



# Investor Update

March 2018



# Preliminary Matters

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## Caution Regarding Forward-Looking Statements

This presentation may contain or incorporate by reference statements or information that are, include or are 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, intentions, beliefs or forecasts of future events or otherwise for the future, and can be identified by the fact that they relate to future actions, performance or results rather than relating strictly to historical or current facts. Words such as “believe(s),” “goal(s),” “target(s),” “estimate(s),” “anticipate(s),” “forecast(s),” “project(s),” “plan(s),” “intend(s),” “expect(s),” “might,” “may,” “could” and variations of such words and other words and expressions of similar meaning are intended to identify such forward-looking statements. However, the absence of such words or other words and expressions of similar meaning does not mean that a statement is not forward-looking.

Any or all forward-looking statements may turn out to be wrong, and, accordingly, readers are cautioned not to place undue reliance on such statements. Forward-looking statements involve a number of risks and uncertainties that are difficult to predict, and are not guarantees or assurances of future performance. No assurances can be given that the results and financial condition contemplated in any forward-looking statements will be achieved or will be achieved in any particular timetable. Forward-looking statements involve a number of risks and uncertainties that are difficult to predict, and can be affected by inaccurate assumptions or by known or unknown risks and uncertainties that may be important in determining actual future results and financial condition. The general factors that could cause actual results and financial condition to differ materially from those expressed or implied include, without limitation, the following: (a) the satisfaction or waiver of the conditions precedent to the consummation of the proposed merger transaction involving Kemper Corporation (the “Company”), a wholly-owned subsidiary of the Company and Infinity Property and Casualty Corporation (“Infinity”), including, without limitation, the receipt of stockholder and regulatory approvals (including approvals, authorizations and clearance by antitrust authorities and insurance regulators necessary to complete such proposed merger transaction) on the terms desired or anticipated (and the risk that such approvals may result in the imposition of conditions that could adversely affect the combined company or the expected benefits of such proposed merger transaction); (b) unanticipated difficulties or expenditures relating to such proposed merger transaction; (c) risks relating to the value of the shares of the Company’s common stock to be issued in such proposed merger transaction; (d) disruptions of the Company’s and Infinity’s current plans, operations and relationships with third persons caused by the announcement and pendency of such proposed merger transaction, including, without limitation, the ability of the combined company to hire and retain any personnel; (e) legal proceedings that may be instituted against the Company and Infinity following announcement of such proposed merger transaction; and (f) those factors listed in annual, quarterly and periodic reports filed by the Company and Infinity with the Securities and Exchange Commission (the “SEC”), whether or not related to such proposed merger transaction.

The Company assumes no, and expressly disclaims any, duty or obligation to update or correct any forward-looking statement as a result of events, changes, effects, states of facts, conditions, circumstances, occurrences or developments subsequent to the date of this presentation or otherwise, except as required by law. Readers are advised, however, to consult any further disclosures the Company makes on related subjects in its filings with the SEC.

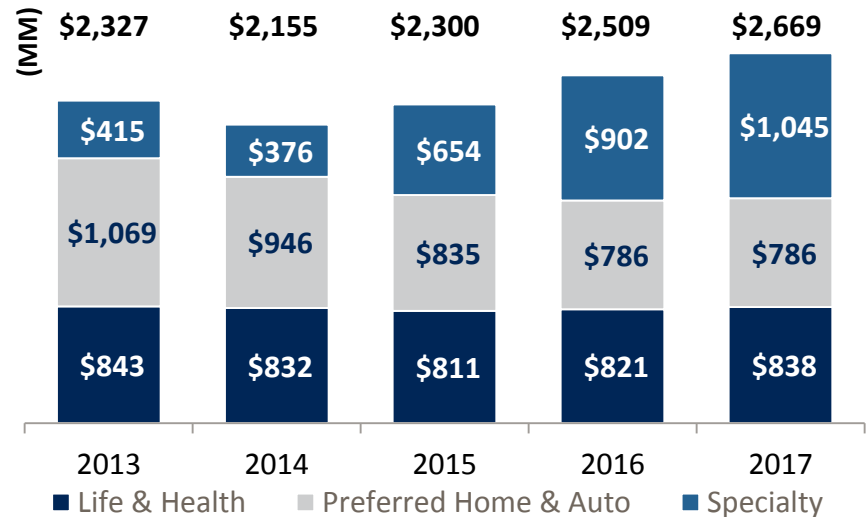
# Kemper Is A Leading Multi-Line Insurer

