



KEMPER

Third Quarter 2017 Earnings

October 30, 2017



Preliminary Matters

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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Non-GAAP Financial Measures:

This presentation contains non-GAAP financial measures that the company believes are meaningful to investors. Non-GAAP financial measures have been reconciled to the most comparable GAAP financial measure.

All data in this presentation is as of and for the periods ending September 30, 2017 unless otherwise stated.

Create Long-term Shareholder Value



Strategic focus:

Consumer-related businesses with niche opportunities that:

- Target underserved markets
- Have limited, weak or unfocused competition
- Require unique expertise (underwriting, claim, distribution, other)

Deliver low double digit ROE¹ over time

Continuing on Journey to Unlock Embedded Value

Near-term: 2017

Turnaround of Core Businesses & Build Capabilities

- Continue profit restoration at Alliance United ✓
- Achieve target 2017 run-rate expense savings goal ✓
- Roll-out first wave of IT platforms ✓

Mid-term: 2018

Continue Turnaround & Development of Capabilities

- Achieve target 2018 run-rate expense savings goal
- Achieve Loss & LAE savings goals
- Product expansion
- Grow & enhance strategic position

Long-term: 2019+

Leverage Competitive Advantages & Core Capabilities to Grow

- Scale business platforms
- Optimize data and analytics capabilities
- Expand product platform and markets served

Committed to improving normalized net income ~\$90MM per year by 2019

Third Quarter 2017 Highlights – Strong Results

(Dollars in millions, except per share amounts)	Three Months Ended			Nine Months Ended		
	Sept. 30, 2017	Sept. 30, 2016	Variance	Sept. 30, 2017	Sept. 30, 2016	Variance
Net Income (Loss) Per Share - Diluted	\$ 0.92	\$ (0.32)	\$ 1.24	\$ 1.62	\$ (0.27)	\$ 1.89
Net Operating Income (Loss) Per Share - Diluted¹	\$ 0.85	\$ (0.40)	\$ 1.25	\$ 1.19	\$ (0.31)	\$ 1.50
Earned Premiums	\$ 598.2	\$ 558.9	\$ 39.3	\$ 1,744.1	\$ 1,658.6	\$ 85.5
Net Investment Income	85.9	77.7	8.2	244.6	218.4	26.2
Net Realized Gains (Losses) & Other Income	6.2	4.1	2.1	37.4	2.2	35.2
Total Revenues	\$ 690.3	\$ 640.7	\$ 49.6	\$ 2,026.1	\$ 1,879.2	\$ 146.9
Book Value Per Share	\$ 40.48	\$ 40.51	\$ (0.03)	\$ 40.48	\$ 40.51	\$ (0.03)
Book Value Per Share Excluding Net Unrealized Gains on Fixed Maturities¹	\$ 35.87	\$ 34.27	\$ 1.60	\$ 35.87	\$ 34.27	\$ 1.60

Key metrics improved in 3Q and year-to-date — Earned Premium, Operating EPS and BVPS (excluding unrealized gains on Fixed Maturities)

