

# Investor Update



November 2019

**KEMPER**

# Preliminary Matters

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## Cautionary Statements Regarding Forward-Looking Information

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.

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, which speak only as of the date of this presentation. Forward-looking statements involve a number of risks and uncertainties that are difficult to predict, and are not guarantees of future performance. Among the general factors that could cause actual results and financial condition to differ materially from estimated results and financial condition are the possibility that the anticipated benefits and synergies from an acquisition may not be fully realized to the extent or within the time frame previously expected and other factors listed in periodic reports filed by Kemper Corporation with the Securities and Exchange Commission (SEC). 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. Kemper assumes no obligation to publicly correct or update any forward-looking statements as a result of events or developments subsequent to the date of this presentation. The reader is advised, however, to consult any further disclosures Kemper makes on related subjects in its filings with the SEC.

## 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.

# A Leading Specialized Insurer

*Taking advantage of a diversified portfolio of niche businesses....*

# KEMPER

Founded in 1990 and headquartered in Chicago,  
with subsidiaries writing policies since 1911



>\$12B

Assets



~6.4M

Policies



~30,000

Agents/Brokers



>8,400

Employees

## KEMPER Auto

Specialty P&C insurance providing  
personal and commercial  
automobile insurance products

## KEMPER Personal Insurance

Preferred personal lines insurance  
providing preferred automobile,  
homeowners and other personal  
insurance products

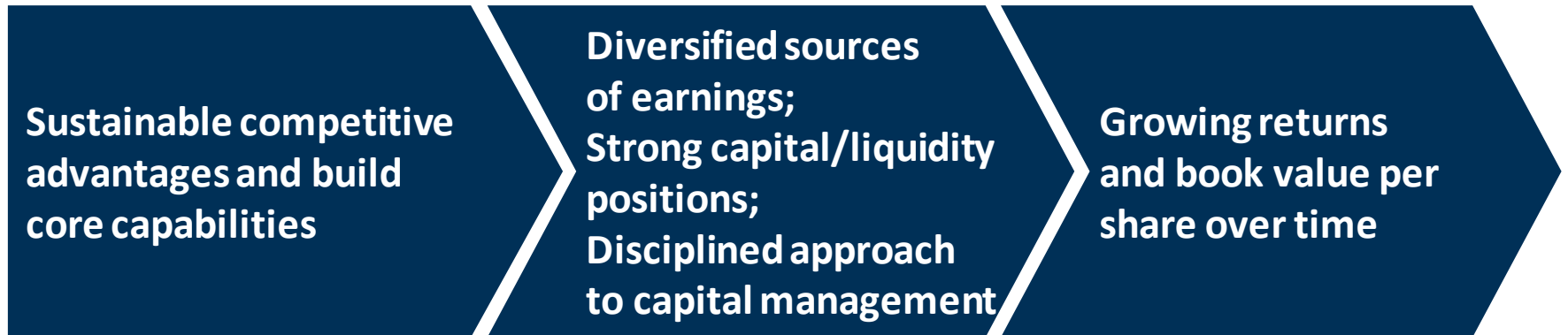
## KEMPER Life & Health

Life and health insurance  
providing life, supplemental  
benefits, and other property  
insurance products

....to create value for all our stakeholders

# Create Long-Term Shareholder Value

*Leverage competitive advantages to grow returns and BVPS<sup>1</sup> over time*



## Strategic focus:

Consumer-related businesses with opportunities that:

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

Deliver low double-digit ROE<sup>2</sup> over time

# Key Company Highlights

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

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

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

**Superior Risk Profile and Leading Portfolio Returns**

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



**KEMPER**

# Experienced Leaders with History of Delivering Results

## *Increased ability to attract and retain high caliber talent*

### **Joe Lacher**

President & Chief Executive Officer

- 25+ years of insurance industry experience; Joined Kemper in 2015
- Previous experience: Allstate, Travelers

### **Jim McKinney**

EVP & Chief Financial Officer

- 15+ years of finance experience; Joined Kemper in November 2016
- Previous experience: Banc of California, AerCap, RBS Citizens, KPMG

### **John Boschelli**

EVP & Chief Investment Officer

- 25+ years of insurance industry experience; Rejoined Kemper in 1997
- Held various investment, finance and accounting positions

### **Charles Brooks**

EVP, Operations & Systems

- 25+ years of IT and operations experience; Joined Kemper in 2016
- Previous experience: ACE Group, Travelers and Accenture

### **Tom Evans**

EVP, Secretary & General Counsel

- 30+ years of legal experience, majority in the insurance industry
- Joined Kemper in 1992; served in various legal roles

### **Mark Green**

EVP, Business Dev. & Reinsurance  
President, Life and Health

- 25+ years of insurance industry experience; Joined Kemper in 2016
- Previous experience: Allstate, AIX Group, Wells Fargo Ins., Chubb

### **Kimberly Holmes**

EVP, Chief Actuary and Strategic  
Analytics Officer

- 25+ years of actuarial and analytics experience; Joined Kemper in 2019
- Previous experience: AXA, Endurance Risk Solutions, Enterprise Reinsurance