- **Multi-line national insurance company**
  - Provide nonstandard auto and preferred personal insurance (auto, home & umbrella)
  - Provide basic life, accident & health products
  - Founded in 1990 and headquartered in Chicago, with subsidiaries writing policies since 1911
- **Multi-channel distribution network**
  - 2,200 career agents
  - 20,000 independent agents
- **Strong balance sheet**
  - Insurance subsidiaries rated<sup>1</sup> ‘Excellent’ by A.M. Best
  - ~90% of fixed maturity portfolio is investment grade
  - Strong debt-to-capital ratio at 21.9 percent
- **Successful execution by proven mgmt. team**
  - Delivering on savings commitments
  - Results have exceeded analysts’ expectations for last 7 quarters
  - Announced acquisition of Infinity P&C (Nasdaq: IPCC) in February 2018

## Key Metrics

Market Cap (3/2/18)	\$2.9 Billion
Debt-to-Capital Ratio	22%
A.M. Best Ratings <sup>1</sup>	A-
Excess Capital	>\$200MM
Employees	5,550
In-force policies	6MM

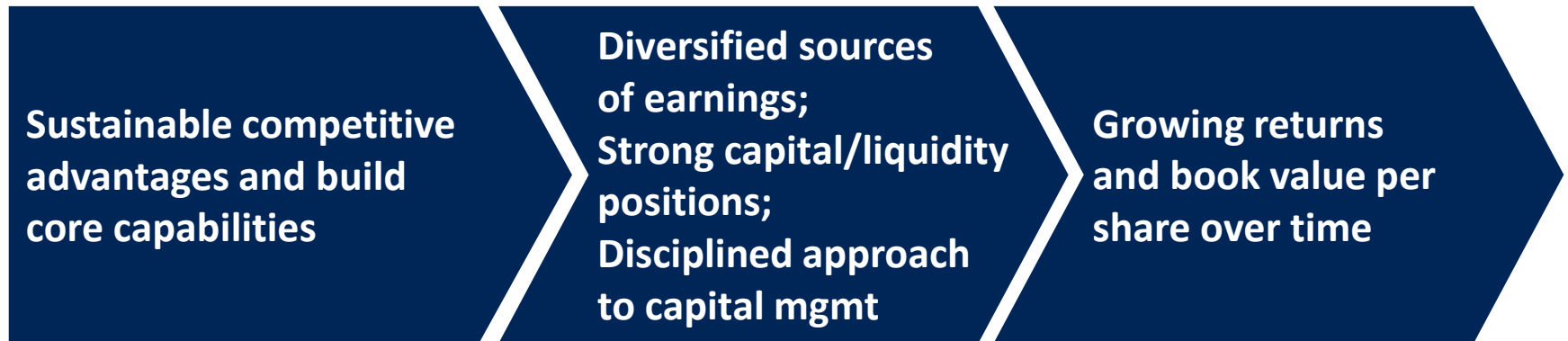
## Operating Revenues: Historical Mix



<sup>1</sup> Alliance United is not rated

# Create Long-term Shareholder Value

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## Strategic focus:

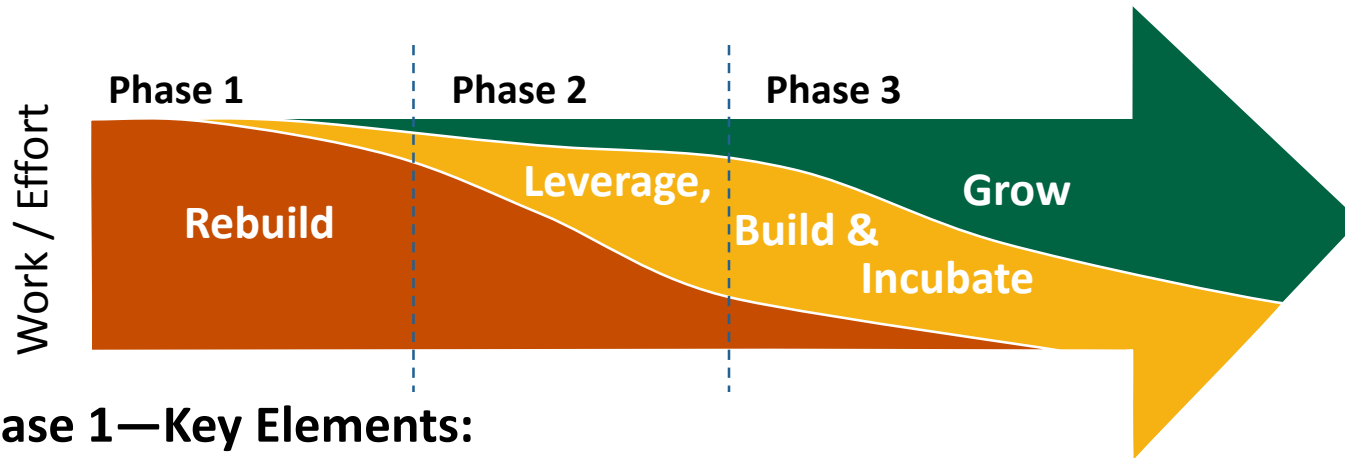
Consumer-related businesses with niche opportunities that:

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

**Deliver low double digit ROE<sup>1</sup> over time**

<sup>1</sup> Return on Equity

# Progress on our Strategic Update



## Phase 1—Key Elements:

### Specific

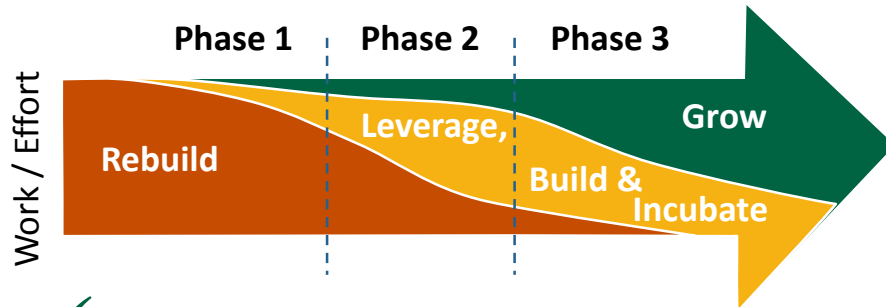
- Assemble top quality leadership team ✓
- Resolve DMF/UCP issue ✓
- Refocus & strengthen Non-standard Auto competency ✓
- Restore Alliance United profitability ✓
- Redesign P&C claim service delivery model ✓
- Complete IT re-platforming in P&C and Life ✓
- Reset expense base & ongoing expense management ✓

- ✓ On track – Initial results can start to be seen in 2017 run-rate
- ✓ Anticipate achieving year-end 2018 run-rate target

**Majority of Phase 1 initiatives are complete or ahead of schedule**

# Taking the Next Step on Kemper's Journey to Unlock Embedded Value

## Continued Progress of Specialty Strategic Plan



- ✓ Majority of Phase 1 and Phase 2 initiatives are complete or ahead of schedule
- ✓ Shifting focus towards Phase 3 as a result of improved operating performance
- ➔ Grow and enhance strategic position in key focus markets
- ➔ Scale business platform and enhance product suite
- ➔ Optimize data and analytics capabilities
- ➔ Continue to enhance operational efficiency with Claims initiatives