Improving Underlying Operating Performance

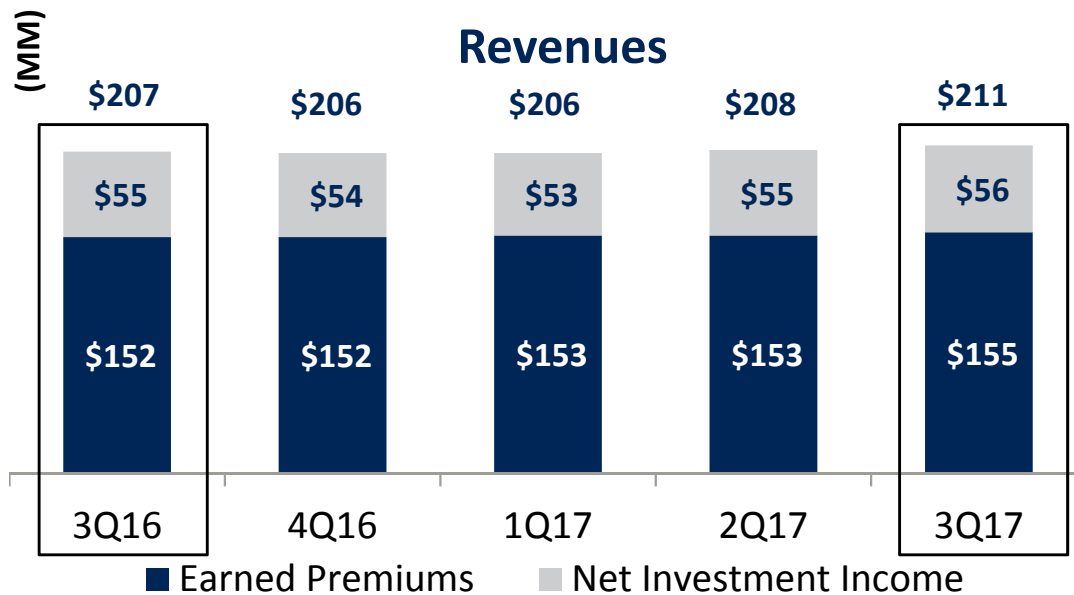
Three Months Ended

Dollars per Unrestricted Share - Diluted	Sept. 30, 2017	June 30, 2017	Mar. 31, 2017	Dec. 31, 2016	Sept. 30, 2016	Variance QoQ
Income (Loss) from Continuing Operations	\$ 0.92	\$ 0.71	\$ (0.01)	\$ 0.56	\$ (0.36)	1.28
Net Realized Gains and Impairments	0.07	0.30	0.07	-	0.04	0.03
Net Operating Income (Loss)¹	0.85	0.41	(0.08)	0.56	(0.40)	1.25
<i>Sources of Volatility:</i>						
Catastrophes	(0.41)	(0.44)	(0.83)	(0.16)	(0.16)	(0.25)
Prior Year Reserve Development	(0.01)	(0.10)	(0.14)	(0.04)	0.02	(0.03)
Alternative Investment Income	0.21	0.12	0.19	0.14	0.12	0.09
Voluntary Outreach Efforts	-	-	-	-	(0.98)	0.98
Total from Sources of Volatility	\$ (0.21)	\$ (0.42)	\$ (0.78)	\$ (0.06)	\$ (1.00)	\$ 0.79
Underlying Operating Performance¹	\$ 1.06	\$ 0.83	\$ 0.70	\$ 0.62	\$ 0.60	\$ 0.46

Delivered a fifth consecutive quarter of improved underlying performance

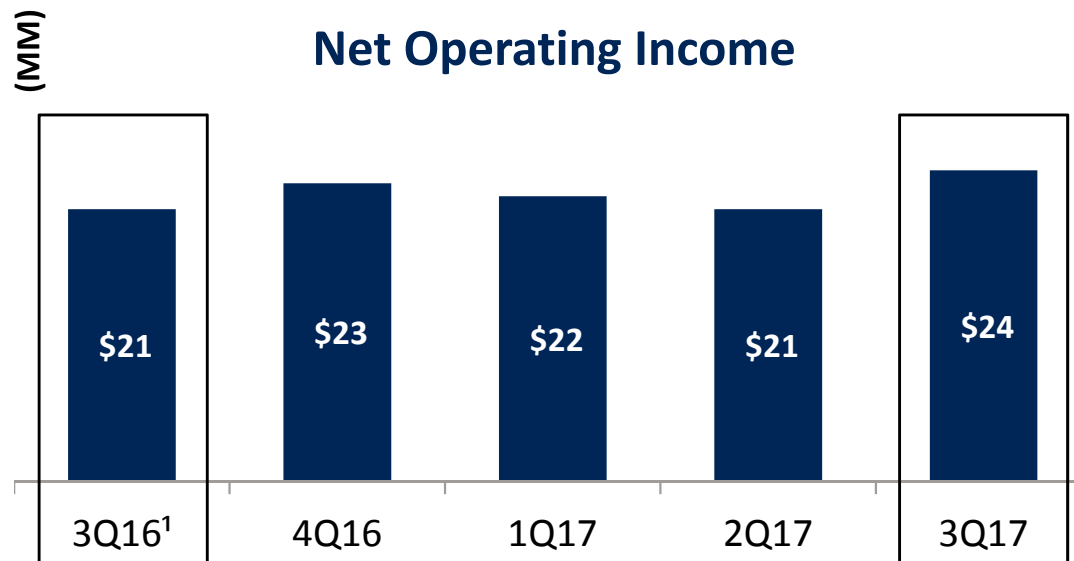


Stable and Predictable Life & Health Earnings



Revenues

- Comparing 3Q16 to 3Q17, earned premiums increased \$3 million driven by higher A&H earned premiums
- Net investment income increased \$1 million over 3Q16, primarily from higher returns from alternative investments