### **Christine Mullins**

EVP, Chief Human Resources Officer

- 25+ years of human resources experience; Joined Kemper in 2016
- Previous experience: CEO.works, Zurich, Motorola

### **Duane Sanders**

EVP & President, P&C

- 30+ years of insurance industry experience; Joined Kemper in 2018
- Previous experience: Travelers, Fortune Financial, Cigna, Progressive

# Three Diversified Businesses with Growing Revenues

Stable and predictable L&H cash flow supports P&C growth

## Specialty P&C<sup>1</sup>

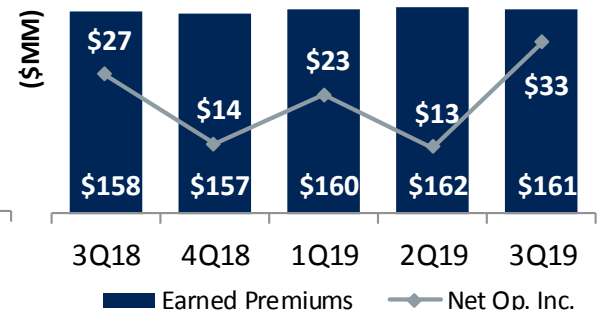
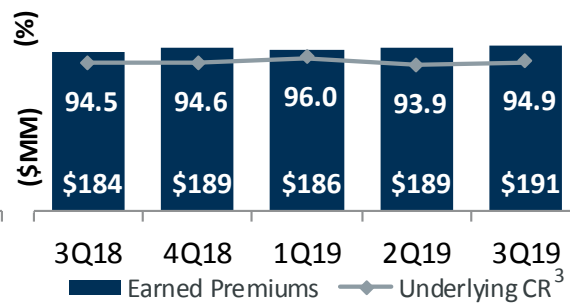
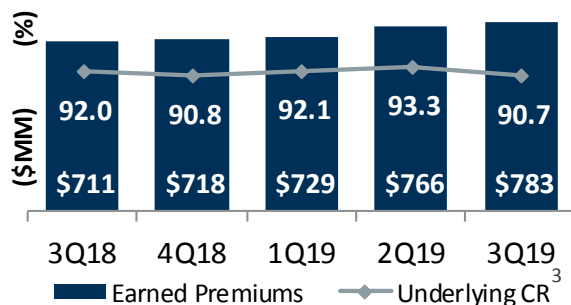
- Seasoned auto writer providing insurance to this market for more than 65 years
- Acquired Infinity Property and Casualty Corporation in July 2018 and Alliance United in May 2015, both with emphasis on Hispanic market
- Emphasis on specialized claims function to address market needs
- Growing new business through products with increased specialization and segmentation
- Distribution Channel:
  - ~21,000 independent agents
- Key Risks:
  - Frequency and severity
  - Regulatory changes

## Preferred P&C<sup>2</sup>

- Offer stand-alone and packaged property and auto policies (more than 50 percent of home policies are packaged with auto)
- Distributed by ~4,800 independent agents
- Addressing profitability through claims, rate and underwriting actions
- Catastrophe loss expectations remain in line with long-term pricing expectations
- Obtained reinsurance to reduce volatility from smaller weather events
- Key Risks:
  - Auto: frequency and severity
  - Property: catastrophe

## Life & Health

- Provides basic life, accident and health products in 49 states
  - Limited sensitivity to interest rate or stock market volatility
  - Simple products with stable cash flows
- Consists of two divisions:
  - Kemper Life
  - Kemper Health
- Distribution Channels:
  - 2,200 captive home service agents
  - ~4,800 independent agents
  - Employer-sponsored voluntary benefit programs
- Key Risks:
  - Mortality
  - Morbidity



<sup>1</sup>As adjusted with Infinity, includes specialty auto, commercial auto and classic car

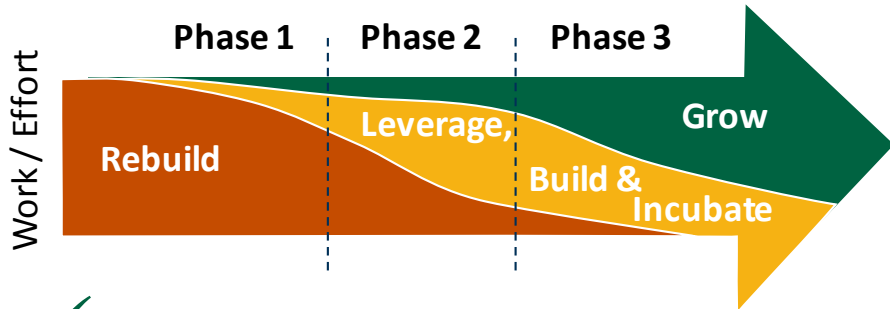
<sup>2</sup>Includes Home, Preferred Auto and Other Personal Insurance

<sup>3</sup>Underlying Combined Ratio; Non-GAAP financial measure; see reconciliation in the appendix