## Acquisition of Infinity Accelerates Momentum

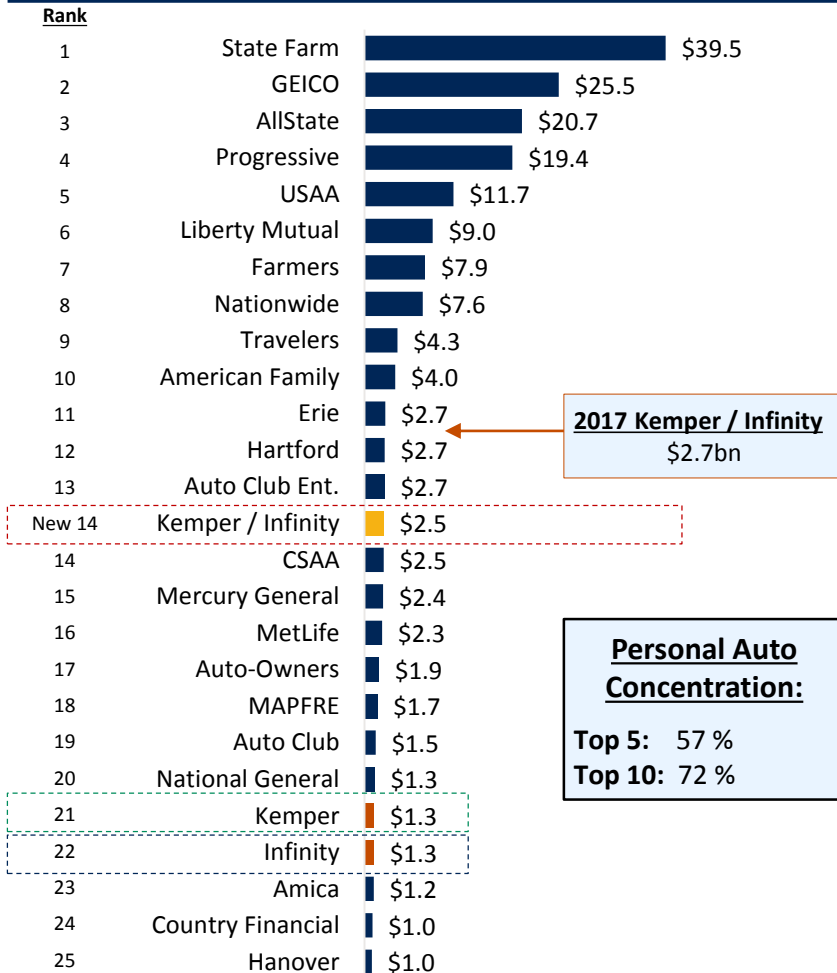
- Combines two leading brands in specialty insurance
- Increases scale in specialty and attractive markets
  - Improves presence in core markets
  - Expands product offering and customer base
  - Deepens agency relationships in urban and Hispanic markets
  - Bolsters growth opportunities
- Better positioned to serve combined customer base
  - Specialty specialization optimizes claims process
  - Efficient expense base enables more competitive pricing
  - Enhanced customer experience
  - Broader product offering enables cross-sell
- Enhances earnings profile and provides significant financial flexibility
  - Improved capital generation capabilities
  - Deploys capital in a strategic acquisition that will meaningfully enhance shareholder value

**Combination of two leading specialty businesses improves our ability to provide valuable products at reasonable costs to the combined customer base**

# Industry-Leading Specialty Insurer Focused on Niche Markets

## Enhanced Scale in Fragmented Personal Auto Market

2016 NPW (\$bn)



## Scale and Focus to Offer a Valuable Service to Niche Markets

- ✓ Ability to attract and retain key talent
- ✓ Specialized products for specialty customers
- ✓ Improved data and analytical capabilities
- ✓ Claim efficiencies and enhanced repair shop relationships
- ✓ Competitive pricing through lower costs
- ✓ Strengthened agency relationships and expanded urban and Hispanic customer reach