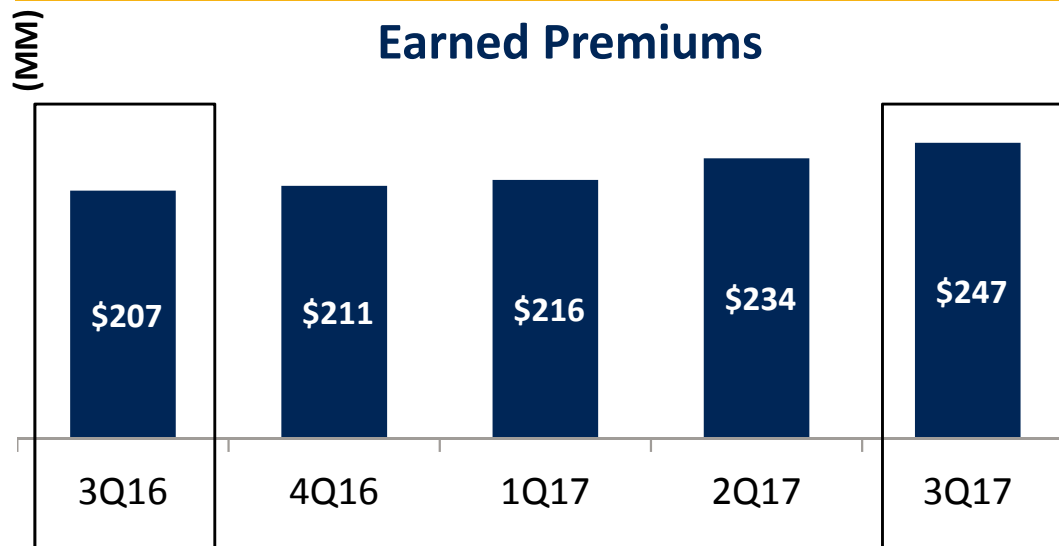


Net Operating Income

- Comparing 3Q16 to 3Q17, net income increased to \$24 million primarily from lower expenses and higher net investment income
- Results remain stable and continue to provide strong predictable cash flows
- Continue to focus on increasing distribution capabilities

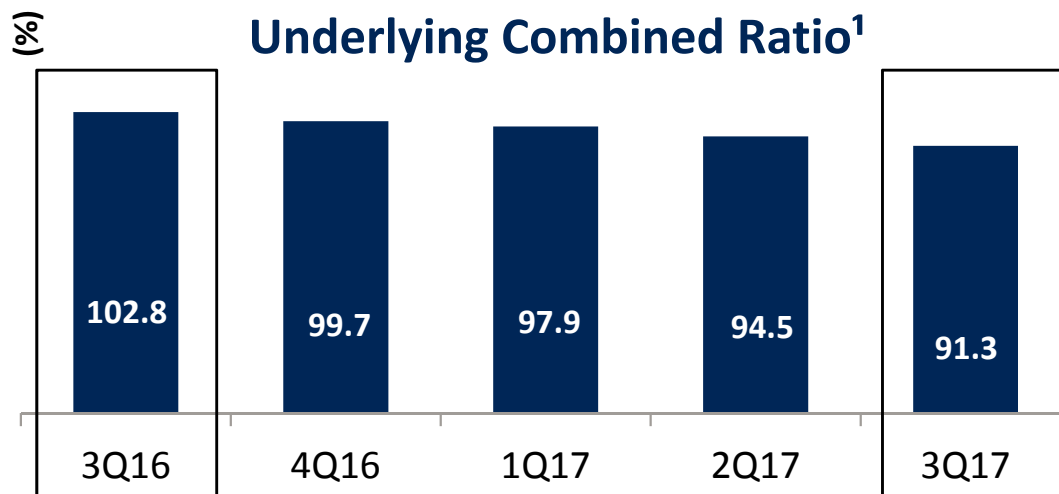
¹Excludes \$50.5 million after-tax charge from implementing voluntary use of death verification databases

Profitably Growing Nonstandard Personal Auto



Revenues

- Comparing 3Q16 to 3Q17, earned premiums increased \$40 million driven by higher volume and higher premium rates in California



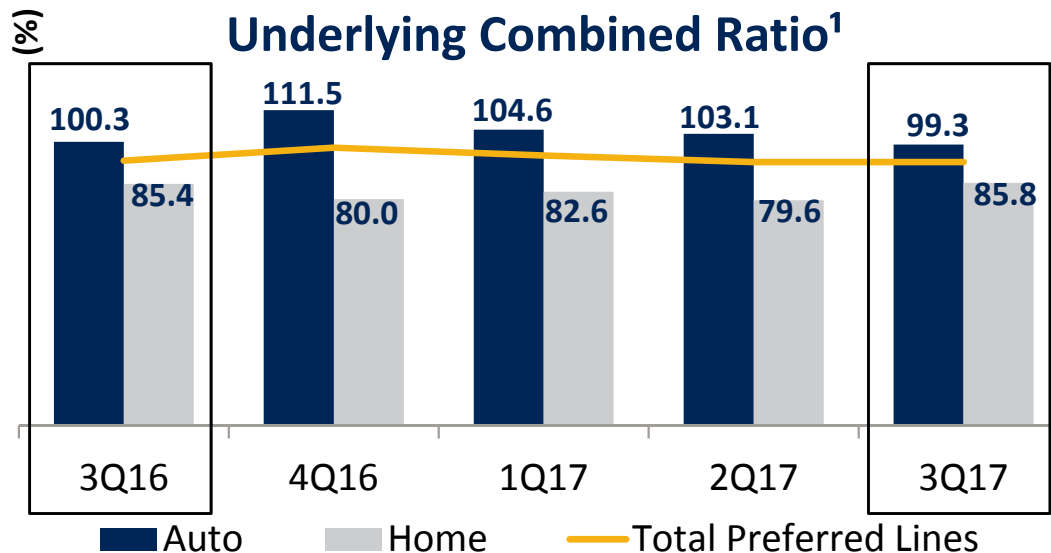
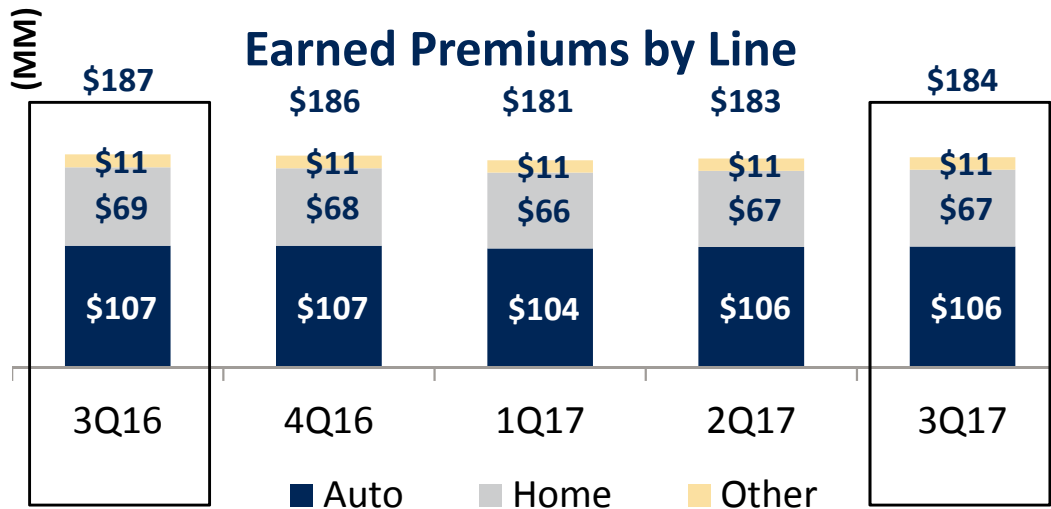
Underwriting Results