# Latest Step on Kemper's Journey to Unlock Embedded Value

Acquisition of Infinity increased scale and capabilities in specialty auto

## Continued Progress on Specialty Auto Strategic Plan



- ✓ Completed Phase 1 and 2
- ✓ In pursuit of Phase 3

- ➔ 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

## Successful Execution on Infinity Acquisition

- Achieving integration milestones and exceeding financial targets

### Integration Progress

- Cultures, vision, brand and strategic direction aligned
- Leveraging combined data to inform “go-to-market” and product strategy
- Claims platform and processes are aligning to enable future operational efficiencies
- System integration plan slightly ahead of schedule
- Focused on maintaining customer service levels

### Exceeding Financial Targets

Cost Savings	Yield Enhancement	Operating Earnings Accretion	Tangible Book Value Earnback	Debt / Total Cap.
✓	✓	✓	✓	✓

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



# Prudent Approach to Risk Management

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*Specialized P&C and L&H insurance platform enhances risk diversification*

## Insurance Products

- P&C: Primarily short-tail liabilities allow for flexible repricing to swiftly address frequency and severity trends as they emerge; strong catastrophe and aggregate stop-loss reinsurance programs in place that balance cost and protection
- L&H: Small face amount limits mortality risk (~\$6,200 per policy in force); no variable annuities or equity-linked products
- Reduced risk over time by eliminating long-tail commercial lines and major medical products as well as reducing coastal exposures

## Investments

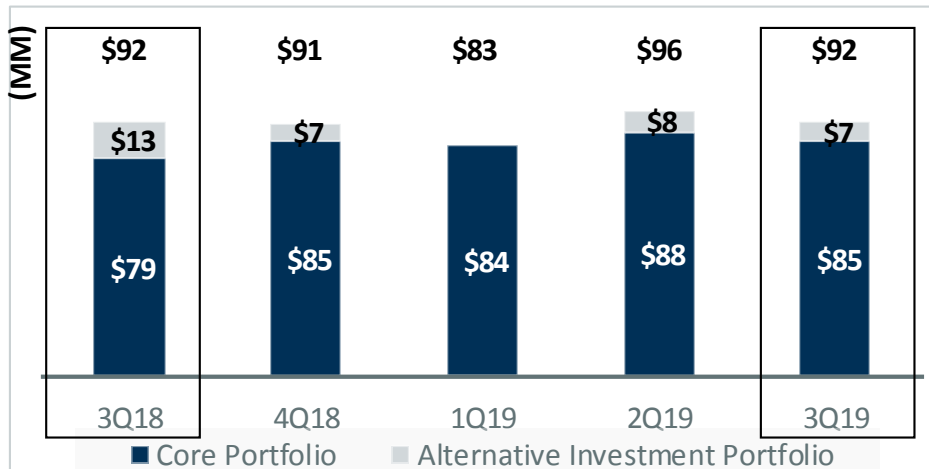
- Market and interest rate risk is limited as only 7 percent of operating revenues is derived from net investment income as for last twelve months ending September 30, 2019
- Approximately 80 percent of portfolio is fixed maturities and short-term securities, of which over 90 percent is investment grade

## Corporate Profile

- Specialized operating structure optimizes liquidity, capital, and investment management while enhancing risk diversification through non-correlated distributable cash flows
- Highly rated insurance financial strength ratings (“A-” Stable or better) demonstrates our commitment to disciplined risk and capital management

# High Quality & Diversified Portfolio with Consistent Returns

## Stable Net Investment Income

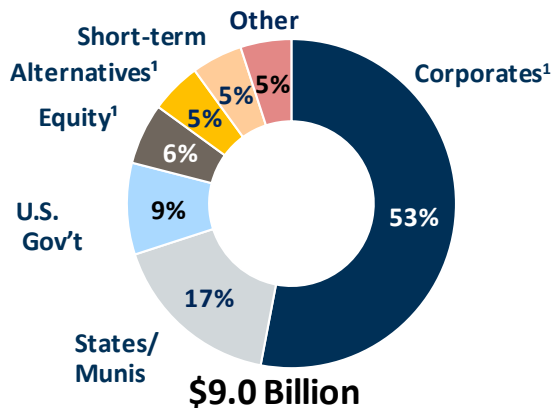


## Overview

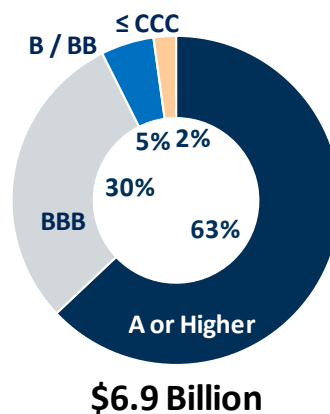
- Core portfolio investment income in line with the previous year, which did not include the impact of investment in Corporate owned life insurance (COLI)
- COLI income, recognized in the other income line, increased to \$3 million from \$1 million in 3Q'18, reflecting increased investment allocation