## Leading Specialty Brands



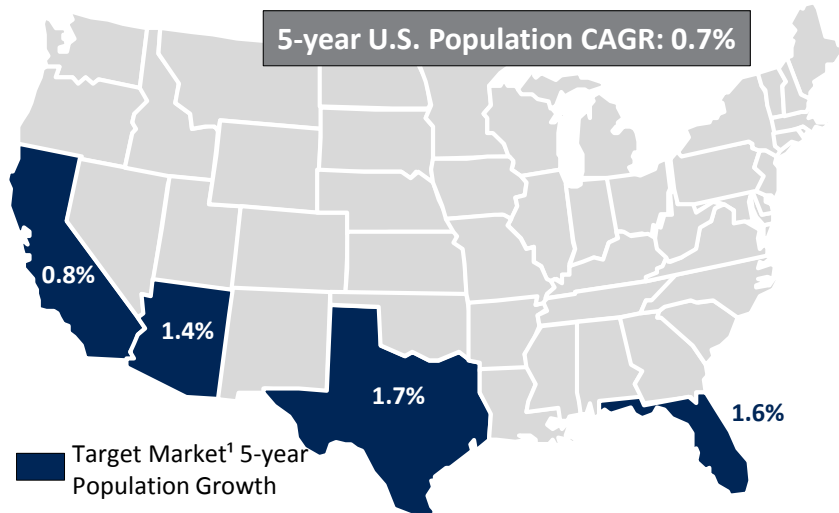
Source: A.M. Best





# Infinity's Strong Brand and Capabilities Enhances Service Offering

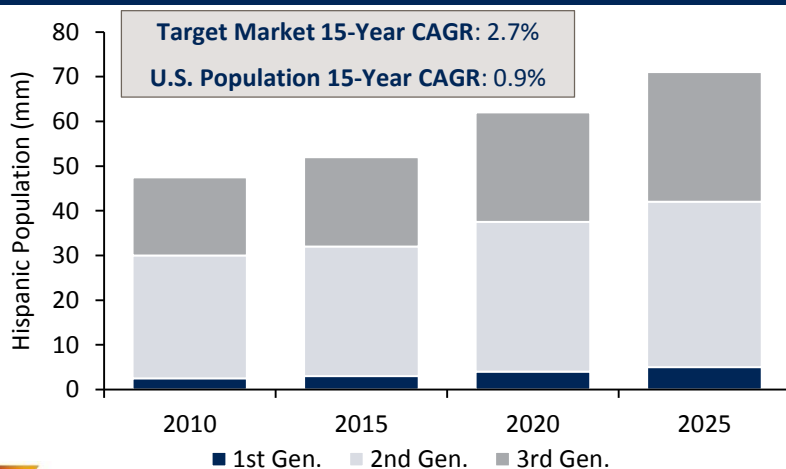
## 95% of Combined Company Specialty Premiums are Focused in High Growth Markets



## Infinity Provides Unique Service Capabilities

- ✓ Specialty insurance represents a historically niche segment with meaningful growth opportunities and further enhances our urban and Hispanic capabilities
- ✓ Infinity's target markets complement Kemper's existing specialty footprint
  - Infinity focused across 15 of the largest urban zones in the U.S.
  - Target markets represent a meaningful percentage of the specialty population and offer a significant premium opportunity
- ✓ Target market<sup>1</sup> total population growth of 1.3% annually over last 5 years (0.7% for U.S.)<sup>2</sup>
- ✓ A combination with Infinity adds unique specialty expertise and service capabilities
  - 550+ repair shop relationships
  - Specialized claims offices in each of the 15 urban zones
  - 85% of service representatives are bilingual
  - 100% of direct sales representatives are bilingual

## Unique Capabilities to Provide Specialized Products and Services to a Growing Hispanic Community



Source: Pew Hispanic Center and Urban Institute & U.S. Census Bureau

<sup>1</sup> Defined as Arizona, California, Florida, Texas.