- Underlying combined ratio improved 11.5 points in 3Q17 compared to 3Q16, driven by rate, claims and underwriting actions
- Business is looking to expand market share in core geographies

¹Non-GAAP financial measure; Please see reconciliation in the appendix

Strong nonstandard auto franchise focused on profitable growth

Preferred Auto Showing Improvement



Preferred Auto

- 3Q17 underlying combined ratio improved 1.0 percentage points
- Preferred auto remains challenged, but our actions are starting to turn the book; more work still to be done
- Team continues to be focused on claims, rate and underwriting actions

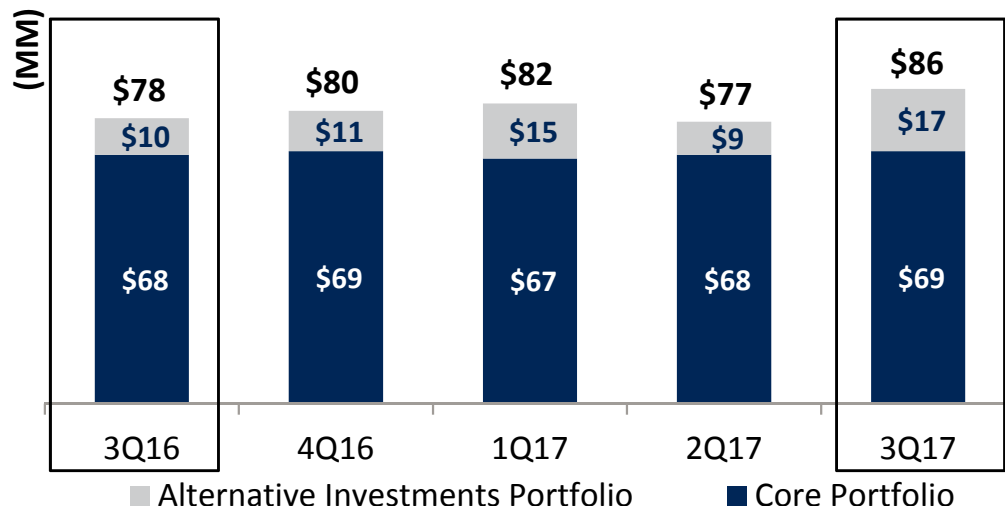
Homeowners

- Net written premiums decreased \$2 million, in line with expectations
- \$25 million of incurred cat losses in the quarter from 5 events; 3Q17 catastrophe losses were \$17 million higher than 3Q16
- Underlying loss & LAE ratio increased 1.7 points, primarily from non-catastrophe weather related losses

