Section 1: 8-K/A (8-K/A)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 8-K/A

(Amendment No. 1)

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): July 2, 2018

Kemper Corporation

(Exact name of registrant as specified in its charter)

Commission File Number: 001-18298

DE	**95-4255452**
(State or other jurisdiction of incorporation)	**(IRS Employer Identification No.)**

One East Wacker Drive, Chicago, IL 60601
(Address of principal executive offices, including zip code)

312-661-4600
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions (see General Instruction A.2.below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

EXPLANATORY NOTE

This Current Report on Form 8-K/A ("Form 8-K/A") amends the Current Report on Form 8-K filed July 2, 2018 (the "Original Report") by Kemper Corporation ("Kemper") reporting the completion of Kemper's previously announced acquisition of Infinity Property and Casualty Corporation ("Infinity"). This Form 8-K/A includes the historical audited and unaudited consolidated financial statements of Infinity required under Item 9.01(a) and the combined pro forma financial information of Kemper and Infinity required under Item 9.01(b). There are no additional changes to the Original Report, and this Form 8-K/A should be read in conjunction with the Original Report.

Section 9. – Financial Statements and Exhibits.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired

The audited consolidated balance sheets of Infinity and subsidiaries as of December 31, 2017 and 2016, and the audited consolidated statements of income, comprehensive income (loss), cash flows and shareholders' equity for the years ended December 31, 2017, 2016 and 2015, together with the notes thereto and the report of Ernst & Young LLP thereon, are filed as Exhibit 99.1 to this Form 8-K/A and incorporated herein by reference.

The unaudited condensed consolidated balance sheets of Infinity and subsidiaries as of June 30, 2018 and December 31, 2017, and the unaudited condensed consolidated statements of income, comprehensive income (loss), cash flows and shareholders' equity for the six and three months ended June 30, 2018 and 2017, together with the notes thereto, are are filed as Exhibit 99.2 to this Form 8-K/A and incorporated herein by reference.

(b) Pro Forma Financial Information

The unaudited pro forma condensed combined balance sheet of Kemper and Infinity as of June 30, 2018 and the unaudited pro forma condensed combined statements of income of Kemper and Infinity for the year ended December 31, 2017 and six months ended June 30, 2018, together with notes thereto, are filed as Exhibit 99.3 to this Current Report on Form 8-K/A and incorporated herein by reference.

(d) Exhibits

23.1 Consent of Independent Registered Public Accounting Firm

99.1 The audited consolidated balance sheets of Infinity and subsidiaries as of December 31, 2017 and 2016, and the audited consolidated statements of income, comprehensive income (loss), cash flows and shareholders' equity for the years ended December 31, 2017, 2016 and 2015, together with the notes thereto and the report of Ernst & Young LLP thereon (incorporated by reference from Item 8 of Part II of Infinity's 2017 Annual Report on Form 10-K filed on February 15, 2018).

99.2 The unaudited condensed consolidated balance sheets of Infinity and subsidiaries as of June 30, 2018 and December 31, 2017, and the unaudited condensed consolidated statements of income, comprehensive income (loss), cash flows and shareholders' equity for the six and three months ended June 30, 2018 and 2017, together with the notes thereto.

99.3 The unaudited pro forma condensed combined balance sheet of Kemper and Infinity as of June 30, 2018 and the unaudited pro forma condensed combined statements of income of Kemper and Infinity for the year ended December 31, 2017 and six months ended June 30, 2018, together with notes thereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	Kemper Corporation
Date: September 18, 2018	/S/ RICHARD ROESKE
	Richard Roeske
	Vice President and Chief Accounting Officer (principal accounting officer)

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Section 2: EX-23.1 (EXHIBIT 23.1)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements of Kemper Corporation of our reports dated February 15, 2018, with respect to the consolidated financial statements and schedules of Infinity Property and Casualty Corporation and its subsidiaries, and the operating effectiveness of internal control over financial reporting of Infinity Property and Casualty Corporation and subsidiaries included in the Annual Report (Form 10-K) of Infinity Property and Casualty Corporation and subsidiaries for the year ended December 31, 2017:

Form	Registration Number	Description
S-3	333-194032	Automatic shelf registration statement of securities of well-known seasoned issuers
S-3	333-217781	Automatic shelf registration statement of securities of well-known seasoned issuers
S-8	33-58300	Securities to be offered to employees in employee benefit plans (401K Plan)
S-8	333-4530	Securities to be offered to employees in employee benefit plans (1995 Director Plan)
S-8	333-86935	Securities to be offered to employees in employee benefit plans (401K Plan)
S-8	333-76076	Securities to be offered to employees in employee benefit plans (Non-Qualified Deferred Compensation Plan)
S-8	333-87898	Securities to be offered to employees in employee benefit plans (2002 Stock Option Plan)
S-8	333-173877	Securities to be offered to employees in employee benefit plans (2011 Omnibus Equity Plan)

/S/ ERNST & YOUNG LLP
Birmingham, Alabama
September 18, 2018

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Section 3: EX-99.2 (EXHIBIT 99.2)

Exhibit 99.2

INFINITY PROPERTY AND CASUALTY CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF JUNE 30, 2018 AND DECEMBER 31, 2017
AND
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018 AND 2017
TOGETHER WITH CONDENSED NOTES THERETO

(UNAUDITED)

INFINITY PROPERTY AND CASUALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(in thousands, except per share data)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2018	2017 (as adjusted)	2018	2017 (as adjusted)
Revenues:				
Earned premium	$ 374,254	$ 339,147	$ 728,241	$ 680,516
Installment and other fee income	28,846	26,652	56,241	53,391
Net investment income	11,782	9,001	21,568	17,696
Net realized (losses) gains on investments [(1)]	(1,343)	1,886	(4,175)	2,396
Other income	515	391	944	666
Total revenues	414,054	377,077	802,820	754,664
Costs and Expenses:				
Losses and loss adjustment expenses	275,217	273,621	539,769	544,296
Commissions and other underwriting expenses	95,280	90,241	185,801	176,180
Interest expense	3,508	3,511	7,017	7,023
Corporate general and administrative expenses	3,682	2,447	8,425	4,718
Other expenses	924	507	1,429	829
Total costs and expenses	378,612	370,327	742,441	733,046
Earnings before income taxes	35,442	6,750	60,378	21,618
Provision for income taxes	7,673	1,580	12,526	5,938
Net Earnings	$ 27,769	$ 5,170	$ 47,852	$ 15,680
Net Earnings per Common Share:				
Basic	$ 2.54	$ 0.47	$ 4.38	$ 1.43
Diluted	2.52	0.47	4.34	1.41
Average Number of Common Shares:				
Basic	10,920	11,006	10,917	11,002
Diluted	11,019	11,082	11,014	11,105
Cash Dividends per Common Share	$ 0.58	$ 0.58	$ 1.16	$ 1.16
[(1)] Net realized (losses) gains on sales	$ (605)	$ 1,886	$ 758	$ 2,406
Net holding period losses on equity securities	(283)	—	(2,891)	—
Total other-than-temporary impairment (OTTI) losses	(752)	—	(2,220)	(46)
Non-credit portion in other comprehensive income	378	—	536	36
OTTI losses reclassified from other comprehensive income	(81)	—	(358)	—
Net impairment losses recognized in earnings	(455)	—	(2,043)	(10)
Total net realized (losses) gains on investments	$ (1,343)	$ 1,886	$ (4,175)	$ 2,396

See Condensed Notes to Consolidated Financial Statements.

INFINITY PROPERTY AND CASUALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
($ in thousands)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
		(as adjusted)		**(as adjusted)**
Net earnings	$ 27,769	$ 5,170	$ 47,852	$ 15,680
Other comprehensive income before tax:				
Net change in post-retirement benefit liability	(2)	(13)	(3)	(25)
Unrealized gains on investments[1]:				
Unrealized holding (losses) gains arising during the period	(7,261)	9,055	(25,605)	19,720
Less: Reclassification adjustments for losses (gains) included in net earnings	1,063	(1,886)	3,169	(2,396)
Unrealized (losses) gains on investments, net	(6,198)	7,169	(22,436)	17,324
Other comprehensive (loss) income, before tax	(6,200)	7,156	(22,439)	17,299
Income tax benefit (expense) related to components of other comprehensive income	1,300	(2,505)	4,710	(6,055)
Other comprehensive (loss) income, net of tax	(4,900)	4,652	(17,729)	11,244
Comprehensive income	$ 22,869	$ 9,822	$ 30,123	$ 26,924

[1] The amounts for 2018 are for fixed maturities only.

