \$14.5MM

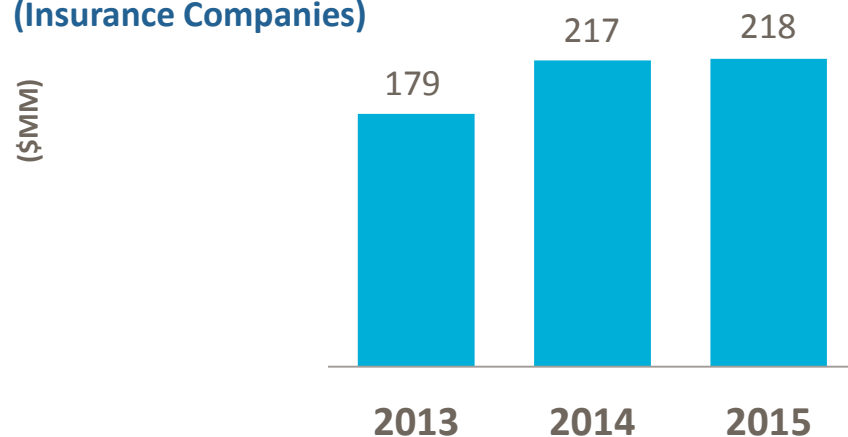
- PML's came down as we moved away from the coast and reduced concentrations
- Increased reinsurance coverage within the layers & locked in a multi-year agreement

¹ Probable Maximum Loss

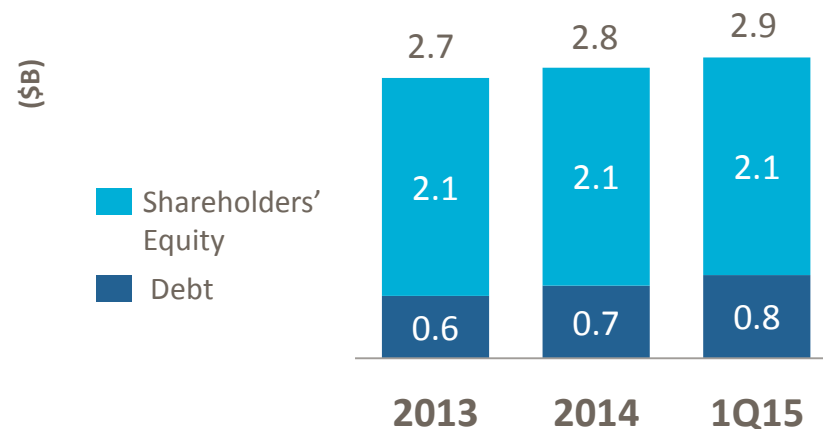
Liquidity & Capital Overview

Max ordinary dividend capacity¹

(Insurance Companies)



Stable capital profile



Dividends paid to Kemper Corporation (\$MM)³

| | 2013 | 2014 | 2015 |
|-------------------|------|------|-------|
| Insurance subs | 95 | 217 | 235 |
| Remaining planned | | | 50-80 |

Risk-Based Capital (%)

| | 2013 | 2014 |
|---------------------|------|------|
| Life & Health | 425 | 430 |
| Property & Casualty | 350 | 350 |

Key Metrics

| | 2013 | 2014 | 2015 |
|-----------------------------------------------------------------|------|------|------|
| Debt to Total Capital | 23% | 26% | 26% |
| Undrawn Parent Credit Facility (PCF) (\$MM) | 225 | 225 | 225 |
| Allowed Sub. Borrowings from FHLB ² under PCF (\$MM) | 250 | 250 | 250 |

¹ Calculated as the greater of 10% of insurance statutory surplus or insurance statutory net income from the prior year

² Federal Home Loan Bank

³ Subsequent to March 31, 2015, Trinity paid an extraordinary dividend of \$192 million and United paid an ordinary dividend of \$43 million