Making progress on improving profitability

Consistent Portfolio Returns: High Quality, Moderate Risk

Strong Performance Despite Low Rates

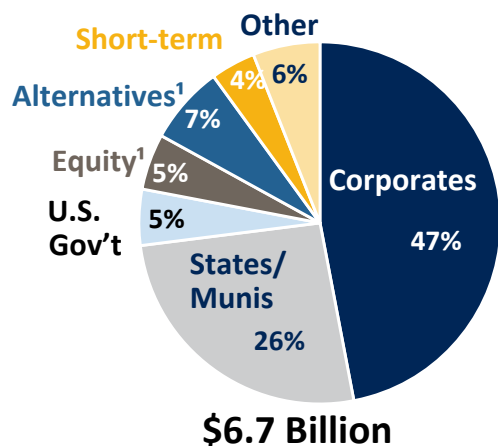


Overview

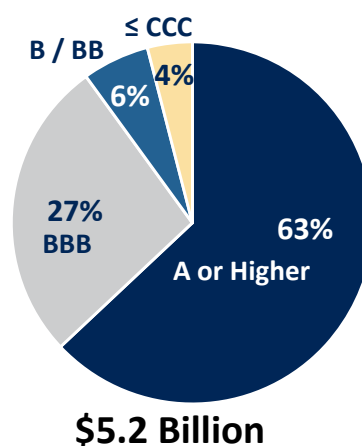
- Investment portfolio produced an annualized pre-tax equivalent book yield of 5.8 percent in 3Q17, compared to 5.3 percent in 3Q16
- Core portfolio produced consistent net investment income results in line with expectations
- Alternative investment portfolio designed to provide enhanced returns over time
- More than 75 percent of the total investment portfolio remains comprised of fixed maturity securities, of which 90 percent is rated investment grade

Diversified & Highly Rated Portfolio

Portfolio Composition



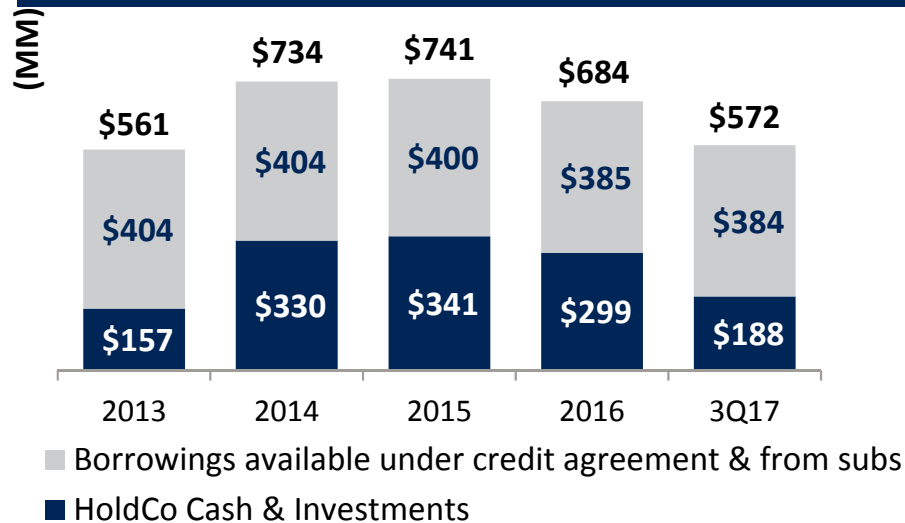
Fixed Maturity Ratings



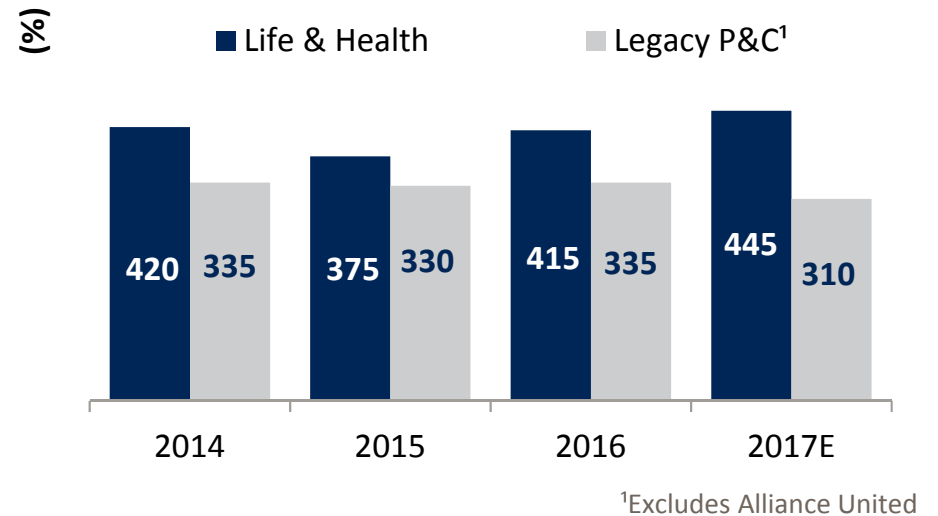
¹ Equity Securities excludes \$203 million of Other Equity Interests of LP/LLC's that have been reclassified into Alternative Investments