## Diversified & Highly-Rated Portfolio

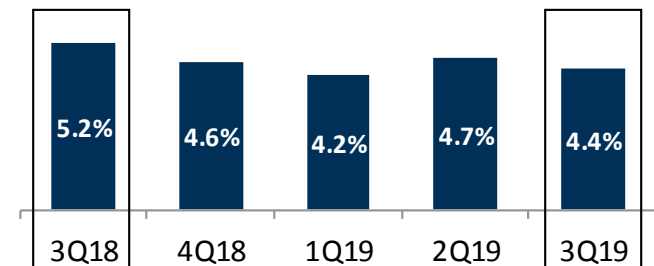
### Portfolio Composition



### Fixed Maturity Ratings



## Pre-Tax Equiv. Annualized Book Yield

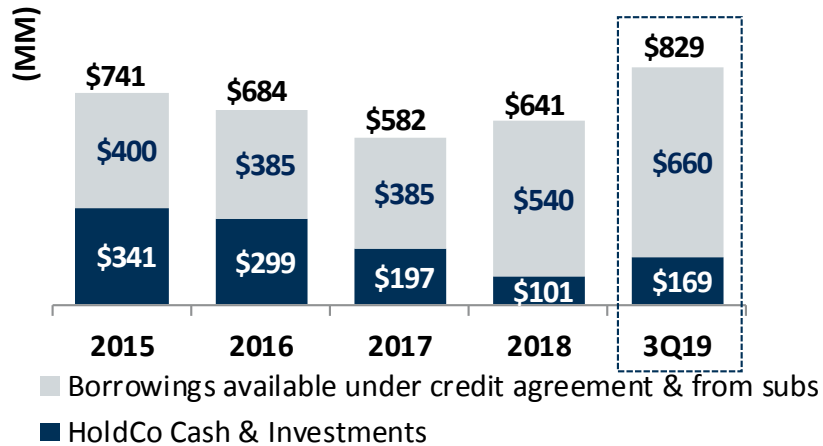


- Lower yield primarily due to mix shift from addition of Infinity portfolio

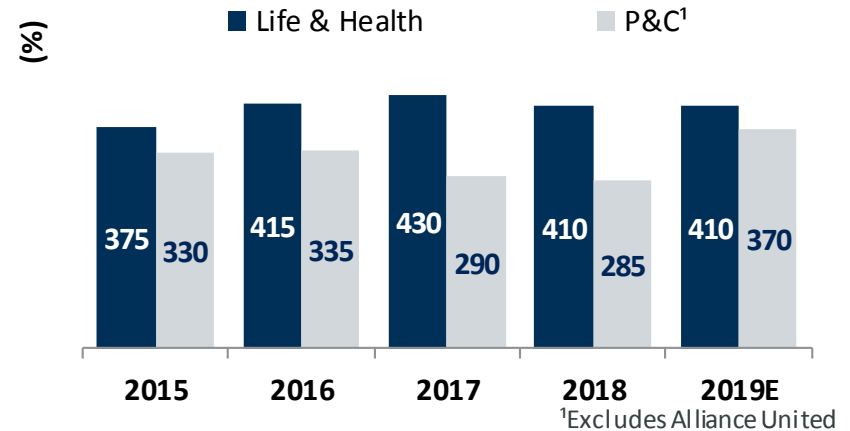
# Strong Capital Position with Ample Liquidity

Balance sheet strengthened through execution of pension risk mitigation action

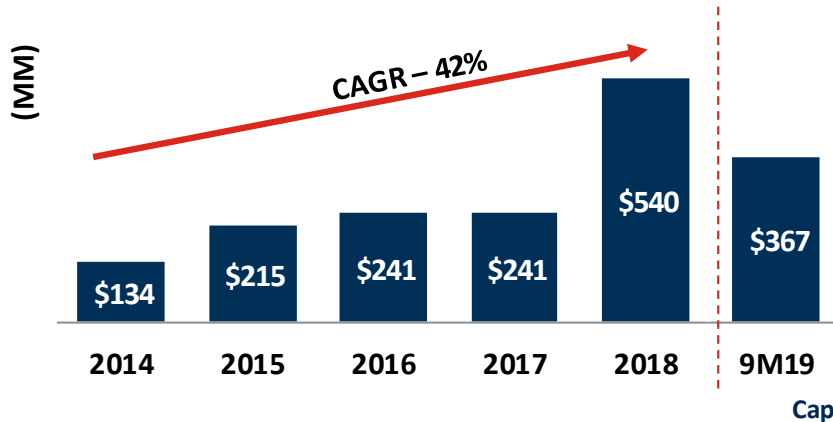
## Strong Parent Company Liquidity



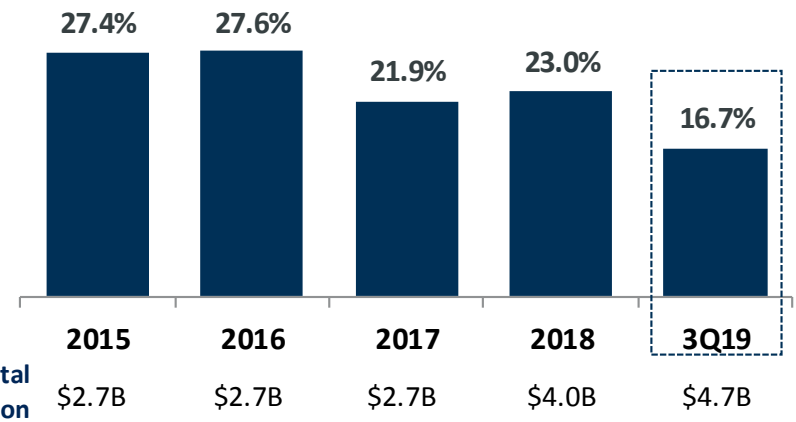
## Risk-Based Capital Ratios



## Cash Flow from Operating Activities



## Debt-to-Capital <30%



Balance sheet well positioned to meet operating capital and liquidity needs

# Capital Deployment Priorities

*Dedicated to being good stewards of capital*

## **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 and management focused on maximizing shareholder value

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# Appendix

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# Third Quarter 2019 Highlights