Capital Deployment Priorities

1. Fund profitable organic growth—improve margins in all lines

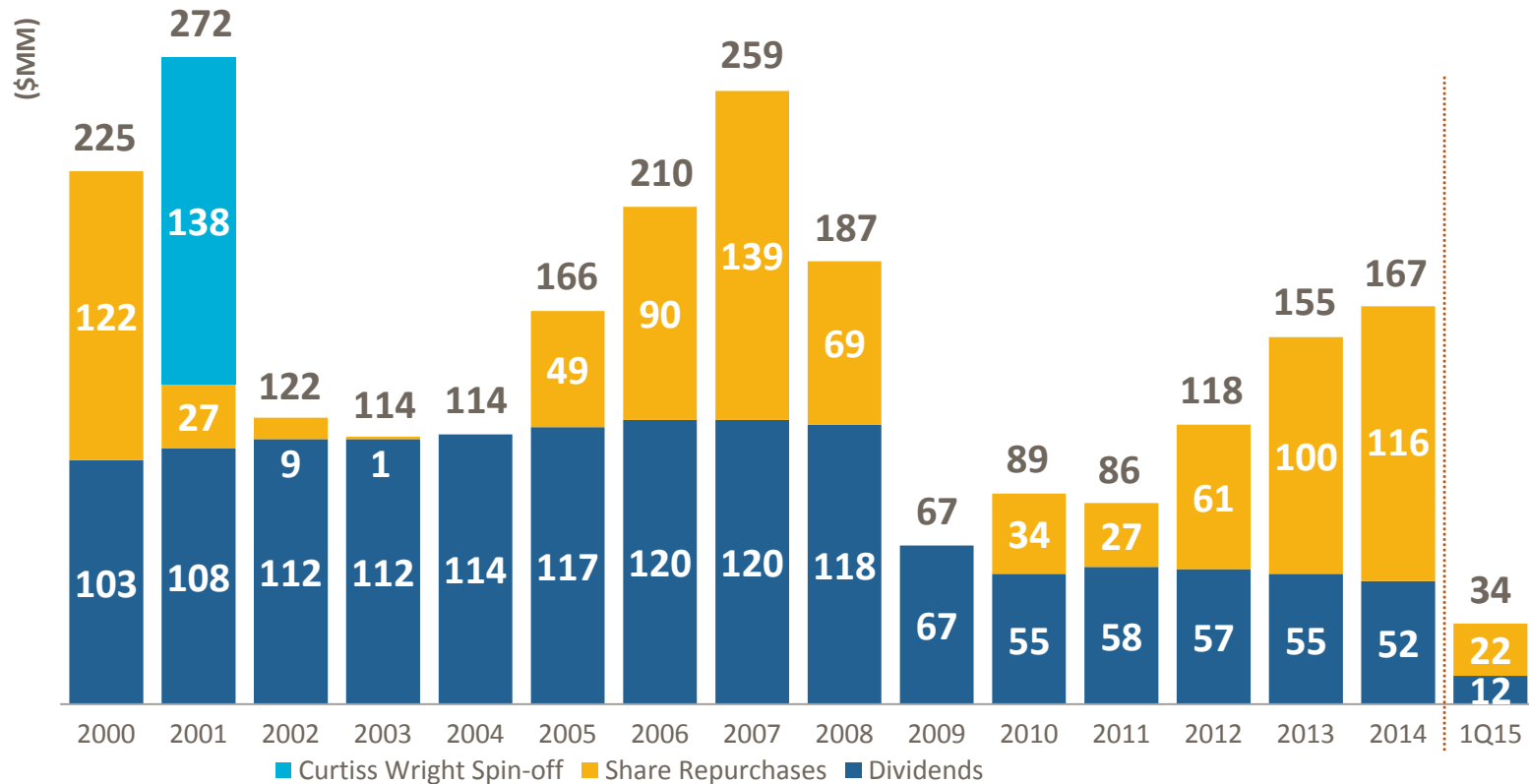
2. Strategic acquisitions:

- Bolt-on standard & preferred opportunities
- Geographic expansion of non-standard auto
- Leverage scale in life operations

3. Return capital to shareholders:

- Maintain competitive dividends
- Repurchase shares
 - \$116MM repurchased in 2014; \$22MM in 1Q15
 - \$300MM program (\$269MM remaining); no expiration date

Capital Returned to Shareholders



- Strong history of returning capital to shareholders
- Despite reducing dividend during financial crisis, remained at competitive level
- Repurchased shares opportunistically

Note: components may not sum to totals due to rounding

The Case for Kemper

Multi-line national insurer with diverse products, multi-channel distribution and experienced management team