Strong Current Capital Position with Ample Liquidity

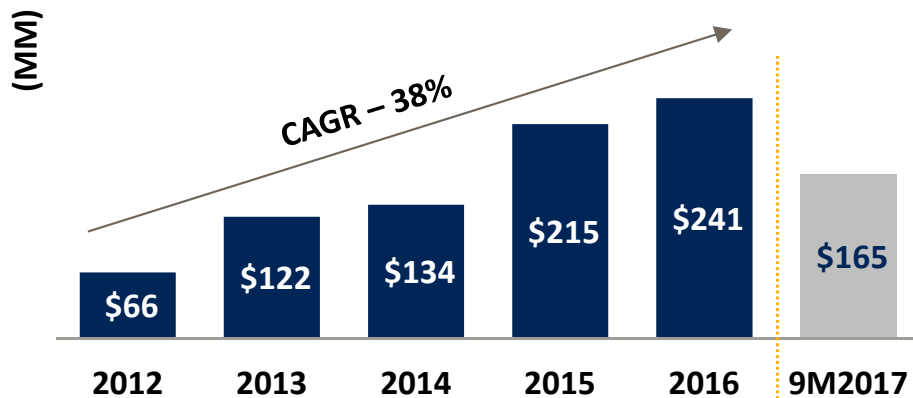
Strong Parent Company Liquidity



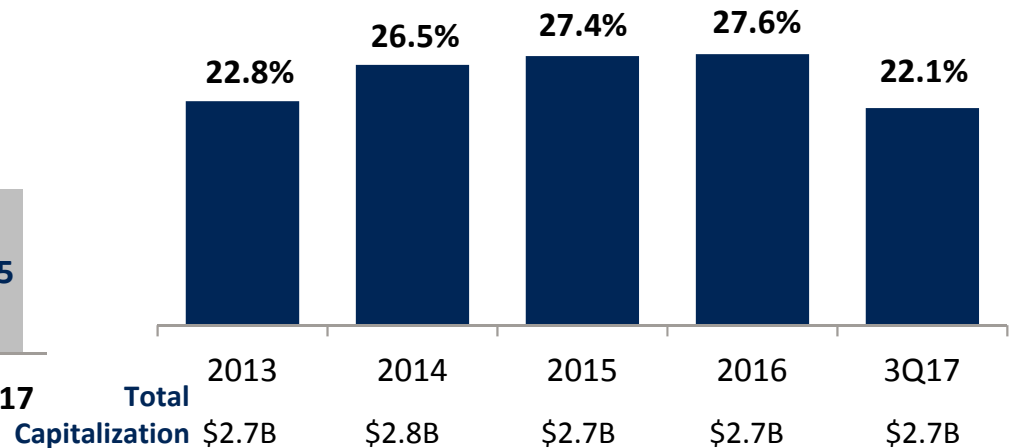
Risk-Based Capital Ratios



Cash Flow from Operating Activities



Debt-to-Capital Historically <30%



Substantial financial flexibility

Capital Deployment Priorities

1. Investment in the business

- Fund profitable organic growth at appropriate risk-adjusted returns
- Strategic investments and acquisitions that enhance our business and meet or exceed our ROE targets over time

2. Return capital to shareholders

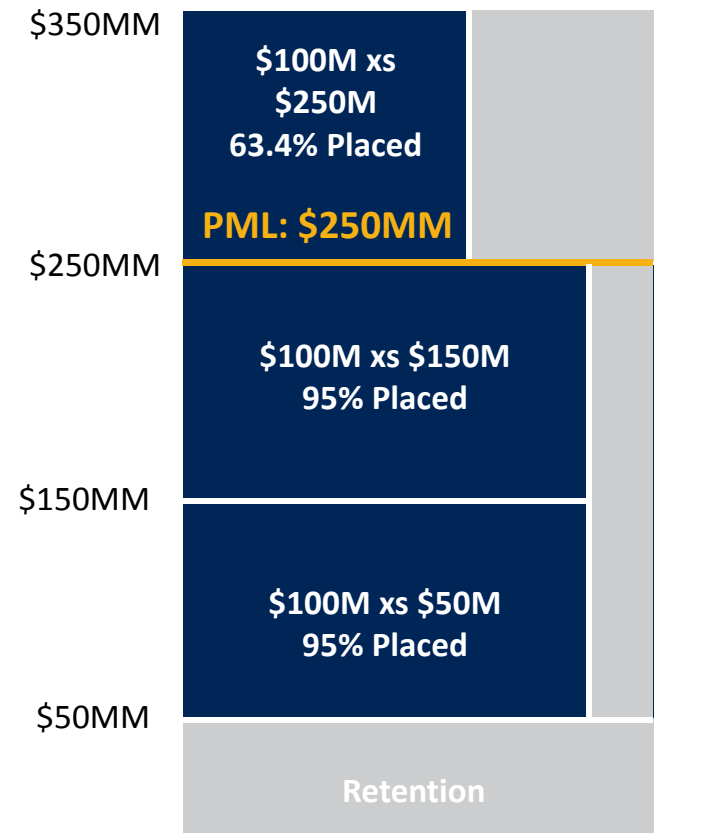
- Repurchase shares opportunistically
- Maintain competitive dividends

Capital deployment & management focused on maximizing shareholder value

Subsequent Events

- **California Wildfires**
 - Multiple fires throughout state
 - Estimated insured losses (industry): \$5-8 billion
 - 2017 Reinsurance Program: \$50 Million Retention
- **Successful arbitration award**
 - \$84 million of damages
 - Interest at 9 percent annually
 - Potential recovery of legal fees

2017 Reinsurance Program



¹ Probable Maximum Loss



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Appendix

Non-GAAP Financial Measures

Underlying Operating Performance is a non-GAAP financial measure that is computed by excluding from the Diluted Income (Loss) from Continuing Operations Per Unrestricted Share the after-tax per unrestricted share impact of 1) net realized gains on sales of investments, 2) net impairment losses recognized in earnings related to investments, 3) current year catastrophe losses and LAE, 4) net investment income from alternative investments, 5) prior-year reserve development (both catastrophe and non-catastrophe), and 6) the initial impact of voluntary outreach efforts regarding life claims recorded in the third quarter of 2016. The most directly comparable GAAP financial measure is Diluted Income (Loss) from Continuing Operations Per Unrestricted Share.