See Condensed Notes to Consolidated Financial Statements

INFINITY PROPERTY AND CASUALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts in line descriptions)

	June 30, 2018	December 31, 2017
	(unaudited)	(as adjusted)
Assets		
Investments:		
Fixed maturities – at fair value (amortized cost $1,500,714 and $1,439,878)	$ 1,479,507	$ 1,441,107
Equity securities – at fair value (cost $66,010 and $68,812)	90,311	96,004
Short-term investments – at fair value (amortized cost $0 and $2,541)	—	2,541
Total investments	1,569,819	1,539,653
Cash and cash equivalents	102,800	107,589
Accrued investment income	13,098	13,079
Agents' balances and premium receivable, net of allowances for doubtful accounts of $14,226 and $15,262	584,169	507,963
Property and equipment, net of accumulated depreciation of $86,303 and $84,776	75,888	82,453
Prepaid reinsurance premium	—	1,032
Recoverables from reinsurers (includes $105 and $(1,269) on paid losses and LAE)	18,663	30,340
Deferred policy acquisition costs	102,883	88,300
Current and deferred income taxes	19,217	10,543
Receivable for securities sold	65	1,700
Other assets	20,287	16,557
Goodwill	75,275	75,275
Total assets	$ 2,582,163	$ 2,474,484
Liabilities and Shareholders' Equity		
Liabilities:		
Unpaid losses and loss adjustment expenses	$ 714,211	$ 715,098
Unearned premium	716,453	627,575
Long-term debt (fair value $281,875 and $290,824)	273,922	273,809
Commissions payable	16,414	16,743
Payable for securities purchased	4,000	5,615
Other liabilities	121,327	119,831
Total liabilities	1,846,327	1,758,672
Commitments and contingencies (See Note 9)		
Shareholders' equity:		
Common stock, no par value (50,000,000 shares authorized; 21,879,505 and 21,867,436 shares issued)	21,925	21,888
Additional paid-in capital	386,727	383,567
Retained earnings	846,354	793,077
Accumulated other comprehensive income, net of tax	(16,102)	19,756
Treasury stock, at cost (10,937,569 and 10,932,539 shares)	(503,069)	(502,475)
Total shareholders' equity	735,836	715,812
Total liabilities and shareholders' equity	$ 2,582,163	$ 2,474,484

See Condensed Notes to Consolidated Financial Statements.

INFINITY PROPERTY AND CASUALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
($ in thousands)
(unaudited)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income, Net of Tax	Treasury Stock	Total
Balance at December 31, 2016	$ 21,829	$ 378,745	$ 777,695	$ 7,907	$ (486,990)	$ 699,187
Cumulative effect of change in accounting principle	—	—	(3,808)	—	—	(3,808)
Net earnings	—	—	15,680	—	—	15,680
Net change in post-retirement benefit liability	—	—	—	(16)	—	(16)
Change in unrealized gain on investments	—	—	—	11,179	—	11,179
Change in non-credit component of impairment losses on fixed maturities	—	—	—	82	—	82
Comprehensive income						26,924
Dividends paid to common shareholders	—	—	(12,813)	—	—	(12,813)
Shares issued and share-based compensation expense	33	2,732	—	—	—	2,765
Acquisition of treasury stock	—	—	—	—	(3,951)	(3,951)
Balance at June 30, 2017, as adjusted	$ 21,862	$ 381,477	$ 776,754	$ 19,152	$ (490,941)	$ 708,304
Net earnings	—	—	29,043	—	—	29,043
Net change in post-retirement benefit liability	—	—	—	(116)	—	(116)
Change in unrealized gain on investments	—	—	—	475	—	475
Change in non-credit component of impairment losses on fixed maturities	—	—	—	246	—	246
Comprehensive income						29,647
Dividends paid to common shareholders	—	—	(12,720)	—	—	(12,720)
Shares issued and share-based compensation expense	25	2,090	—	—	—	2,115
Acquisition of treasury stock	—	—	—	—	(11,534)	(11,534)
Balance at December 31, 2017, as adjusted	$ 21,888	$ 383,567	$ 793,077	$ 19,756	$ (502,475)	$ 715,812
Cumulative effect of change in accounting principle	$ —	$ —	18,118	$ (18,128)	$ —	(10)
Net earnings	—	—	47,852	—	—	47,852
Net change in post-retirement benefit liability	—	—	—	(3)	—	(3)
Change in unrealized gain on fixed maturity investments	—	—	—	(17,971)	—	(17,971)
Change in non-credit component of impairment losses on fixed maturities	—	—	—	245	—	245
Comprehensive income						30,123
Dividends paid to common shareholders	—	—	(12,693)	—	—	(12,693)
Shares issued and share-based compensation expense	37	3,160	—	—	—	3,198
Acquisition of treasury stock	—	—	—	—	(594)	(594)
Balance at June 30, 2018	$ 21,925	$ 386,727	$ 846,354	$ (16,102)	$ (503,069)	$ 735,836

See Condensed Notes to Consolidated Financial Statements.

INFINITY PROPERTY AND CASUALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
($ in thousands, unaudited)

	Three months ended June 30,	
	2018	**2017**
		(as adjusted)
Operating Activities:		
Net earnings	$ 27,769	$ 5,170
Adjustments:		
Depreciation	3,436	4,120
Amortization	3,662	5,695
Net realized losses (gains) on investments	1,343	(1,886)
Loss (gain) on disposal of property and equipment	1	(5)
Share-based compensation expense	1,397	1,238
Activity related to rabbi trust	28	59
Change in accrued investment income	(3,000)	(1,233)
Change in agents’ balances and premium receivable	(26,964)	14,179
Change in reinsurance receivables	4,493	(1,307)
Change in deferred policy acquisition costs	(4,211)	3,690
Change in other assets	(7,760)	(8,722)
Change in unpaid losses and loss adjustment expenses	13,205	22,151
Change in unearned premium	24,989	(17,825)
Change in other liabilities	10,914	4,816
Net cash provided by operating activities	49,302	30,141
Investing Activities:		
Purchases of fixed maturities	(139,560)	(155,009)
Purchases of short-term investments	—	(425)
Purchases of property and equipment	(592)	(695)
Maturities and redemptions of fixed maturities	32,881	65,159
Maturities and redemptions of short-term investments	—	500
Proceeds from sale of fixed maturities	78,460	81,487
Proceeds from sale of equity securities	—	5,000
Proceeds from sale of property and equipment	—	6
Net cash used in investing activities	(28,812)	(3,978)
Financing Activities:		
Proceeds from stock options exercised and employee stock purchases	—	78
Principal payments under capital lease obligations	(137)	(134)
Acquisition of treasury stock	—	(1,450)
Dividends paid to shareholders	(6,346)	(6,411)
Net cash used in financing activities	(6,483)	(7,916)
Net increase in cash and cash equivalents	14,007	18,247
Cash and cash equivalents at beginning of period	88,793	69,361
Cash and cash equivalents at end of period	$ 102,800	$ 87,608

See Condensed Notes to Consolidated Financial Statements

INFINITY PROPERTY AND CASUALTY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
($ in thousands, unaudited)

	Six months ended June 30, 2018	Six months ended June 30, 2017 (as adjusted)
Operating Activities:		
Net earnings	$ 47,852	$ 15,680
Adjustments:		
Depreciation	7,132	8,296
Amortization	8,502	11,023
Net realized losses (gains) on investments	4,175	(2,396)
Loss (gain) on disposal of property and equipment	11	(8)
Share-based compensation expense	3,128	2,622
Activity related to rabbi trust	15	128
Change in accrued investment income	(20)	(986)
Change in agents’ balances and premium receivable	(76,206)	(2,939)
Change in reinsurance receivables	12,709	(389)
Change in deferred policy acquisition costs	(14,583)	733
Change in other assets	(8,564)	(13,227)
Change in unpaid losses and loss adjustment expenses	(887)	15,643
Change in unearned premium	88,878	9,118
Change in other liabilities	1,099	10,381
Net cash provided by operating activities	73,241	53,679
Investing Activities:		
Purchases of fixed maturities	(543,076)	(275,840)
Purchases of equity securities	—	(1,900)
Purchases of short-term investments	—	(425)
Purchases of property and equipment	(905)	(1,584)
Maturities and redemptions of fixed maturities	65,378	108,478
Maturities and redemptions of short-term investments	—	500
Proceeds from sale of fixed maturities	406,524	119,158
Proceeds from sale of equity securities	5,013	7,002
Proceeds from sale of short-term investments	2,528	2,400
Proceeds from sale of property and equipment	—	25
Net cash used in investing activities	(64,539)	(42,187)
Financing Activities:		
Proceeds from stock options exercised and employee stock purchases	70	143
Principal payments under capital lease obligations	(275)	(269)
Acquisition of treasury stock	(594)	(3,746)
Dividends paid to shareholders	(12,693)	(12,813)
Net cash used in financing activities	(13,492)	(16,684)
Net decrease in cash and cash equivalents	(4,789)	(5,192)
Cash and cash equivalents at beginning of period	107,589	92,800
Cash and cash equivalents at end of period	$ 102,800	$ 87,608

See Condensed Notes to Consolidated Financial Statements

INFINITY PROPERTY AND CASUALTY CORPORATION AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2018

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Note 1 ***Significant Reporting and Accounting Policies***

Nature of Operations

Infinity Property and Casualty Corporation ("Infinity") is a holding company that provides insurance through its subsidiaries for personal auto with a concentration on nonstandard risks, commercial auto and classic collectors. Although licensed to write insurance in all 50 states and the District of Columbia, we focus on select states that we believe offer the greatest opportunity for premium growth and profitability.

Basis of Consolidation and Reporting

The accompanying consolidated financial statements are unaudited and should be read in conjunction with our Annual Report on Form 10-K (Form 10-K) for the year ended December 31, 2017.