*Specialty P&C growth and profitability continues to drive strong results*

## Shareholder Value Creation

### ***Continued double-digit return on equity and book value per share (BVPS) accretion***

- Net Income of \$129 million and adjusted consolidated net operating income of \$130 million
- 23% increase in BVPS and 13% increase in BVPS ex. net unrealized gains on fixed maturities<sup>1</sup>
- 37% growth in TBVPS and 21% increase in TBVPS ex. net unrealized gains on fixed maturities<sup>1</sup>
- 12.1% ROAE<sup>2</sup>, up 240 bps; 13.1% ROAE<sup>2</sup>, ex. net unrealized gains on fixed maturities<sup>1</sup>, up 250 bps
- Earnings per share increased 36% from \$1.40 to \$1.91, on a diluted basis
- Adjusted consolidated net operating EPS<sup>1</sup> increased 21% from \$1.59 to \$1.93

## 3<sup>rd</sup> Quarter Operating Performance

### ***Strong Specialty P&C performance with return to a more normal L&H result; continued focus on improving Preferred P&C***

- Specialty P&C Insurance underlying combined ratio<sup>1</sup> remained strong at 91.8%, as reported or 90.7%, as adjusted<sup>1</sup>, earned premiums increased by \$72 million, or 10%, benefitting from accelerating diversified geographic growth
- Life & Health results returned to a more normalized level; continues to provide stable cash flow and diversification benefits

## Financial Strength

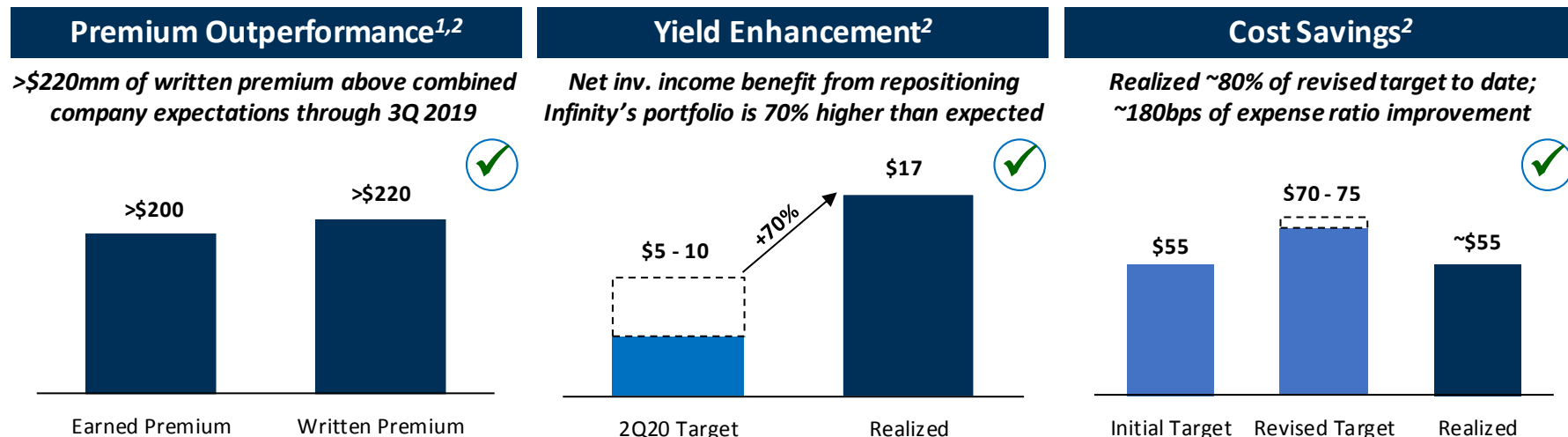
### ***Strong capital position providing significant financial flexibility***

- Exceptional balance sheet strength
- Debt-to-capital ratio of 16.7% with approximately \$830 million of available committed contingent liquidity
- Contributed \$55 million to the pension, bringing the liability within a fully funded range



# Surpassing Infinity Acquisition Financial Targets

Earnings accretion, ROE accretion, and book value earnback targets met



## Key Financial Targets Achieved Over a Year Ahead of Schedule

Metric	Announced Target	Current Status	Achieved Target
<b>Operating Earnings Accretion</b>	Year 1: accretive (ex. VOBA <sup>3</sup> ) Year 2: 10%+ accretive	<ul style="list-style-type: none"> <li>High-teens operating earnings accretion</li> <li>Achieving ROE and ROATCE<sup>4</sup> targets</li> </ul>	✓
<b>Tangible Book Value Earnback</b>	2yr earnback (static method)	<ul style="list-style-type: none"> <li>Tangible book value accretion achieved three quarters after close</li> </ul>	✓
<b>Debt / Total Cap.</b>	~22% by 2Q 2019	<ul style="list-style-type: none"> <li>3Q 2019 debt / total capitalization ratio of 16.7%</li> </ul>	✓