Kemper believes Underlying Operating Performance provides investors with a valuable measure of its ongoing performance because it reveals underlying operational trends that otherwise might be less apparent if the items were not excluded. Underlying Operating Performance should not be considered a substitute for the Diluted Income (Loss) from Continuing Operations Per Unrestricted Share and does not reflect the overall profitability of our business.

Book Value Per Share Excluding Net Unrealized Gains on Fixed Maturities, is a ratio that uses a non-GAAP financial measure. It is calculated by dividing shareholders' equity after excluding the after-tax impact of net unrealized gains on fixed income securities by total Common Shares Issued and Outstanding. Book value per share is the most directly comparable GAAP financial measure. The Company uses the trend in book value per share, excluding the after-tax impact of net unrealized gains on fixed income securities in conjunction with book value per share to identify and analyze the change in net worth attributable to management efforts between periods. The Company believes the non-GAAP financial measure is useful to investors because it eliminates the effect of items that can fluctuate significantly from period to period and are generally driven by economic developments, primarily capital market conditions, the magnitude and timing of which are generally not influenced by management. The Company believes it enhances understanding and comparability of performance by highlighting underlying business activity and profitability drivers.

		For the Periods Ended	
		Sep. 30, 2017	Sep. 30, 2016
Book Value Per Share	\$	40.48	40.51
Less: Net Unrealized Gains on Fixed Maturities Per Share		(4.61)	(6.24)
Book Value Per Share Excluding Net Unrealized Gains on Fixed Maturities	\$	<u>35.87</u>	<u>34.27</u>

Non-GAAP Financial Measures

Diluted Consolidated Net Operating Income (Loss) Per Unrestricted Share is an after-tax, non-GAAP financial measure computed by excluding from Diluted Income (Loss) from Continuing Operations Per Unrestricted Share the after-tax per unrestricted share impact of net realized gains on sales of investments and net impairment losses recognized in earnings related to investments. The most directly comparable GAAP financial measure is Diluted Income (Loss) from Continuing Operations Per Unrestricted Share.

Kemper believes that Diluted Consolidated Net Operating Income (Loss) Per Unrestricted Share provides investors with a valuable measure of its ongoing performance because it reveals underlying operational performance trends that otherwise might be less apparent if the items were not excluded. Net realized gains on sales of investments and net impairment losses recognized in earnings related to investments included in Kemper's results may vary significantly between periods and are generally driven by business decisions and external economic developments such as capital market conditions that impact the values of the company's investments, the timing of which is unrelated to the insurance underwriting process.

For the Three Months Ended

Per Unrestricted Share	3Q17	2Q17	1Q17	4Q16	3Q16
Consolidated Net Operating Income (Loss) - Diluted	\$ 0.85	\$ 0.41	\$ (0.08)	\$ 0.56	\$ (0.40)
Net Income (Loss) From:					
Net Realized Gains on Sales of Investments	0.10	0.33	0.13	0.11	0.15
Net Impairment Losses Recognized in Earnings	(0.03)	(0.03)	(0.06)	(0.11)	(0.11)
Income (Loss) from Continuing Operations - Diluted	\$ 0.92	\$ 0.71	\$ (0.01)	\$ 0.56	\$ (0.36)

Non-GAAP Financial Measures

Underlying Combined Ratio is a non-GAAP financial measure that is computed by excluding the current year catastrophe and LAE ratio and the prior-year reserve development ratio (both non-catastrophe and catastrophes) from the combined ratio. The most directly comparable GAAP financial measure is the combined ratio, which is computed by adding the total incurred loss and LAE ratio, including the impact of catastrophe losses and loss and LAE reserve development from prior years, with the insurance expense ratio.

Kemper believes the underlying combined ratio is useful to investors and is used by management to reveal the trends in Kemper's property and casualty insurance businesses that may be obscured by catastrophe losses and prior-year reserve development. These catastrophe losses may cause loss trends to vary significantly between periods as a result of their incidence of occurrence and magnitude, and can have a significant impact on incurred losses and LAE and the combined ratio. Prior-year reserve development is caused by unexpected loss development on historical reserves. Because reserve development relates to the re-estimation of losses from earlier periods, it has no bearing on the performance of the company's insurance products in the current period. Kemper believes it is useful for investors to evaluate these components separately and in the aggregate when reviewing its underwriting performance. The underlying combined ratio should not be considered a substitute for the combined ratio and does not reflect the overall underwriting profitability of our business.