Conservative balance sheet with strong liquidity

History of creating shareholder value

Improving fundamentals in P&C



KEMPER

Appendix

Consolidated Statements of Income

Kemper Corporation & Subsidiaries

| (\$MM) | Three Months Ended | | Change | Comments |
|----------------------------------------|--------------------|--------------|---------------|------------------------------------------|
| | 1Q14 | 1Q15 | | |
| Revenues: | | | | |
| Earned Premiums: | | | | |
| Property & Casualty | \$ 323 | \$ 287 | -11.1% | Profit improvement actions |
| Life & Health | 155 | 144 | -7.1% | Adjustment for deferred premium reserves |
| Net Investment Income | 71 | 71 | 0.0% | |
| Other Income | - | 1 | NM | |
| Net Realized Investment Gains (Losses) | 6 | (4) | -166.7% | Higher impairment losses |
| Total Revenues | 555 | 499 | -10.1% | |
| Expenses: | | | | |
| Incurred Losses and LAE: | | | | |
| Property & Casualty | 231 | 201 | -13.0% | |
| Life & Health | 97 | 96 | -1.0% | |
| Insurance Expenses | 152 | 145 | -4.6% | |
| Loss from Early Extinguishment of Debt | - | 9 | 100.0% | Retired debt maturing in Nov. |
| Interest and Other Expenses | 23 | 30 | 30.4% | Higher interest and retirement benefits |
| Total Expenses | 503 | 481 | -4.4% | |
| Income Tax Expense | (17) | (4) | NM | |
| Net Income from Continuing Ops. | \$ 35 | \$ 14 | -60.0% | |
| Total Net Income | \$ 35 | \$ 14 | -60.0% | |

Consolidated Balance Sheets

Kemper Corporation & Subsidiaries

| (\$MM) | 2014 | 1Q15 | Change | Comments |
|-----------------------------------------------------|-----------------|-----------------|-------------|----------------------------------|
| Assets: | | | | |
| Cash and Investments: | | | | |
| Fixed Maturities at Fair Value | \$ 4,778 | \$ 4,803 | 0.5% | |
| Equity Securities | 632 | 629 | -0.5% | |
| Equity Method LLC/LP | 185 | 168 | -9.2% | Intentionally reducing portfolio |
| Fair Value Option Investments | 53 | 54 | 1.9% | |
| Other Investments | 450 | 450 | 0.0% | |
| Cash & Short-term Inv. | 418 | 445 | 6.5% | |
| Total Cash & Investments | 6,516 | 6,549 | 0.5% | |
| Receivables from Policyholders | 295 | 293 | -0.7% | |
| Other Receivables | 187 | 197 | 5.3% | |
| Deferred Acquisition Costs | 303 | 306 | 1.0% | |
| Goodwill | 312 | 312 | 0.0% | |
| Other Assets | 220 | 228 | 3.6% | |
| Total Assets | \$ 7,833 | \$ 7,885 | 0.7% | |
| Liabilities & Shareholders' Equity: | | | | |
| Insurance Reserves | \$ 4,007 | \$ 4,020 | 0.3% | |
| Unearned Premiums | 537 | 530 | -1.3% | |
| Debt | 752 | 750 | -0.3% | |
| Other Liabilities | 446 | 475 | 6.5% | Increase in deferred taxes |
| Total Liabilities | 5,742 | 5,775 | 0.6% | |
| Shareholders' Equity | 2,091 | 2,110 | 0.9% | |
| Total Liabilities & Shareholders' Equity | \$ 7,833 | \$ 7,885 | 0.7% | |

Non-GAAP Financial Measures

Underlying Combined Ratio The discussion for the Property & Casualty Insurance segment uses the non-GAAP financial measures of (i) Underlying Losses and LAE and (ii) Underlying Combined Ratio. Underlying Losses and LAE (also referred to as “Current Year Non-catastrophe Losses and LAE”) exclude the impact of catastrophe losses, and loss and LAE reserve development from prior years from the Company’s Incurred Losses and LAE, which is the most directly comparable GAAP financial measure. The Underlying Combined Ratio is computed by adding the Current Year Non-catastrophe Losses and LAE Ratio with the Insurance Expense (including write-offs of long-lived assets) Ratio. The most directly comparable GAAP financial measure is the Combined Ratio, which is computed by adding total incurred losses and LAE ratio, including the impact of catastrophe losses, and loss and LAE reserve development from prior years with the Insurance Expense (including write-offs of long-lived assets) Ratio. The Company believes Underlying Losses and LAE and the Underlying Combined Ratio are useful to investors and are used by management to reveal the trends in the Company’s Property & Casualty Insurance business that may be obscured by catastrophe losses and prior year reserve development.