These financial statements reflect certain adjustments necessary for a fair presentation of our results of operations and financial position. Such adjustments consist of normal, recurring accruals recorded to accurately match expenses with their related revenue streams and the elimination of all significant intercompany transactions and balances.

We have evaluated events that occurred after June 30, 2018 and through July 30, 2018 (the date on which Kemper Corporation ("Kemper") filed a Current Report on Form 8-K that included, as Exhibit 99.4, our Supplementary Financial Information for the quarter ended June 30, 2018), for recognition or disclosure in our financial statements and the notes to the financial statements.

Schedules may not foot due to rounding.

Estimates

We based certain accounts and balances within these financial statements upon our estimates and assumptions. The amount of reserves for claims not yet paid, for example, is an item that we can only record by estimation. Unrealized capital gains and losses on investments are subject to market fluctuations, and we use judgment in the determination of whether unrealized losses on certain securities are temporary or other-than-temporary. Should actual results differ significantly from these estimates, the effect on our results of operations could be material. The results of operations for the periods presented may not be indicative of our results for the entire year.

Recently Adopted Accounting Standards

In February 2018 the FASB issued an ASU allowing a reclassification from accumulated other comprehensive income to retained earnings and consequently eliminating the stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017. We elected to early adopt the ASU and applied the amendment in the period of adoption, with a cumulative-effect adjustment of $0.4 million reclassified from accumulated other comprehensive income to retained earnings.

In October 2016 the FASB issued an ASU related to the recognition of income tax on intra-entity transfers of assets other than inventory. The guidance requires the income tax to be recognized when the transfer occurs rather than when the asset is sold to an outside party. We adopted the change on a modified retrospective basis, with a cumulative-effect adjustment of less than $(0.1) million recorded to retained earnings as of January 1, 2018.

Note 1 ***Significant Reporting and Accounting Policies (continued)***

In January 2016 the FASB issued an ASU amending the guidance on classifying and measuring financial instruments. The guidance requires equity securities to be measured at fair value and changes in that fair value to be recognized through net income. We adopted the change on a modified retrospective basis as of January 1, 2018, with a cumulative-effect adjustment of $17.7 million reclassified from accumulated other comprehensive income to retained earnings.

In May 2014 the FASB issued an ASU related to the accounting for revenue from contracts with customers. Insurance contracts were excluded from the scope of the guidance. As an insurance-entity, we are largely exempt from the provisions of this standard, with only fee income subject to this new standard. Processing and policy fees were generally earned at the inception of the policy under previous guidance but are earned over the life of the policy under current guidance. The guidance was adopted as of January 1, 2018, using a full retrospective approach with a cumulative-effect adjustment to the balance sheet, which reduced shareholders' equity by $4.5 million.

The following table illustrates the effect of adopting this standard on the Consolidated Balance Sheets ($ in millions):

	December 31, 2017		
	As Reported	**As Adjusted**	**Difference**
Agents' balances and premium receivable	$ 508.1	$ 508.0	$ (0.1)
Current and deferred income taxes	9.4	10.5	1.2
Total assets	2,473.4	2,474.5	1.1
Other liabilities	114.3	119.8	5.5
Shareholders' equity	720.3	715.8	(4.5)
Total liabilities and shareholders' equity	2,473.4	2,474.5	1.1

The following table illustrates the effect of adopting this standard on the Consolidated Statements of Earnings (in millions, except per share amounts):

	Three months ended June 30, 2017		
	As Reported	**As Adjusted**	**Difference**
Installment and other fee income	$ 26.5	$ 26.7	$ 0.2
Total revenues	376.9	377.1	0.2
Earnings before income taxes	6.6	6.8	0.2
Provision for income taxes	1.5	1.6	0.1
Net earnings	5.0	5.2	0.2
Net earnings per common share:			
Basic	$ 0.46	$ 0.47	$ 0.01
Diluted	0.46	0.47	0.01

	Six months ended June 30, 2017		
	As Reported	**As Adjusted**	**Difference**
Installment and other fee income	$ 53.4	$ 53.4	$ —
Total revenues	754.7	754.7	—
Earnings before income taxes	21.6	21.6	—
Provision for income taxes	5.9	5.9	—
Net earnings	15.7	15.7	—
Net earnings per common share:			
Basic	$ 1.43	$ 1.43	$ —
Diluted	1.41	1.41	—

We also adjusted the Consolidated Statements of Changes in Shareholders' Equity for the six months ended June 30, 2017 and the Consolidated Statements of Cash Flows for the three and six months ended June 30, 2017 for these changes.

Note 1 ***Significant Reporting and Accounting Policies (continued)***

Recently Issued Accounting Standards

In March 2017 the FASB issued an ASU related to the amortization of premium on purchased callable debt securities. The guidance amends the amortization period for certain purchased callable debt securities held at a premium. Securities that contain explicit, noncontingent call features that are callable at fixed prices and on preset dates should shorten the amortization period for the premium to the earliest call date (and if the call option is not exercised, the effective yield is reset using the payment terms of the debt security). The standard is effective for fiscal years, and interim period within those years, beginning after December 15, 2018, and is to be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings. We do not expect the adoption of this standard to have a material impact on our financial condition or results of operations.

In June 2016 the FASB issued an ASU related to the accounting for credit losses. The guidance generally requires credit losses on available-for-sale debt securities to be recognized as an allowance rather than as a reduction to the amortized cost of a security. The standard is effective for fiscal periods beginning after December 15, 2019, and interim periods within the year of adoption, with prospective application of the ASU required for debt securities for which an other-than-temporary impairment has been recognized before the implementation date. We do not expect the adoption of this standard to have a material impact on our financial condition or results of operations.

In February 2016 the FASB issued an ASU related to the accounting for leases. The guidance requires lessees to recognize lease assets and liabilities on the balance sheet. The standard is effective for fiscal years beginning after December 15, 2018, and is to be applied retrospectively, with an option to use a modified retrospective approach for leases which commenced prior to the effective date of this ASU. We do not expect the adoption of this standard to have a material impact on our financial condition or results of operations.

Note 2 ***Computation of Net Earnings per Share***

The following table illustrates our computations of basic and diluted net earnings per common share ($ in thousands, except per

share figures):

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Net earnings	$ 27,769	$ 5,170	$ 47,852	$ 15,680
Average basic shares outstanding	10,920	11,006	10,917	11,002
Basic net earnings per share	$ 2.54	$ 0.47	$ 4.38	$ 1.43
Average basic shares outstanding	10,920	11,006	10,917	11,002
Restricted stock not vested	11	36	10	34
Dilutive effect of Performance Share Plan	88	41	87	68
Average diluted shares outstanding	11,019	11,082	11,014	11,105
Diluted net earnings per share	$ 2.52	$ 0.47	$ 4.34	$ 1.41

Note 3 ***Fair Value***

Fair values of instruments are based on:

(i) quoted prices in active markets for identical assets (Level 1);
(ii) quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-derived valuations in which all significant inputs are observable in active markets (Level 2); or
(iii) valuations derived from valuation techniques in which one or more significant inputs are unobservable in the marketplace (Level 3).

The following tables present, for each of the fair value hierarchy levels, our assets and liabilities for which we report fair value on a recurring basis ($ in thousands):

	Fair Value			
	Level 1	**Level 2**	**Level 3**	**Total**
June 30, 2018				
Cash and cash equivalents	$ 102,800	$ —	$ —	$ 102,800
Fixed maturity securities:				
U.S. government	130,641	—	—	130,641
Foreign governments	—	821	—	821
State and municipal	—	340,935	767	341,702
Mortgage-backed securities:				
Residential	—	295,941	2,599	298,539
Commercial	—	68,378	—	68,378
Total mortgage-backed securities	—	364,318	2,599	366,917
Asset-backed securities	—	117,361	16,840	134,202
Corporates	—	505,224	—	505,224
Total fixed maturities	130,641	1,328,660	20,206	1,479,507
Equity securities	90,311	—	—	90,311
Total cash and investments	$ 323,752	$ 1,328,660	$ 20,206	$ 1,672,618
Percentage of total cash and investments	19.4%	79.4%	1.2%	100.0%
December 31, 2017				
Cash and cash equivalents	$ 107,589	$ —	$ —	$ 107,589
Fixed maturity securities:				
U.S. government	60,528	—	—	60,528
State and municipal	—	490,724	3,488	494,211
Mortgage-backed securities:				
Residential	—	350,992	—	350,992
Commercial	—	30,569	—	30,569
Total mortgage-backed securities	—	381,561	—	381,561
Asset-backed securities	—	62,266	152	62,418
Corporates	—	442,281	108	442,390
Total fixed maturities	60,528	1,376,832	3,748	1,441,107
Equity securities	96,004	—	—	96,004
Short-term investments	—	2,541	—	2,541
Total cash and investments	$ 264,121	$ 1,379,373	$ 3,748	$ 1,647,242
Percentage of total cash and investments	16.0%	83.7%	0.2%	100.0%

Note 3 ***Fair Value (continued)***

We do not report our long-term debt at fair value in the Consolidated Balance Sheets. The $281.9 million and $290.8 million fair value of our long-term debt at June 30, 2018, and December 31, 2017, respectively, would be included in Level 2 of the fair value hierarchy if it were reported at fair value.