	For the Three Months Ended				
	3Q16	4Q16	1Q17	2Q17	3Q17
Total Nonstandard Personal Automobile					
Underlying Combined Ratio	102.8%	99.7%	97.9%	94.5%	91.3%
Current Year Catastrophe Loss and LAE Ratio	0.9%	0.0%	0.8%	1.0%	0.6%
Prior Years Non-Catastrophe Losses and LAE Ratio	1.0%	0.0%	(0.4%)	(0.4%)	0.9%
Prior Years Catastrophe Losses and LAE Ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Combined Ratio as Reported	<u>104.7%</u>	<u>99.7%</u>	<u>98.3%</u>	<u>95.1%</u>	<u>92.8%</u>

Non-GAAP Financial Measures

Underlying Combined Ratio - Continued

For the Three Months Ended

	3Q16	4Q16	1Q17	2Q17	3Q17
Preferred Personal Automobile					
Underlying Combined Ratio	100.3%	111.5%	104.6%	103.1%	99.3%
Current Year Catastrophe Loss and LAE Ratio	1.1%	0.3%	4.5%	3.7%	2.6%
Prior Years Non-Catastrophe Losses and LAE Ratio	(0.4%)	3.8%	10.4%	6.3%	0.8%
Prior Years Catastrophe Losses and LAE Ratio	0.0%	0.0%	0.0%	(0.2%)	0.0%
Combined Ratio as Reported	<u>101.0%</u>	<u>115.6%</u>	<u>119.5%</u>	<u>112.9%</u>	<u>102.7%</u>
Homeowners					
Underlying Combined Ratio	85.4%	80.0%	82.6%	79.6%	85.8%
Current Year Catastrophe Loss and LAE Ratio	11.4%	16.7%	85.2%	40.1%	37.2%
Prior Years Non-Catastrophe Losses and LAE Ratio	(0.9%)	0.9%	1.1%	2.3%	1.3%
Prior Years Catastrophe Losses and LAE Ratio	(5.1%)	(3.7%)	(0.9%)	(2.7%)	(1.2%)
Combined Ratio as Reported	<u>90.8%</u>	<u>93.9%</u>	<u>168.0%</u>	<u>119.3%</u>	<u>123.1%</u>

Non-GAAP Financial Measures

Normalized Earnings is an after-tax, non-GAAP financial measure that is most directly comparable to the GAAP financial measure of Income from Continuing Operations. Normalized Earnings is calculated by 1) excluding the after-tax impact of net realized gains on sales of investments, net impairment losses recognized in earnings related to investments and loss from early extinguishment of debt, 2) normalizing catastrophe losses and LAE by removing the GAAP-reported amounts (including development) and including the Company's planned load for catastrophe losses and LAE, 3) excluding investment income in 2014 from one company that had sold substantially all of its operations, 4) excluding an adjustment recorded in 2015 to correct deferred premium reserves on certain limited pay life insurance policies and 5) excluding write-offs of long-lived assets in 2015 and 2014. Kemper believes Normalized Earnings provides investors with a valuable measure of its ongoing performance because it reveals underlying operational trends that otherwise might be less apparent if the items were not excluded or normalized.

Non-GAAP Financial Measures

Normalized Earnings - Continued

(\$ in Millions)	Six Months		Full Year			
	Annualized 6/30/2016	2015	2014	2013	2012	2011
Net Income as Reported	\$ 3.8	\$ 85.7	\$ 114.5	\$ 217.7	\$ 103.4	\$ 74.5
Less: Income from Discontinued Operations	-	5.5	1.9	3.2	11.6	12.8
Income from Continuing Operations	3.8	80.2	112.6	214.5	91.8	61.7
<u>Less:</u>						
Net Realized Gains on Sales of Investments	16.2	33.9	25.4	64.4	42.5	21.9
Net Impairment Losses Recognized in Earnings	(20.4)	(17.7)	(9.9)	(9.1)	(4.5)	(7.3)
Loss from Early Extinguishment of Debt	-	(5.9)	-	-	-	-
Consolidated Net Operating Income	8.0	69.9	97.1	159.2	53.8	47.1
<u>Normalizing Adjustments</u>						
Remove: Catastrophe Losses and LAE Including Development, as Reported	100.6	39.3	54.5	23.6	76.8	102.3
Add: Catastrophe Losses and LAE at Planned Load	(33.4)	(37.1)	(44.2)	(47.7)	(40.4)	(39.3)
Adjust Catastrophe Losses and LAE to Planned Load	67.2	2.2	10.3	(24.1)	36.4	63.0
Remove: Special Dividend from One Investment	-	-	(14.2)	-	-	-
Remove: Deferred Premium Reserve Adjustment	-	4.9	-	-	-	-
Remove: Write-off of Long-lived Assets	-	7.2	35.5	-	-	-
Total Normalizing Adjustments	67.2	14.3	31.6	(24.1)	36.4	63.0
Normalized Consolidated Net Operating Income	<u>\$ 75.2</u>	<u>\$ 84.2</u>	<u>\$ 128.7</u>	<u>\$ 135.1</u>	<u>\$ 90.2</u>	<u>\$ 110.1</u>