Achieved or ahead of schedule on all financial targets

# 2019 Reinsurance Program

Aggregate stop-loss program intended to reduce volatility from high-frequency, low-severity events

## Catastrophe Reinsurance Program (Multi-Year)

1-Year Term Placed 1/1/19 \$25M xs \$250M 95% Placed			Retention 5% of \$225M xs \$50M
3-Year Term Placed 1/1/17 \$100M xs \$150M 31.67% Placed	3-Year Term Placed 1/1/18 \$100M xs \$150M 31.67% Placed	3-Year Term Placed 1/1/19 \$100M xs \$150M 31.67% Placed	
3-Year Term Placed 1/1/17 \$100M xs \$50M 31.67% Placed	3-Year Term Placed 1/1/18 \$100M xs \$50M 31.67% Placed	3-Year Term Placed 1/1/19 \$100M xs \$50M 31.67% Placed	
Retention 100% of first \$50M			

- Policy placed at 1/1/19 similar to prior two years
  - Added \$25 million excess of \$250 million layer for 1-year term
- Total coverage: 95% of \$225 million excess of \$50 million

## Aggregate Catastrophe Program

- Same coverage as 2018 program
- Coverage
  - \$50 million in excess of \$60 million
  - \$500k deductible per storm
  - Perils: All perils, excluding named storms (e.g., hurricanes) and earthquakes
  - Covered Line: Preferred homeowners (excludes dwelling fire)

## 2019 Aggregate Catastrophe Reinsurance Program



# Kemper's New Brand Identity

*Powerful brand is foundational to unlock future value*

- **Rationale**

- Previous architecture had over 20 consumer-facing brands with inconsistent identities hindering ability to leverage brand to enhance performance
- Unified purpose, brand architecture and positioning increases awareness of Kemper's strength, reach and capabilities
- Harmonizing brand identity post Infinity acquisition, allows for faster integration and brand recognition
- Enables ability to optimize value creation

- **Implementation and Transition**

- Thoughtful transition plans to maximize execution effectiveness
  - Brand dependent transitions to occur over next 6-18 months
  - No material disruption anticipated
- Implementation costs included in estimated acquisition related transaction and integration costs

The main KEMPER logo, featuring the word "KEMPER" in a bold, blue, sans-serif font. A small red square is positioned to the left of the letter "K".The KEMPER Auto logo, with "KEMPER" in blue and "Auto" in red.The KEMPER Personal Insurance logo, with "KEMPER" in blue, "Personal" in red, and "Insurance" in red below it.The KEMPER Life logo, with "KEMPER" in blue and "Life" in red.The KEMPER Health logo, with "KEMPER" in blue and "Health" in red.

Clear purpose and values consistently delivered increases brand equity,  
accelerating stakeholder value creation

# Non-GAAP Financial Measures

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# Non-GAAP Financial Measures

**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, 2019	Sep. 30, 2018
Book Value Per Share	\$ 58.43	\$ 47.33
Less: Net Unrealized Gains on Fixed Maturities Per Share	(6.92)	(1.67)
Book Value Per Share Excluding Net Unrealized Gains on Fixed Maturities	\$ 51.51	\$ 45.66
Less: Goodwill	16.71	16.86
Book Value Per Share Excluding Net Unrealized Gains on Fixed Maturities and Goodwill	\$ 34.80	\$ 28.81

# Non-GAAP Financial Measures

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**Adjusted Consolidated Net Operating Income (Loss)** is an after-tax, non-GAAP financial measure computed by excluding from Income (Loss) from Continuing Operations the after-tax impact of 1) income (loss) from change in fair value of equity and convertible securities, 2) net realized gains on sales of investments, 3) net impairment losses recognized in earnings related to investments, 4) acquisition related transaction, integration and other costs, 5) loss from early extinguishment of debt and 6) significant non-recurring or infrequent items that may not be indicative of ongoing operations. Significant non-recurring 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 (Loss) from Continuing Operations.

Kemper believes that Adjusted Consolidated Net Operating Income (Loss) 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. Income (loss) from change in fair value of equity and convertible securities, net realized gains on sales of investments and net impairment losses recognized in earnings related to investments included in the Company'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. Loss from early extinguishment of debt is driven by the Company's financing and refinancing decisions and capital needs, as well as external economic developments such as debt market conditions, the timing of which is unrelated to the insurance underwriting process. Acquisition related transaction, integration and other costs may vary significantly between periods and are generally driven by the timing of acquisitions and business decisions which are unrelated to the insurance underwriting process. Significant non-recurring items are excluded because, by their nature, they are not indicative of the Company's business or economic trends.