Level 1 includes cash and cash equivalents, U.S. Treasury securities, an exchange-traded fund and equities held in a rabbi trust which funds our Supplemental Employee Retirement Plan (SERP). Level 2 includes securities whose fair value was determined using observable market inputs. Level 3 securities are comprised of (i) securities for which there is no active or inactive market for similar instruments; (ii) securities whose fair value is determined based on unobservable inputs; and (iii) securities, other than those backed by the U.S. Government, that are not rated by a nationally recognized statistical rating organization (NRSRO). We recognize transfers between levels at the beginning of the reporting period.

A third party nationally recognized pricing service provides the fair value of securities in Level 2. A summary of the significant valuation techniques and market inputs for each class of security follows:

U.S. Government: In determining the fair value for U.S. Government securities we use the market approach. The primary inputs to the valuation include reported trades, dealer quotes for identical or similar assets in markets that are not active, benchmark yields, credit spreads, reference data and industry and economic events.

Foreign governments: In determining the fair value for foreign government securities we use the market approach. The primary inputs to the valuation include benchmark yields, reported trades, dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications.

State and municipal: In determining the fair value for state and municipal securities we use the market approach. The primary inputs to the valuation include reported trades, dealer quotes for identical or similar assets in markets that are not active, benchmark yields, credit spreads, reference data and industry and economic events.

Mortgage-backed securities: In determining the fair value for mortgage-backed securities we use the market approach and to a lesser extent the income approach. The primary inputs to the valuation include reported trades, dealer quotes for identical or similar assets in markets that are not active, benchmark yields, credit spreads, reference data, industry and economic events and monthly payment information.

Asset-backed securities: In determining the fair value for asset-backed securities we use the market approach and to a lesser extent the income approach. The primary inputs to the valuation include reported trades, dealer quotes for identical or similar assets in markets that are not active, benchmark yields, credit spreads, reference data, industry and economic events, monthly payment information and collateral performance.

Corporate: In determining the fair value for corporate securities we use the market approach. The primary inputs to the valuation include reported trades, dealer quotes for identical or similar assets in markets that are not active, benchmark yields, credit spreads (for investment grade securities), observations of equity and credit default swap curves (for high-yield corporates), reference data and industry and economic events.

We review the third party pricing methodologies quarterly and test for significant differences between the market price used to value the security and recent sales activity.

Note 3 ***Fair Value (continued)***

The following tables present the progression in the Level 3 fair value category ($ in thousands):

	State and Municipal	Mortgage-Backed Securities	Asset-Backed Securities	Corporates	Total
Three months ended June 30, 2018					
Balance at beginning of period	$ 766	$ 2,857	$ 17,647	$ 109	$ 21,379
Total (losses) gains, unrealized or realized:					
Included in net earnings	(4)	(80)	—	—	(84)
Included in other comprehensive income	(1)	77	(77)	(2)	(3)
Settlements	—	—	(232)	(106)	(338)
Transfers in	5	2,599	16,884	—	19,488
Transfers out	—	(2,855)	(17,382)	—	(20,236)
Balance at end of period	$ 767	$ 2,599	$ 16,840	$ —	$ 20,206
Three months ended June 30, 2017					
Balance at beginning of period	$ 3,479	$ —	$ 4,584	$ 2,553	$ 10,616
Total (losses) gains, unrealized or realized:					
Included in net earnings	(29)	—	—	—	(29)
Included in other comprehensive income	(3)	—	1	(4)	(6)
Settlements	—	—	(76)	(335)	(411)
Transfers out	—	—	(4,259)	(2,000)	(6,259)
Balance at end of period	$ 3,447	$ —	$ 249	$ 215	$ 3,910

Note 3 ***Fair Value (continued)***

	State and Municipal	Mortgage-Backed Securities	Asset-Backed Securities	Corporates	Total
Six months ended June 30, 2018					
Balance at beginning of period	$ 3,488	$ —	$ 152	$ 108	$ 3,748
Total (losses) gains, unrealized or realized:					
Included in net earnings	(14)	(80)	—	—	(94)
Included in other comprehensive income	3	87	(50)	(2)	38
Purchases	—	2,847	17,729	—	20,576
Sales	(3,360)	—	—	—	(3,360)
Settlements	—	—	(493)	(106)	(599)
Transfers in	651	2,599	16,884	—	20,133
Transfers out	—	(2,855)	(17,382)	—	(20,236)
Balance at end of period	$ 767	$ 2,599	$ 16,840	$ —	$ 20,206
Six months ended June 30, 2017					
Balance at beginning of period	$ 3,860	$ —	$ 412	$ 666	$ 4,938
Total losses, unrealized or realized:					
Included in net earnings	(60)	—	—	2	(59)
Included in other comprehensive income	12	—	1	(26)	(12)
Purchases	—	—	4,259	2,000	6,259
Sales	(694)	—	—	—	(694)
Settlements	—	—	(165)	(427)	(591)
Transfers in	329	—	—	—	329
Transfers out	—	—	(4,259)	(2,000)	(6,259)
Balance at end of period	$ 3,447	$ —	$ 249	$ 215	$ 3,910

Of the $20.2 million fair value of securities in Level 3 at June 30, 2018, which consisted of nine securities, we priced three based on non-binding broker quotes, two were priced based on our unaffiliated money manager and four securities, which were included in Level 3 because they were not rated by a nationally recognized statistical rating organization, were priced by a nationally recognized pricing service.

During the six months ended June 30, 2018, seven securities were purchased and are new issues. One security, which was an exchange of a rated municipal bond for an unrated refunded bond, was transferred from Level 2 into Level 3. During the six months ended June 30, 2017, one security, which was an exchange of a rated municipal bond for an unrated refunded bond, was transferred from Level 2 into Level 3. There were no transfers of securities between Levels 1 and 2.

The gains or losses included in net earnings are included in the line item "Net realized (losses) gains on investments" in the Consolidated Statements of Earnings. We recognize the net gains or losses included in other comprehensive income in the line item "Unrealized (losses) gains on investments, net" in the Consolidated Statements of Comprehensive Income and the line item "Change in unrealized gain on investments" or the line item "Change in non-credit component of impairment losses on fixed maturities" in the Consolidated Statements of Changes in Shareholders’ Equity.

Note 3 ***Fair Value (continued)***

The following table presents the carrying value and estimated fair value of our financial instruments ($ in thousands):

	June 30, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Cash and cash equivalents	$ 102,800	$ 102,800	$ 107,589	$ 107,589
Available-for-sale securities:				
Fixed maturities	1,479,507	1,479,507	1,441,107	1,441,107
Equity securities	90,311	90,311	96,004	96,004
Short-term investments	—	—	2,541	2,541
Total cash and investments	$ 1,672,618	$ 1,672,618	$ 1,647,242	$ 1,647,242
Liabilities:				
Long-term debt	$ 273,922	$ 281,875	$ 273,809	$ 290,824

Refer to Note 4 – Investments to the Consolidated Financial Statements for additional information on investments and Note 5 – Long-Term Debt to the Consolidated Financial Statements for additional information on long-term debt.

Note 4 ***Investments***

We consider all fixed maturity and equity securities to be available-for-sale and report them at fair value. Net unrealized gains or losses on equity securities prior to January 1, 2018, and on fixed maturities are reported after-tax (net of any valuation allowance) as a component of other comprehensive income. As of January 1, 2018, changes in fair value of equity securities are recognized through net income. The proceeds from sales of securities for the three and six months ended June 30, 2018, were $78.5 million and $414.1 million, respectively, while the proceeds from sales of securities for the three and six months ended June 30, 2017, were $86.5 million and $128.6 million, respectively. The proceeds for the six months ended June 30, 2018, were net of $0.1 million of receivable for securities sold as of June 30, 2018. There was no receivable for unsettled sales as of June 30, 2017.

Gross gains of $0.3 million and gross losses of $0.9 million were realized on sales of available-for-sale securities during the three months ended June 30, 2018, compared with gross gains of $2.3 million and gross losses of $0.4 million realized on sales during the three months ended June 30, 2017. Gross gains of $3.2 million and gross losses of $2.4 million were realized on sales of available-for-sale securities during the six months ended June 30, 2018, compared with gross gains of $3.0 million and gross losses of $0.6 million realized on sales during the six months ended June 30, 2017. Gains or losses on securities are determined on a specific identification basis.