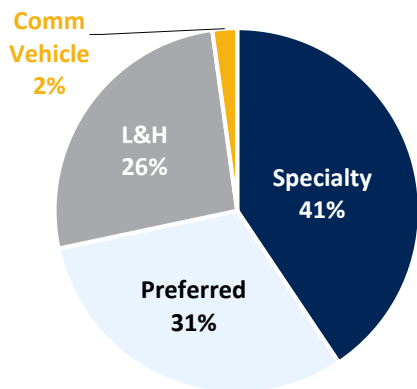
<sup>2</sup> Period 2012 through 2017



# Strengthens Core Capabilities and Improves Geographic Diversification

## Standalone Kemper

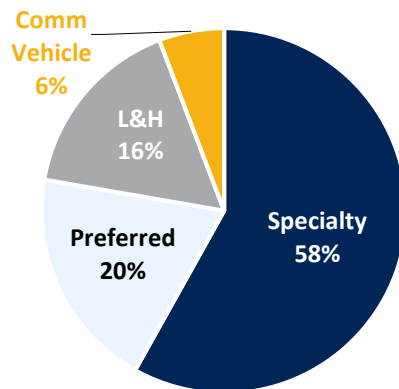
### Business Mix



2017 EP: \$2.4bn

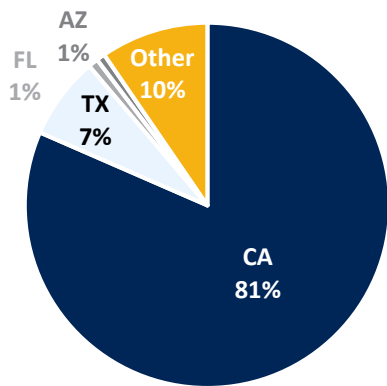
## Pro Forma

### Business Mix



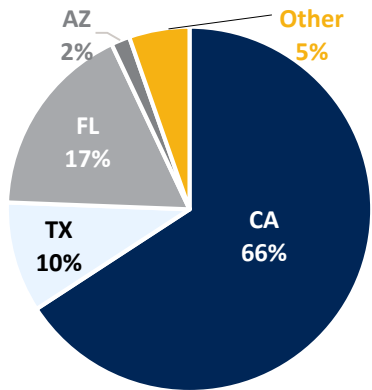
2017 EP: \$3.7bn

### Specialty Geographic Distribution



2017 EP: \$1.0bn

### Specialty Geographic Distribution



2017 EP: \$2.2bn

- Diversified product offerings focused on niche customers
- Combined entity offers more capital efficiency
- Opportunity to offer life, health, renters products to Infinity customer base
- Commercial auto offers attractive source of growth

- Strengthens specialty premium in key states (i.e., CA, FL, TX)
- Limited agency overlap
- Complementary product offerings

# Significant Value Creation Through Combination

In addition to scale benefits of a larger specialty player, each side brings complementary skills to the combined entity



- ✓ Strong product and claim capabilities
- ✓ Low cost and efficient processes
- ✓ Proven growth track record in core markets
- ✓ Specialized products and services provide meaningful value to the urban and Hispanic communities – extensive bilingual capabilities



- ✓ Strong product and claim capabilities
- ✓ Low cost and efficient processes
- ✓ Proven growth track record in core markets
- ✓ Diversified national product portfolio with stable L&H earnings provides capital to support growth
- ✓ Strong investment capabilities

## Additional Benefits of a Larger and Scaled Combined Business

- ✓ Increased scale yields stronger claim capabilities and better distribution breadth
- ✓ Ability to retain best in class capabilities and top talent from both organizations
- ✓ Larger premium base to spread fixed costs and investments into product, service and technology
- ✓ Geographic and product diversification enable improved capital management

**Shared core capabilities plus unique strengths and added scale create a dynamic, leading specialty franchise - delivering valuable products at reasonable costs to niche customer segments**