# Non-GAAP Financial Measures

**Diluted Adjusted Consolidated Net Operating Income (Loss) Per Unrestricted Share** is a non-GAAP financial measure computed by dividing Adjusted Consolidated Net Operating Income (Loss) attributed to unrestricted shares by the weighted -average unrestricted shares and equivalent shares outstanding. The most directly comparable GAAP financial measure is Diluted Income (Loss) from Continuing Operations Per Unrestricted Share.

Kemper believes that Diluted Adjusted 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. Income from change in fair value of equity and convertible securities, net realized gains on sales of investments, net impairment losses recognized in earnings related to investments, and acquisition related transaction, integration and other costs 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.

Per Unrestricted Share	For the Three Months Ended				
	3Q19	2Q19	1Q19	4Q18	3Q18
Income from Continuing Operations - Diluted	\$ 1.91	\$ 1.84	\$ 2.35	\$ 0.08	\$ 1.40
Net (Income) Loss From:					
Change in Fair Value of Equity & Convertible Securities	(0.11)	(0.30)	(0.77)	0.92	(0.13)
Net Realized Gains on Sales of Investments	(0.02)	(0.25)	(0.19)	(0.20)	(0.04)
Net Impairment Losses Recognized in Earnings	0.02	0.08	0.04	0.02	0.02
Acquisition Related Transaction, Integration and Other Costs	0.06	0.01	0.07	0.09	0.34
Loss from Early Extinguishment of Debt	0.07	-	-	-	-
Adj. Consolidated Net Operating Income - Diluted	<u>\$ 1.93</u>	<u>\$ 1.38</u>	<u>\$ 1.50</u>	<u>\$ 0.91</u>	<u>\$ 1.59</u>

# Non-GAAP Financial Measures

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**Underlying Combined Ratio** is a non-GAAP financial measure. It is computed by adding the Current Year Non-catastrophe Losses and LAE Ratio with the Insurance Expense Ratio. The most directly comparable GAAP financial measure is the Combined Ratio, which is computed by adding total incurred losses and LAE, 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 the Company's property and casualty insurance businesses that may be obscured by catastrophe losses and prior-year reserve development. These catastrophe losses 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 the combined ratio. Prior-year reserve developments are 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 our insurance products in the current period. The Company believes it is useful for investors to evaluate these components separately and in the aggregate when reviewing the Company's 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.



# Non-GAAP Financial Measures

## Underlying Combined Ratio – Continued

For the Three Months Ended

	3Q19	2Q19	1Q19	4Q18	3Q18
<b>Specialty P&amp;C Insurance</b>					
Combined Ratio as Reported	91.6%	93.5%	89.3%	94.6%	99.1%
Current Year Catastrophe Loss and LAE Ratio	(0.3%)	(0.6%)	(0.1%)	(0.1%)	(0.2%)
Prior Years Non-Catastrophe Losses and LAE	0.5%	1.1%	2.5%	0.0%	0.2%
Prior Years Catastrophe Losses and LAE Ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Underlying Combined Ratio	91.8%	94.0%	91.7%	94.5%	99.1%
<b>Preferred P&amp;C Insurance</b>					
Combined Ratio as Reported	92.4%	103.1%	102.7%	103.9%	103.3%
Current Year Catastrophe Loss and LAE Ratio	(6.2%)	(12.0%)	(8.9%)	(11.3%)	(9.9%)
Prior Years Non-Catastrophe Losses and LAE	0.6%	2.3%	2.7%	1.6%	1.0%
Prior Years Catastrophe Losses and LAE Ratio	8.1%	0.5%	(0.5%)	0.4%	0.1%
Underlying Combined Ratio	94.9%	93.9%	96.0%	94.6%	94.5%
<b>Preferred Auto</b>					
Combined Ratio as Reported	101.5%	98.7%	100.8%	103.0%	97.5%
Current Year Catastrophe Loss and LAE Ratio	(1.8%)	(1.4%)	(2.2%)	(0.3%)	(2.1%)
Prior Years Non-Catastrophe Losses and LAE	0.4%	3.1%	1.0%	1.9%	2.3%
Prior Years Catastrophe Losses and LAE Ratio	0.1%	0.0%	0.1%	0.0%	0.0%
Underlying Combined Ratio	100.2%	100.4%	99.7%	104.6%	97.7%
<b>Preferred Home &amp; Other</b>					
Combined Ratio as Reported	77.1%	110.5%	105.7%	105.3%	112.2%
Current Year Catastrophe Loss and LAE Ratio	(13.7%)	(29.6%)	(20.1%)	(28.5%)	(22.0%)
Prior Years Non-Catastrophe Losses and LAE	0.8%	0.8%	5.6%	1.1%	(1.0%)
Prior Years Catastrophe Losses and LAE Ratio	21.5%	1.3%	(1.6%)	1.1%	0.3%
Underlying Combined Ratio	85.7%	83.0%	89.6%	79.0%	89.5%

# Non-GAAP Financial Measures

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**As Adjusted for Acquisition** amounts are non-GAAP financial measures. For the three months ended September 30, 2019, as adjusted amounts are computed by subtracting the impact of purchase accounting adjustments from the comparable consolidated GAAP financial measure reported by Kemper. For the three months ended September 30, 2018, as adjusted amounts are computed by adding the historical results of Infinity reported on a GAAP basis to the comparable consolidated GAAP financial measure reported by Kemper. The Company believes computing and presenting results on an adjusted basis are useful to investors and are used by management to provide meaningful and comparable year-over-year comparisons.