Note 4 ***Investments (continued)***

Summarized information for the major categories of our investment portfolio follows ($ in thousands):

	Amortized Cost or Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	OTTI Recognized in Accumulated OCI[(1)]
June 30, 2018					
Fixed maturities:					
U.S. government	$ 132,297	$ 8	$ (1,664)	$ 130,641	$ —
Foreign governments	818	3	—	821	—
State and municipal	342,574	1,118	(1,990)	341,702	(5)
Mortgage-backed securities:					
Residential	307,231	301	(8,993)	298,539	(450)
Commercial	69,698	14	(1,335)	68,378	—
Total mortgage-backed securities	376,930	315	(10,328)	366,917	(450)
Asset-backed securities	135,314	55	(1,167)	134,202	—
Corporates	512,782	904	(8,461)	505,224	(31)
Total fixed maturities	1,500,714	2,403	(23,610)	1,479,507	(487)
Equity securities	66,010	24,302	—	90,311	—
Total	$ 1,566,724	$ 26,705	$ (23,610)	$ 1,569,819	$ (487)
December 31, 2017					
Fixed maturities:					
U.S. government	$ 61,196	$ —	$ (668)	$ 60,528	$ —
State and municipal	492,442	2,768	(999)	494,211	(46)
Mortgage-backed securities:					
Residential	353,277	1,812	(4,097)	350,992	(1,479)
Commercial	31,204	18	(653)	30,569	—
Total mortgage-backed securities	384,481	1,830	(4,750)	381,561	(1,479)
Asset-backed securities	62,552	62	(196)	62,418	(8)
Corporates	439,208	4,610	(1,429)	442,390	(31)
Total fixed maturities	1,439,878	9,271	(8,042)	1,441,107	(1,564)
Equity securities	68,812	27,192	—	96,004	—
Short-term investments	2,541	—	—	2,541	—
Total	$ 1,511,232	$ 36,463	$ (8,042)	$ 1,539,653	$ (1,564)

(1) The total non-credit portion of OTTI recognized in Accumulated OCI reflecting the original non-credit loss at the time the credit impairment was determined.

Note 4 ***Investments (continued)***

The following tables set forth the amount of unrealized loss by investment category and length of time that individual securities have been in a continuous unrealized loss position ($ in thousands):

	Less than 12 Months				12 Months or More			
	Number of Securities with Unrealized Losses	Fair Value	Gross Unrealized Losses	Unrealized Losses as % of Cost	Number of Securities with Unrealized Losses	Fair Value	Gross Unrealized Losses	Unrealized Losses as % of Cost
June 30, 2018								
Fixed maturities:								
U.S. government	35	$ 116,299	$ (1,342)	1.1%	15	$ 12,356	$ (322)	2.5%
Foreign governments	—	—	—	—%	—	—	—	—%
State and municipal	109	191,650	(1,939)	1.0%	4	4,546	(51)	1.1%
Mortgage-backed securities:								
Residential	240	154,588	(3,074)	1.9%	268	112,701	(5,919)	5.0%
Commercial	20	40,333	(369)	0.9%	8	22,986	(966)	4.0%
Total mortgage-backed securities	260	194,921	(3,443)	1.7%	276	135,687	(6,885)	4.8%
Asset-backed securities	61	115,849	(1,167)	1.0%	—	—	—	—%
Corporates	251	404,675	(7,771)	1.9%	18	23,780	(691)	2.8%
Total fixed maturities	716	1,023,394	(15,662)	1.5%	313	176,368	(7,948)	4.3%
Equity securities	—	—	—	—%	—	—	—	—%
Short-term investments	—	—	—	—%	—	—	—	—%
Total	716	$ 1,023,394	$ (15,662)	1.5%	313	$ 176,368	$ (7,948)	4.3%
December 31, 2017								
Fixed maturities:								
U.S. government	25	$ 46,160	$ (422)	0.9%	16	$ 14,368	$ (246)	1.7%
State and municipal	82	163,997	(939)	0.6%	5	10,529	(60)	0.6%
Mortgage-backed securities:								
Residential	154	81,841	(453)	0.6%	279	127,317	(3,644)	2.8%
Commercial	2	3,578	(30)	0.8%	9	23,066	(623)	2.6%
Total mortgage-backed securities	156	85,419	(483)	0.6%	288	150,383	(4,267)	2.8%
Asset-backed securities	31	35,407	(193)	0.5%	2	1,561	(3)	0.2%
Corporates	104	158,788	(1,197)	0.7%	13	16,468	(232)	1.4%
Total fixed maturities	398	489,771	(3,233)	0.7%	324	193,309	(4,809)	2.4%
Equity securities	—	—	—	—%	—	—	—	—%
Short-term investments	—	—	—	—%	—	—	—	—%
Total	398	$ 489,771	$ (3,233)	0.7%	324	$ 193,309	$ (4,809)	2.4%

Note 4 ***Investments (continued)***

The determination of whether unrealized losses are "other-than-temporary" requires judgment based on subjective as well as objective factors. Factors we considered and resources we used in our determination include:

- whether the unrealized loss is credit-driven or a result of changes in market interest rates;
- the length of time the security's market value has been below its cost;
- the extent to which fair value is less than cost basis;
- the intent to sell the security;
- whether it is more likely than not that there will be a requirement to sell the security before its anticipated recovery;
- historical operating, balance sheet and cash flow data contained in issuer SEC filings;
- issuer news releases;
- near-term prospects for improvement in the issuer and/or its industry;
- industry research and communications with industry specialists; and
- third-party research and credit rating reports.

We regularly evaluate for potential impairment each security position that has either of the following: a fair value of less than 95% of its book value or an unrealized loss that equals or exceeds $100,000.

The following table summarizes those securities with unrealized gains or losses (2018 includes fixed maturity securities only):

	June 30, 2018	December 31, 2017
Number of positions held with unrealized:		
Gains	201	496
Losses	1,029	722
Number of positions held that individually exceed unrealized:		
Gains of $500,000	1	2
Losses of $500,000	—	—
Percentage of positions held with unrealized:		
Gains that were investment grade	82%	81%
Losses that were investment grade	93%	97%
Percentage of fair value held with unrealized:		
Gains that were investment grade	87%	81%
Losses that were investment grade	93%	95%

The following table sets forth the amount of unrealized losses by age and severity at June 30, 2018, ($ in thousands):

Age of Unrealized Losses	Fair Value of Securities with Unrealized Losses	Total Gross Unrealized Losses	Less Than 5%*	5% - 10%*	Total Gross Greater Than 10%*
Three months or less	$ 289,031	$ (1,598)	$ (1,598)	$ —	$ —
Four months through six months	370,791	(5,901)	(5,477)	(424)	—
Seven months through nine months	231,730	(4,607)	(4,391)	(216)	—
Ten months through twelve months	135,642	(3,702)	(3,605)	(97)	—
Greater than twelve months	172,569	(7,803)	(3,438)	(4,364)	—
Total	$ 1,199,762	$ (23,610)	$ (18,509)	$ (5,101)	$ —

* As a percentage of amortized cost or cost.

Note 4 ***Investments (continued)***

The change in unrealized gains (losses) on marketable securities recognized through accumulated other comprehensive income included the following ($ in thousands):

Six months ended June 30, 2018	Pre-tax Fixed Maturities	Pre-tax Short-Term Investments	Tax Effects	Net
Unrealized holding (losses) gains on securities arising during the period	$ (25,605)	$ 1	5,375	(20,229)
Realized losses (gains) on securities sold	1,126	(1)	(236)	889
Impairment loss recognized in earnings	2,043	—	(429)	1,614
Change in unrealized, net	$ (22,436)	$ —	$ 4,710	$ (17,726)

Six months ended June 30, 2017	Pre-tax Fixed Maturities	Pre-tax Equity Securities	Pre-tax Short-Term Investments	Tax Effects	Net
Unrealized holding gains on securities arising during the period	$ 9,950	$ 9,766	$ 3	$ (6,902)	$ 12,818
Realized gains on securities sold	(249)	(2,155)	(1)	842	(1,564)
Impairment loss recognized in earnings	10	—	—	(3)	6
Change in unrealized, net	$ 9,711	$ 7,611	$ 2	$ (6,063)	$ 11,261

For fixed maturity securities that are other-than-temporarily impaired, we assess our intent to sell and the likelihood that we will be required to sell the security before recovery of our amortized cost. If a fixed maturity security is considered other-than-temporarily impaired but we do not intend to and are not more than likely to be required to sell the security before our recovery to amortized cost, the amount of the impairment is separated into a credit loss component and the amount due to all other factors ("non-credit component"). The excess of the amortized cost over the present value of the expected cash flows determines the credit loss component of an impairment charge on a fixed maturity security. The present value is determined using the best estimate of cash flows discounted at (i) the effective interest rate implicit at the date of acquisition for non-structured securities; or (ii) the book yield for structured securities. The techniques and assumptions for determining the best estimate of cash flows vary depending on the type of security. We recognize the credit loss component of an impairment charge in net earnings and the non-credit component in accumulated other comprehensive income. If we intend to sell or will, more likely than not, be required to sell a security, the entire amount of the impairment is treated as a credit loss.

For our securities held with unrealized losses, we believe, based on our analysis, that we will recover our cost basis in these securities and we do not intend to sell the securities nor is it more likely than not that there will be a requirement to sell the securities before they recover in value.

The following table is a progression of credit losses on fixed maturity securities that were bifurcated between a credit and non-credit component ($ in thousands):

	Six months ended June 30, 2018	Six months ended June 30, 2017
Beginning balance	$ 753	$ 557
Additions for:		
Previously impaired securities	336	—
Newly impaired securities	206	10
Reductions for:		
Securities sold and paid down	(584)	(57)
Ending balance	$ 710	$ 509

Note 4 ***Investments (continued)***

The table below sets forth the scheduled maturities of fixed maturity securities at June 30, 2018, based on their fair values ($ in thousands). We report securities that do not have a single maturity date at average maturity. Actual maturities may differ from contractual maturities because certain securities may be called or prepaid by the issuers.