# Financially Compelling & Conservatively Structured Transaction

Financially Compelling	<b>Earned Premium</b>	<ul style="list-style-type: none"> <li>• \$3.7bn of combined earned premiums</li> <li>• ~58% increase in Kemper's 2017 earned premiums</li> </ul>
	<b>EPS Accretion</b>	<ul style="list-style-type: none"> <li>• Accretive to EPS (excluding value of business acquired ("VOBA") and one-time items) in Year 1 (first twelve months following close of the transaction)</li> <li>• 10%+ accretive to EPS in Year 2</li> </ul>
	<b>ROE Accretion</b>	<ul style="list-style-type: none"> <li>• 30bps+ accretive to return on average common equity ("ROACE") in Year 2</li> <li>• 400bps+ accretive to return on average tangible common equity ("ROATCE") in Year 2</li> </ul>
	<b>Book Value Earnback</b>	<ul style="list-style-type: none"> <li>• Immediately accretive to book value per share</li> <li>• Tangible book value per share returns to its current level in approximately 2 years</li> </ul>
	<b>Conservative Capitalization</b>	<ul style="list-style-type: none"> <li>• Pro forma debt to total capitalization of approximately 26.4% - normalized to ~22% by 1H 2019</li> <li>• Meaningful financial flexibility driven by combined company capital generation capabilities</li> </ul>
Meaningful Synergies	<b>Synergies</b>	<ul style="list-style-type: none"> <li>• Estimate \$55mm of fully phased-in pre-tax cost savings to be realized by 2Q 2020</li> <li>• Approximately \$10-15mm of incremental pre-tax savings related to systems conversions; fully realized by year-end 2022</li> <li>• An additional \$5-10mm of pre-tax earnings from the repositioning of Infinity's investment portfolio</li> </ul>
	<b>One Time and Restructuring</b>	<ul style="list-style-type: none"> <li>• Estimate approximately \$38mm of one-time deal-related expenses and approximately \$72mm of integration expenses</li> <li>• Integration expenses are 1.2x fully phased-in synergies (cost savings plus investment portfolio repositioning)</li> </ul>

**A strategically and financially compelling transaction meant to create value for both sets of shareholders**

# Maximizing Execution Certainty – Keys to Success

## Creating dedicated integration teams to identify and leverage “Best of Breed”

### People Integration – IPCC Key Personnel

- Current Infinity leadership will remain highly involved post closing
- Expect to retain vast majority of sales, underwriting, claims and customer service employees
- Well-positioned to attract and retain top talent in the specialty segment to increase effectiveness

### Culture

- Similar focus on serving niche segments of the personal auto market
- Focus on building brand awareness and bringing new products and services to the segment

### Products, Pricing & Underwriting

- Over time leverage increased data and segmentation into product pricing
- Develop additional products that are tailored towards the urban and Hispanic segments

### Claims

- Transition to one claims platform to improve operational efficiencies and data analytics
- Use best practices to refine approach to claim operations

### Systems/Operation Integration

- Executing comprehensive integration plan
- Identifying strengths and weaknesses of current systems and platforms
- Elimination of duplicate systems over time to reduce expenses and gain efficiencies

**Experienced integration teams with oversight of Executive Management leads to successful integration**

# Infinity Further Enhances the Case for Kemper



**Experienced Management Team with a History of Delivering Favorable Results**

*Enhances Depth and Breadth of Management Team*

**Strong Brand with Three Diversified Businesses Growing Top Line Revenues**

*Adds a Powerful Brand, Strengthen Core Capabilities & Improves Geo Diversification*