# Non-GAAP Financial Measures

As Adjusted for Acquisition – Continued

	<b>Three Months Ended</b>	
	<b><u>30-Sep-19</u></b>	<b><u>30-Sep-18</u></b>
<b>Net Income</b>		
Kemper - GAAP As Reported	\$ 129.0	\$ 92.2
Less: Impact of Purchase Accounting	<u>(6.6)</u>	<u>(39.5)</u>
As Adjusted <sup>1</sup>	\$ 135.6	\$ 131.7
<i>As Adjusted<sup>1</sup> - Per Diluted Share</i>	\$ 2.01	\$ 2.01
 <b>Adjusted Consolidated Net Operating Income (Loss)<sup>1</sup></b>		
Kemper	\$ 130.0	\$ 104.5
Less: Impact of Purchase Accounting	<u>(6.6)</u>	<u>(39.5)</u>
As Adjusted <sup>1</sup>	\$ 136.6	\$ 144.0
<i>As Adjusted<sup>1</sup> - Per Diluted Share</i>	\$ 2.03	\$ 2.20

# Non-GAAP Financial Measures

As Adjusted for Acquisition – Continued

## Specialty P&C Insurance Segment

	Three Months Ended				
	30-Sep-19	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18
<b>Earned Premiums</b>					
Kemper Specialty P&C - GAAP As Reported	\$ 783.4	\$ 766.0	\$ 729.3	\$ 717.8	\$ 711.2
<b>Current Year Non-CAT Losses and LAE</b>					
Kemper Specialty P&C - GAAP As Reported	\$ 579.4	\$ 579.2	\$ 544.3	\$ 530.3	\$ 527.6
Less: Impact of Purchase Accounting					
Amortization of Fair Value Adjustment to Infinity's Unpaid Loss and LAE	0.8	1.2	1.5	1.9	2.5
As Adjusted <sup>1</sup>	\$ 578.6	\$ 578.0	\$ 542.8	\$ 528.4	\$ 525.1
<b>Insurance Expenses</b>					
Kemper Specialty P&C - GAAP As Reported	\$ 139.2	\$ 140.9	\$ 124.8	\$ 148.0	\$ 176.8
Less: Impact of Purchase Accounting	7.3	4.4	(3.9)	24.5	47.8
As Adjusted <sup>1</sup>	\$ 131.9	\$ 136.5	\$ 128.7	\$ 123.5	\$ 129.0
<b>As Adjusted <sup>1</sup> Underlying Combined Ratio</b>					
As Adjusted <sup>1</sup> Underlying Loss & LAE Ratio	73.9%	75.5%	74.4%	73.6%	73.8%
As Adjusted <sup>1</sup> Expense Ratio	16.8%	17.8%	17.6%	17.2%	18.1%
As Adjusted <sup>1</sup> Underlying Combined Ratio	90.7%	93.3%	92.1%	90.8%	92.0%

# Non-GAAP Financial Measures

As Adjusted for Acquisition – Continued

## Specialty Personal Automobile Insurance

	Three Months Ended				
	30-Sep-19	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18
<b>Earned Premiums</b>					
Kemper Specialty Auto - GAAP As Reported	\$ 719.2	\$ 703.7	\$ 669.6	\$ 660.5	\$ 655.3
<b>Current Year Non-CAT Losses and LAE</b>					
Kemper Specialty Auto - GAAP As Reported	\$ 538.2	\$ 537.0	\$ 498.8	\$ 492.0	\$ 485.6
Less: Impact of Purchase Accounting					
Amortization of Fair Value Adjustment to Infinity's Unpaid Loss and LAE	0.6	0.9	1.3	1.5	2.0
As Adjusted <sup>1</sup>	\$ 537.6	\$ 536.1	\$ 497.5	\$ 490.5	\$ 483.6
<b>Insurance Expenses</b>					
Kemper Specialty Auto - GAAP As Reported	\$ 128.4	\$ 128.9	\$ 114.7	\$ 132.5	\$ 160.8
Less: Impact of Purchase Accounting	6.4	3.9	(2.5)	21.8	45.1
As Adjusted <sup>1</sup>	\$ 122.0	\$ 125.0	\$ 117.2	\$ 110.7	\$ 115.7
<b>As Adjusted <sup>1</sup> Underlying Combined Ratio</b>					
As Adjusted <sup>1</sup> Underlying Loss & LAE Ratio	74.7%	76.2%	74.3%	74.3%	73.8%
As Adjusted <sup>1</sup> Expense Ratio	17.0%	17.8%	17.5%	16.8%	17.7%
As Adjusted <sup>1</sup> Underlying Combined Ratio	91.7%	93.9%	91.8%	91.0%	91.5%

<sup>1</sup> As Adjusted is a non-GAAP measure, which is comprised by excluding impact of purchase accounting in 2018 and including historical results of Kemper and Infinity in periods prior to acquisition date of July 2, 2018.