	Fair Value				Amortized Cost
Maturity	Securities with Unrealized Gains	Securities with Unrealized Losses	Securities with No Unrealized Gains or Losses	All Fixed Maturity Securities	All Fixed Maturity Securities
One year or less	$ 20,616	$ 33,892	$ 971	$ 55,479	$ 55,530
After one year through five years	110,350	518,015	2,406	630,771	636,896
After five years through ten years	29,467	186,742	3,890	220,100	224,351
After ten years	57,384	14,656	—	72,039	71,694
Mortgage- and asset-backed securities	50,663	446,456	4,000	501,119	512,244
Total	$ 268,479	$ 1,199,762	$ 11,267	$ 1,479,507	$ 1,500,714

The portion of unrealized gains and losses recorded during the three and six months ended June 30, 2018, that relate to equities still held at the end of the reporting date are as follows ($ in thousands):

	Three months ended June 30, 2018	Six months ended June 30, 2018
Net losses recognized during the period on equity securities	$ (283)	$ (1,009)
Less: Net gains recognized during the period on equity securities sold	—	(1,881)
Unrealized losses recognized during the period on equity securities still held at the reporting date	$ (283)	$ (2,891)

Note 5 ***Long-Term Debt***

($ in thousands)	June 30, 2018	December 31, 2017
Principal	$ 275,000	$ 275,000
Unamortized debt issuance costs	1,078	1,191
Long-term debt less unamortized debt issuance costs	$ 273,922	$ 273,809

In September 2012 we issued $275 million principal of senior notes due September 2022 (the "5.0% Senior Notes"). The 5.0% Senior Notes accrue interest at 5.0%, payable semiannually. At the time we issued the 5.0% Senior Notes, we capitalized $2.2 million of debt issuance costs, which we are amortizing over the term of the 5.0% Senior Notes. We calculated the June 30, 2018, fair value of $281.9 million using a 148 basis point spread to the 10-year U.S. Treasury Note of 2.862%.

In August 2017 we renewed our agreement for a $50 million three-year revolving credit facility (the "Credit Agreement") that required us to meet certain financial and other covenants. We closed the credit facility as of June 26, 2018.

Note 6 ***Income Taxes***

The following is a reconciliation of income taxes at the statutory rate of 21% and 35% for 2018 and 2017, respectively, to the effective provision for income taxes as shown in the Consolidated Statements of Earnings ($ in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Earnings before income taxes	$ 35,442	$ 6,750	$ 60,378	$ 21,618
Income taxes at statutory rate	7,443	2,363	12,679	7,566
Effect of:				
Dividends-received deduction	(53)	(136)	(78)	(214)
Tax-exempt interest	(246)	(616)	(525)	(1,248)
Other	529	(31)	450	(165)
Provision for income taxes as shown on the Consolidated Statements of Earnings	$ 7,673	$ 1,580	$ 12,526	$ 5,938
GAAP effective tax rate	21.7%	23.4%	20.7%	27.5%

Note 7 ***Additional Information***

Supplemental Cash Flow Information

We made the following payments that we do not separately disclose in the Consolidated Statements of Cash Flows ($ in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Income tax payments	$ 16,500	$ 9,800	$ 16,500	$ 12,900
Interest payments on debt	6,875	—	13,750	6,875
Interest payments on capital leases	14	19	29	40

Negative Cash Book Balances

Negative cash book balances, included in the line item “Other liabilities” in the Consolidated Balance Sheets, were $50.3 million and $49.7 million at June 30, 2018, and December 31, 2017, respectively.

Income Taxes

Our GAAP effective tax rate was 21.7% and 20.8% for the three and six months ended June 30, 2018, respectively, compared with 23.4% and 27.5%, respectively, for the same periods of 2017. The GAAP effective tax rate has decreased in 2018 primarily as a result of the enacted tax rate change from 35% to 21% under the Tax Cuts and Jobs Act of 2017 (TCJA). Refer to Note 6 – Income Taxes to the Consolidated Financial Statements for additional information on income taxes.

The TCJA also changed the interest rate used to calculate the discounted tax loss reserves and required the setup of a transition liability to be ratably recognized in income over eight years. Since neither the new interest rate nor the discount factors have been published by the Internal Revenue Service, we believe that the estimates used to calculate the deferred tax asset and liability relating to these two items as of December 31, 2017, continue to be reasonable estimates under SAB 118.

Note 8 ***Insurance Reserves***

Insurance reserves include liabilities for unpaid losses, both known and estimated for incurred but not reported (IBNR), and unpaid loss adjustment expenses (LAE). The following table provides an analysis of changes in the liability for unpaid losses and LAE on a GAAP basis ($ in thousands):

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Balance at Beginning of Period				
Unpaid losses on known claims	$ 247,940	$ 233,303	$ 264,470	$ 238,412
IBNR losses	318,281	307,932	312,516	306,641
LAE	134,786	137,712	138,112	140,402
Total unpaid losses and LAE	701,006	678,947	715,098	685,455
Reinsurance recoverables	(19,549)	(16,133)	(31,609)	(17,130)
Unpaid losses and LAE, net of reinsurance recoverables	681,457	662,814	683,489	668,325
Current Activity				
Loss and LAE incurred:				
Current accident year	278,866	280,356	552,274	557,400
Prior accident years	(3,648)	(6,736)	(12,504)	(13,104)
Total loss and LAE incurred	275,217	273,621	539,769	544,296
Loss and LAE payments:				
Current accident year	(162,974)	(163,911)	(252,080)	(260,780)
Prior accident years	(98,047)	(88,850)	(275,525)	(268,169)
Total loss and LAE payments	(261,021)	(252,761)	(527,606)	(528,948)
Balance at End of Period				
Unpaid losses and LAE, net of reinsurance recoverables	695,653	683,673	695,653	683,673
Add back reinsurance recoverables	18,558	17,425	18,558	17,425
Total unpaid losses and LAE	714,211	701,097	714,211	701,097
Unpaid losses on known claims	243,787	235,400	243,787	235,400
IBNR losses	332,714	323,184	332,714	323,184
LAE	137,711	142,513	137,711	142,513
Total unpaid losses and LAE	$ 714,211	$ 701,097	$ 714,211	$ 701,097

The $3.6 million of favorable reserve development during the three months ended June 30, 2018, was primarily due to decreases in estimates on accident years 2014-2017 from Florida, driven by lower ultimate severity estimates in personal injury protection coverage. The $12.5 million of favorable reserve development during the six months ended June 30, 2018, included the above improvements from Florida personal injury protection, along with lower estimates from collision and comprehensive coverages in accident year 2017 due to lower ultimate frequency and severity estimates from California and lower ultimate frequencies from Florida.

The $6.7 million and $13.1 million of favorable reserve development during the three and six months ended June 30, 2017, respectively, was primarily due to decreases in ultimate frequency and severity estimates in California along with lower ultimate frequency estimates in Florida related to material damage and uninsured motorists bodily injury coverages for accident year 2016. This favorable development was partially offset by increases in ultimate severity estimates in bodily injury and personal injury protection coverages in our commercial auto product as well as from personal injury protection in our personal auto product.

Note 9 ***Commitments and Contingencies***

Commitments

There have been no material changes from the commitments discussed on Form 10-K for the year ended December 31, 2017. For a description of our previously reported commitments, refer to *Note 14 Commitments and Contingencies* of our Form 10-K for the year ended December 31, 2017.

Contingencies

From time to time, we and our subsidiaries are named as defendants in various lawsuits incidental to our insurance operations. We consider legal actions relating to claims made in the ordinary course of seeking indemnification for a loss covered by the insurance policy in establishing loss and LAE reserves.

We also face in the ordinary course of business lawsuits that seek damages beyond policy limits, commonly known as extra-contractual claims, as well as class action and individual lawsuits that involve issues not unlike those facing other insurance companies and employers.

We continually evaluate potential liabilities and reserves for litigation of these types using the criteria established by the Contingencies topic of the FASB Accounting Standards Codification. Under this guidance, we may only record reserves for a loss if the likelihood of occurrence is probable and we can reasonably estimate the amount or range of the loss. When disclosing litigation or claims where a material loss is judged to be reasonably possible, we will disclose an estimated range of loss or state that an estimate cannot be made. We consider each legal action using this guidance and record reserves for losses as warranted by establishing a reserve captured within our Consolidated Balance Sheets line-items "Unpaid losses and loss adjustment expenses" for extra-contractual claims and "Other liabilities" for class action and other non-claims related lawsuits. We record amounts incurred on the Consolidated Statements of Earnings within "Losses and loss adjustment expenses" for extra-contractual claims and "Other expenses" for class action and other non-claims related lawsuits.

Certain claims and regulatory or legal actions have been threatened or brought against us for which we have accrued no loss, and for which an estimate of a possible range of loss cannot be made under the above rules. While it is not possible to predict the ultimate outcome of these lawsuits, we do not believe they are likely to have a material effect on our financial condition or liquidity. However, losses incurred because of these cases could have a material adverse impact on net earnings in a given period.