The components of the Underlying Combined Ratio and a reconciliation of the Underlying Combined Ratio to the GAAP combined ratio is presented below:

| <u>Underlying Combined Ratio</u> | 2013 | 2014 | 1Q14 | 1Q15 |
|------------------------------------------------------------------|--------------|---------------|--------------|--------------|
| Current Year Non-catastrophe Losses and LAE Ratio | 70.4% | 67.7% | 71.4% | 69.0% |
| Insurance Expense Ratio, Excluding Write-off of Long-lived Asset | 27.0% | 28.3% | 27.8% | 28.9% |
| Impact on Ratio from Write-off of Long-lived Asset | 0.0% | 4.4% | 0.0% | 0.0% |
| Underlying Combined Ratio | <u>97.4%</u> | <u>100.4%</u> | <u>99.2%</u> | <u>97.9%</u> |
| <u>Non-GAAP Measure Reconciliation</u> | | | | |
| Underlying Combined Ratio | 97.4% | 100.4% | 99.2% | 97.9% |
| Current Year Catastrophe Losses and LAE Ratio | 3.4% | 7.7% | 5.0% | 3.6% |
| Prior Years Non-catastrophe Losses and LAE Ratio | -3.3% | -3.1% | -3.9% | -1.7% |
| Prior Years Catastrophe Losses and LAE Ratio | -0.9% | -1.3% | -0.8% | -0.8% |
| Combined Ratio as Reported | <u>96.6%</u> | <u>103.7%</u> | <u>99.5%</u> | <u>99.0%</u> |

¹ Accounting principles generally accepted in the United States

Non-GAAP Financial Measures - Continued

Consolidated Net Operating Income is an after-tax, non-GAAP financial measure computed by excluding from income from continuing operations the after-tax impact of 1) net realized gains on sales of investments, 2) net impairment losses recognized in earnings related to investments, 3) loss from early extinguishment of debt and 4) significant non-recurring or infrequent items that may not be indicative of ongoing operations. Significant nonrecurring items are excluded when (a) the nature of the charge or gain is such that it is reasonably unlikely to recur within two years and (b) there has been no similar charge or gain within the prior two years. The most directly comparable GAAP financial measure is income from continuing operations.

A reconciliation of Consolidated Net Operating Income to Income from Continuing Operations is presented below:

| <i>Dollars in Millions</i> | 2013 | 2014 | 1Q14 | 1Q15 |
|----------------------------------------------|-----------------|-----------------|----------------|----------------|
| Consolidated Net Operating Income | \$ 159.2 | \$ 97.1 | \$ 31.5 | \$ 21.8 |
| Net Income (Loss) From: | | | | |
| Net Realized Gains on Sales of Investments | 64.4 | 25.4 | 4.2 | 2.2 |
| Net Impairment Losses Recognized in Earnings | (9.1) | (9.9) | (0.5) | (4.6) |
| Loss from Early Extinguishment of Debt | - | - | - | (5.9) |
| Income from Continuing Operations | <u>\$ 214.5</u> | <u>\$ 112.6</u> | <u>\$ 35.2</u> | <u>\$ 13.5</u> |

Diluted Net Operating EPS is a non-GAAP financial measure, that is computed by dividing Consolidated Net Operating Income by the weighted-average unrestricted shares and equivalent shares outstanding assuming dilution. The most directly comparable GAAP financial measure is income from continuing operations per unrestricted share - diluted.

A reconciliation of Diluted Net Operating EPS to Income from Continuing Operations Per Unrestricted Share – Diluted is presented below:

| | 2013 | 2014 | 1Q14 | 1Q15 |
|--------------------------------------------------------------------|----------------|----------------|----------------|----------------|
| Diluted Net Operating EPS | \$ 2.78 | \$ 1.79 | \$ 0.56 | \$ 0.42 |
| Diluted Earnings Per Share From: | | | | |
| Net Realized Gains on Sales of Investments | 1.12 | 0.47 | 0.08 | 0.04 |
| Net Impairment Losses Recognized in Earnings | (0.16) | (0.18) | (0.01) | (0.09) |
| Loss from Early Extinguishment of Debt | - | - | - | (0.11) |
| Income from Continuing Operations Per Unrestricted Share - Diluted | <u>\$ 3.74</u> | <u>\$ 2.08</u> | <u>\$ 0.63</u> | <u>\$ 0.26</u> |