**Successfully Executing on Strategy to Unlock Embedded Value**

*Transaction is 10%+ Accretive to EPS in Year 2 & Immediately Accretive to BVPS*

**Superior Risk Profile and Leading Portfolio Returns**

*Similar Risk Philosophies; Investment Portfolio to be Managed by Kemper*

**Strong Capitalization and Ample Liquidity with Focused Deployment Priorities**

*PF Debt/Total Cap of Approx. 26.4%; Normalized to ~22% by 1H 2019*





**KEMPER**

# Appendix



# 4Q and FY 2017 Highlights

## Operating Results

- GAAP EPS increased 18 percent for the quarter
- Adjusted Net Operating EPS<sup>1</sup> increased 7 percent in the quarter and 44 percent in the year
- Earned Premiums increased \$45 million, or 8 percent, in the quarter and \$130 million, or 6 percent, in the year; improvements are primarily from policies-in-force growth and higher average earned premium in the nonstandard auto business
- Nonstandard auto led the P&C segment's underlying combined ratio improvement of 6.3 percentage points in the quarter and 5.5 percentage points in the year
- Life & Health adjusted net income<sup>1</sup> increased \$2 million in the quarter and \$10 million in the year, primarily from higher net investment income and stable underwriting margins and earned premiums
- Net Investment Income increased 3 percent in the quarter and 10 percent in 2017, driven by a larger core investment portfolio with stable performance coupled with strong performance of our alternative investment portfolio

## Balance Sheet

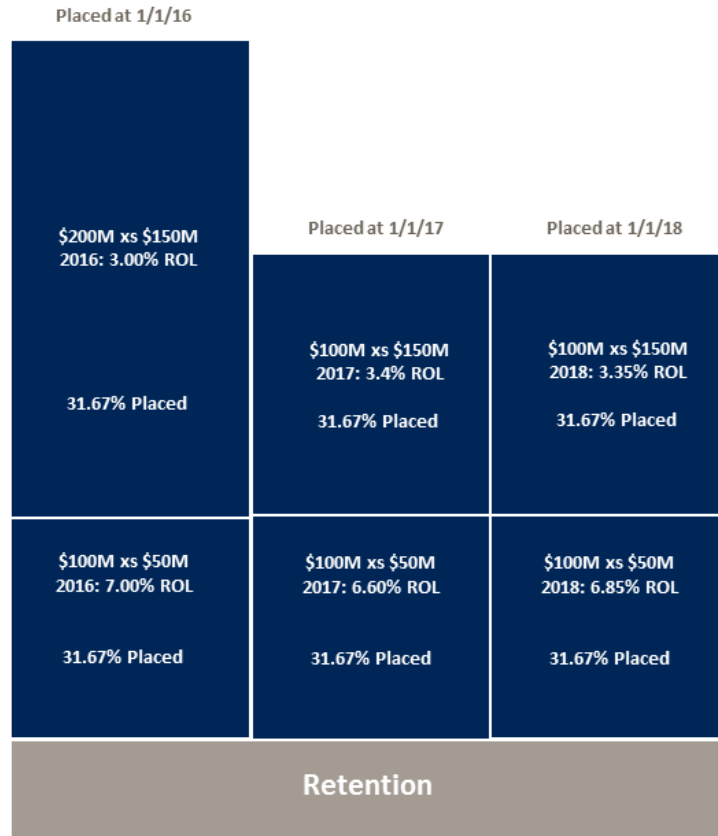
- Ample liquidity at holding company — ~\$580 million of available and contingent liquidity
- Operating companies continue to be capitalized at levels that exceed our rating requirements
- Year-end debt-to-capital ratio improved to 21.9 percent

## Other

- Duane Sanders – President, Property & Casualty Division effective January 2018
- Secured an aggregate catastrophe reinsurance treaty for 2018
- Implemented Kemper Prime, our new preferred auto and home product, in 4 new states during the quarter
- Recognized \$7.4 million benefit from the Tax Cuts and Jobs Act of 2017

# 2018 Reinsurance Program

## Catastrophe Reinsurance Program (Multi Year)



- For an event that occurs in 2018, we have coverage of 31.67% of \$300 xs \$50 million from our 1/1/16 treaty.
- We have coverage of 31.67% of \$200 xs \$50 million from our 1/1/17 treaty, and similar coverage from our 1/1/18 treaty.

## Aggregate Catastrophe Program

- Coverage
  - \$50 million in excess of \$60 million
  - \$500k deductible per storm
  - Perils: All perils, excluding named storms (i.e. hurricanes) and earthquakes
  - Covered Line: Homeowners
- Pricing
  - \$9 million

## 2018 Aggregate Catastrophe Reinsurance Program



# Non-GAAP Financial Measures

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**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.