As of June 30, 2018, pending putative (i.e., not certified) class action lawsuits that challenge certain of Infinity's business operations and practices included the following:

- a challenge to denial of personal injury protection benefits to a class of injured third parties in vehicle accidents.
- a challenge to our payment of a percentage of arbitration awards to collection agencies in successful intercompany arbitrations.
- allegations that we are obligated to reimburse Medicare or secondary payers for accident-related medical payments in which personal injury protection benefits were denied.

In addition to lawsuits, regulatory bodies, including state insurance departments and the Securities and Exchange Commission, among others, may make inquiries, investigate consumer complaints or conduct on-site examinations concerning specific business practices or compliance more generally. Such inquiries, investigations or examinations have in the past and may in the future directly or indirectly result in regulatory orders requiring remedial, injunctive or other actions or the assessment of substantial fines or other penalties.

For a description of previously reported contingencies, refer to *Note 14 Commitments and Contingencies* of our Form 10-K for the year ended December 31, 2017.

Note 10 ***Accumulated Other Comprehensive Income***

The components of other comprehensive income before and after tax are as follows ($ in thousands):

	Three months ended June 30,					
	2018			2017		
	Before Tax	Income Tax	Net	Before Tax	Income Tax	Net
Accumulated change in post-retirement benefit liability, beginning of period	$ 827	$ (174)	$ 653	$ 1,020	$ (357)	$ 663
Effect on other comprehensive income	(2)	—	(1)	(13)	4	(8)
Accumulated change in post-retirement benefit liability, end of period	825	(173)	652	1,007	(353)	655
Accumulated unrealized (losses) gains on investments, net, beginning of period	(15,009)	3,154	(11,855)	21,288	(7,451)	13,837
Other comprehensive (loss) income before reclassification (1)	(7,261)	1,523	(5,738)	9,055	(3,169)	5,886
Reclassification adjustment for other-than-temporary impairments included in net income (1)	455	(95)	359	—	—	—
Reclassification adjustment for realized losses (gains) included in net income (1)	608	(128)	480	(1,886)	660	(1,226)
Effect on other comprehensive income	(6,198)	1,300	(4,898)	7,169	(2,509)	4,660
Accumulated unrealized (losses) gains on investments, net, end of period	(21,207)	4,453	(16,754)	28,457	(9,960)	18,497
Accumulated other comprehensive (loss) income, beginning of period	(14,182)	2,980	(11,202)	22,308	(7,808)	14,500
Change in post-retirement benefit liability	(2)	—	(1)	(13)	4	(8)
Change in unrealized (losses) gains on investments, net (1)	(6,198)	1,300	(4,898)	7,169	(2,509)	4,660
Effect on other comprehensive income	(6,200)	1,300	(4,900)	7,156	(2,505)	4,652
Accumulated other comprehensive (loss) income, end of period	$ (20,382)	$ 4,280	$ (16,102)	$ 29,464	$ (10,312)	$ 19,152

(1) The amounts for 2018 are for fixed maturities only.

Note 10 ***Accumulated Other Comprehensive Income (continued)***

	Six months ended June 30,					
	2018			2017		
	Before Tax	Income Tax	Net	Before Tax	Income Tax	Net
Accumulated change in post-retirement benefit liability, beginning of period	$ 829	$ (290)	$ 539	$ 1,033	$ (361)	$ 671
Cumulative effect of change in accounting principle	—	116,006	116,006	—	—	—
Effect on other comprehensive income	(3)	1	(3)	(25)	9	(16)
Accumulated change in post-retirement benefit liability, end of period	825	(173)	652	1,007	(353)	655
Accumulated unrealized gains on investments, net, beginning of period	28,421	(9,204)	19,217	11,133	(3,896)	7,236
Cumulative effect of change in accounting principle	(27,192)	8,948	(18,244)	—	—	—
Other comprehensive (loss) income before reclassification (1)	(25,605)	5,375	(20,230)	19,720	(6,902)	12,818
Reclassification adjustment for other-than-temporary impairments included in net income (1)	2,043	(429)	1,614	10	(3)	6
Reclassification adjustment for realized losses (gains) included in net income (1)	1,126	(236)	890	(2,406)	842	(1,564)
Effect on other comprehensive income	(22,436)	4,710	(17,727)	17,324	(6,063)	11,261
Accumulated unrealized (losses) gains on investments, net, end of period	(21,207)	4,453	(16,754)	28,457	(9,960)	18,497
Accumulated other comprehensive income, beginning of period	29,250	(9,494)	19,756	12,165	(4,258)	7,907
Cumulative effect of change in accounting principle	(27,192)	9,064	(18,128)	—	—	—
Change in post-retirement benefit liability	(3)	1	(3)	(25)	9	(16)
Change in unrealized (losses) gains on investments, net	(22,436)	4,710	(17,727)	17,324	(6,063)	11,261
Effect on other comprehensive income	(22,439)	4,710	(17,729)	17,299	(6,055)	11,244
Accumulated other comprehensive (loss) income, end of period	$ (20,382)	$ 4,280	$ (16,102)	$ 29,464	$ (10,312)	$ 19,152

Note 11 ***Segment Information***

We manage our business based on product line and have three operating segments: Personal Auto, Commercial Auto and Classic Collector (our reportable segments are Personal Auto and Commercial Auto).

Our Personal Auto product provides coverage to individuals for liability to others for bodily injury and property damage and for physical damage to an insured's own vehicle from collision and various other perils. In addition, some states require policies to provide for first party personal injury protection, frequently referred to as no-fault coverage.

Our Commercial Auto product provides coverage to businesses for liability to others for bodily injury and property damage and for physical damage to vehicles from collision and various other perils. We primarily target businesses with fleets of 10 or fewer vehicles and average 1.9 vehicles per policy. We avoid businesses that are involved in what we consider to be hazardous operations or interstate commerce.

Our Classic Collector product provides coverage to individuals with classic or antique automobiles for liability to others for bodily injury and property damage and for physical damage to an insured's own vehicle from collision and various other perils.

Note 11 ***Segment Information (continued)***

All segment revenues are generated from external customers. The following table provides revenues by segment and a reconciliation to "Total revenues" as reported on the Consolidated Statements of Earnings ($ in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2018	**2017**	**2018**	**2017**
Gross written premium:				
Personal Auto	$ 349,414	$ 276,928	$ 719,606	$ 601,280
Commercial Auto	47,746	41,806	95,486	84,591
Classic Collector	5,052	5,056	8,711	8,621
Total gross written premium	402,212	323,790	823,804	694,491
Ceded reinsurance:				
Personal Auto	(1,264)	(1,005)	(3,340)	(1,988)
Commercial Auto [(1)]	(1,465)	1,253	(2,845)	(159)
Classic Collector	(240)	(209)	(500)	(422)
Total ceded reinsurance	(2,969)	39	(6,685)	(2,569)
Net written premium:				
Personal Auto	348,150	275,923	716,266	599,292
Commercial Auto	46,281	43,059	92,641	84,432
Classic Collector	4,812	4,848	8,212	8,199
Total net written premium	399,243	323,829	817,119	691,923
Change in unearned premium:				
Personal Auto	(19,475)	22,526	(77,292)	1,543
Commercial Auto	(4,628)	(6,208)	(11,160)	(12,378)
Classic Collector	(886)	(1,000)	(426)	(572)
Total change in unearned premium	(24,989)	15,318	(88,878)	(11,407)
Earned premium:				
Personal Auto	328,675	298,449	638,974	600,835
Commercial Auto	41,653	36,851	81,481	72,054
Classic Collector	3,926	3,848	7,786	7,627
Total earned premium	374,254	339,147	728,241	680,516
Installment and other fee income:				
Personal Auto	25,643	23,749	49,924	47,686
Commercial Auto	3,203	2,903	6,317	5,705
Classic Collector	—	—	—	—
Total installment and other fee income	28,846	26,652	56,241	53,391
Net investment income	11,782	9,001	21,568	17,696
Net realized (losses) gains on investments	(1,343)	1,886	(4,175)	2,396
Other income	515	391	944	666
Total revenues	$ 414,054	$ 377,077	$ 802,820	$ 754,664

(1) Effective June 1, 2017, the premium paid for our excess of loss reinsurance contract for our commercial auto business was changed to be based on earned premium rather than written premium. Premium ceded during the three and six months ended June 30, 2017 includes the return of $2.6 million of unearned premium due to the termination of the previous excess of loss contract.

Note 11 ***Segment Information (continued)***

Our management uses underwriting income and combined ratios calculated on a statutory accident year basis as primary measures of profitability. Statutory accident year underwriting income is calculated by subtracting losses and loss adjustment expenses and commissions and other underwriting expenses (including bad debt charge-offs on agents' balances and premium receivables) from the total of earned premium and installment and other fee income. The statutory accident year combined ratio represents the sum of the following ratios: (i) losses and LAE incurred, excluding development from prior accident years, as a percentage of net earned premium; and (ii) underwriting expenses incurred, including bad debt and net of fees, as a percentage of net written premium.

The primary differences between the calculation of the statutory accident year used by management and the statutory calendar year combined ratios is the exclusion of bad debt charge-offs and the inclusion of development on prior accident year loss and LAE reserves.

Certain expenses are treated differently under statutory accounting principles. Under GAAP, commissions, premium taxes and other variable costs incurred in connection with successfully writing new and renewal business are capitalized as deferred policy acquisition costs and amortized on a pro rata basis over the period in which the related premium is earned. On a statutory basis, these items are expensed as incurred. Additionally, bad debt charge-offs on agents' balances and premium receivables are included in the GAAP combined ratios.

The following tables present the underwriting income and combined ratio on a statutory accident year basis with reconciliations to "Earnings before income taxes" as presented on the Consolidated Statements of Earnings ($ in thousands). We do not allocate assets or "Provision for income taxes" to operating segments.

	Three months ended June 30, 2018							
	Personal Auto		Commercial Auto		Classic Collector		Total	
	Pre-tax Profit (Loss)	Combined Ratio (1)	Pre-tax Profit (Loss)	Combined Ratio (1)	Pre-tax Profit (Loss)	Combined Ratio (1)	Pre-tax Profit (Loss)	Combined Ratio (1)
Statutory accident year underwriting income	$ 24,134	91.7%	$ 784	96.2%	$ 605	77.2%	$ 25,523	92.0%
Bad debt charge-offs	4,643		461		42		5,147	
Favorable (unfavorable) development on prior accident years	4,672		(761)		(263)		3,648	
Statutory calendar year underwriting income	33,449	89.0%	484	97.1%	384	82.1%	34,318	89.8%
Statutory-to-GAAP underwriting income differences							(1,715)	
GAAP calendar year underwriting income							32,603	91.3%
Net investment income							11,782	
Net realized gains on investments							(1,343)	
Other income							515	
Interest expense							(3,508)	
Corporate general and administrative expenses							(3,682)	
Other expenses							(924)	
Earnings before income taxes							$ 35,442	

(1) Management includes the provision for uncollectible accounts in the underwriting income and combined ratio on both statutory accident year and GAAP calendar year bases.

Note 11 ***Segment Information (continued)***

	Three months ended June 30, 2017							
	Personal Auto		Commercial Auto		Classic Collector		Total	
	Pre-tax Profit (Loss)	Combined Ratio (1)	Pre-tax Profit (Loss)	Combined Ratio (1)	Pre-tax Profit (Loss)	Combined Ratio (1)	Pre-tax Profit (Loss)	Combined Ratio (1)
Statutory accident year underwriting income	$ (2,384)	102.2%	$ 1,207	94.0%	$ (57)	92.6%	$ (1,235)	101.2%
Bad debt charge-offs	3,672		466		1		4,138	
Favorable (unfavorable) development on prior accident years	9,060		(2,234)		(90)		6,736	
Statutory calendar year underwriting income	10,347	97.8%	(561)	99.0%	(146)	95.0%	9,639	97.9%
Statutory-to-GAAP underwriting income differences							(7,701)	
GAAP calendar year underwriting income							1,938	99.4%
Net investment income							9,001	
Net realized gains on investments							1,886	
Other income							391	
Interest expense							(3,511)	
Corporate general and administrative expenses							(2,447)	
Other expenses							(507)	
Earnings before income taxes							$ 6,750	

(1) Management includes the provision for uncollectible accounts in the underwriting income and combined ratio on both statutory accident year and GAAP calendar year bases.

	Six months ended June 30, 2018							
	Personal Auto		Commercial Vehicle		Classic Collector		Total	
	Pre-tax Profit (Loss)	Combined Ratio (1)	Pre-tax Profit (Loss)	Combined Ratio (1)	Pre-tax Profit (Loss)	Combined Ratio (1)	Pre-tax Profit (Loss)	Combined Ratio (1)
Statutory accident year underwriting income	$ 30,447	93.2%	$ 1,596	95.7%	$ 1,217	82.6%	$ 33,260	93.3%
Bad debt charge-offs	8,006		854		(2)		8,857	
Favorable (unfavorable) development on prior accident years	15,225		(2,123)		(598)		12,504	
Statutory calendar year underwriting income	53,678	89.7%	327	97.4%	617	90.1%	54,622	90.5%
Statutory-to-GAAP underwriting income differences							4,290	
GAAP calendar year underwriting income							58,912	91.9%
Net investment income							21,568	
Net realized gains on investments							(4,175)	
Other income							944	
Interest expense							(7,017)	
Corporate general and administrative expenses							(8,425)	
Other expenses							(1,429)	
Earnings before income taxes							$ 60,378	

(1) Management includes the provision for uncollectible accounts in the underwriting income and combined ratio on both statutory accident year and GAAP calendar year bases.

Note 11 ***Segment Information (continued)***

	Six months ended June 30, 2017							
	Personal Auto		Commercial Vehicle		Classic Collector		Total	
	Pre-tax Profit (Loss)	Combined Ratio (1)	Pre-tax Profit (Loss)	Combined Ratio (1)	Pre-tax Profit (Loss)	Combined Ratio (1)	Pre-tax Profit (Loss)	Combined Ratio (1)
Statutory accident year underwriting income	$ (790)	100.2%	$ 1,836	94.6%	$ 278	93.7%	$ 1,323	99.5%
Bad debt charge-offs	5,923		756		11		6,690	
Favorable (unfavorable) development on prior accident years	16,046		(3,108)		166		13,104	
Statutory calendar year underwriting income	21,178	96.4%	(517)	98.0%	456	91.4%	21,117	96.6%
Statutory-to-GAAP underwriting income differences							(7,687)	
GAAP calendar year underwriting income							13,431	98.0%
Net investment income							17,696	
Net realized gains on investments							2,396	
Other income							666	
Interest expense							(7,023)	
Corporate general and administrative expenses							(4,718)	
Other expenses							(829)	
Earnings before income taxes							$ 21,618	

(1) Management includes the provision for uncollectible accounts in the underwriting income and combined ratio on both statutory accident year and GAAP calendar year bases.

Note 12 ***Subsequent Events***

On July 2, 2018, Kemper completed the acquisition of Infinity pursuant to the terms of the merger agreement dated February 13, 2018 by and among Kemper, Vulcan Sub, Inc., an Ohio corporation and a wholly owned subsidiary of Kemper ("Kemper Merger Sub"), and Infinity, pursuant to which Kemper Merger Sub merged with and into Infinity, with Infinity surviving as a wholly owned subsidiary of Kemper (the "Merger"). Total cash, stock and equity-based compensation consideration paid to Infinity shareholders and certain holders of Infinity equity-based compensation awards was approximately $1.5 billion.

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Section 4: EX-99.3 (EXHIBIT 99.3)

KEMPER CORPORATION AND INFINITY PROPERTY AND CASUALTY CORPORATION UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements (the ***"pro forma financial statements"***) are based on the separate historical consolidated financial statements of Kemper Corporation ("Kemper") and Infinity Property and Casualty Corporation ("Infinity") after giving effect to the Merger as defined in Note 1, "Description of the Merger," and the assumptions and adjustments described in the accompanying notes to the pro forma financial statements. The unaudited pro forma condensed combined balance sheet as of June 30, 2018 is presented as if the Merger had occurred on June 30, 2018. The unaudited pro forma condensed combined statements of income for the year ended December 31, 2017 and six months ended June 30, 2018 are presented as if the Merger had occurred on January 1, 2017. The historical consolidated financial statements have been adjusted to give effect to pro forma events that are (i) directly attributable to the Merger, (ii) factually supportable items and (iii) with respect to the unaudited pro forma condensed combined statements of income, expected to have a continuing impact on the combined results.

The preparation of the pro forma financial statements and related adjustments require certain assumptions and estimates. The pro forma financial statements should be read together with:

- the accompanying notes to the pro forma financial statements contained in this Exhibit 99.3;
- Kemper's audited historical consolidated financial statements and accompanying notes included in Kemper's Annual Report on Form 10-K for the year ended December 31, 2017;
- Kemper's unaudited historical condensed consolidated financial statements and accompanying notes included in Kemper's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018;
- Infinity's audited historical consolidated financial statements and accompanying notes included in Infinity's Annual Report on Form 10-K for the year ended December 31, 2017; and
- Infinity's unaudited historical condensed consolidated financial statements as of June 30, 2018 for the three and six months ended June 30, 2018 and 2017 and accompanying notes thereto included in Exhibit 99.2 to Kemper's Current Report on Form 8-K/A filed herewith.

The pro forma financial statements were prepared using the acquisition method of accounting for business combinations pursuant to the provisions of Financial Accounting Standards Board Accounting Standards Codification ("ASC") 805, *Business Combinations* ("ASC 805"), with Kemper considered the acquirer of Infinity for accounting purposes. Under the acquisition method of accounting, the purchase price is allocated to the assets acquired and liabilities assumed based on their respective fair values as of the closing date, with any excess purchase price allocated to goodwill. The pro forma financial statements set forth below give effect to, among other things, the following:

- issuance of Kemper common stock to certain Infinity shareholders as a portion of the Merger consideration;
- payment of cash to certain Infinity shareholders as a portion of the Merger consideration;
- incurrence of debt to fund a portion of the cash payable in connection with the Merger consideration;
- liquidation of certain Kemper investments to fund a portion of the cash payable in connection with the Merger consideration; and
- transaction fees incurred in connection with the Merger.

The fair values of assets acquired and liabilities assumed presented in the pro forma financial statements are based on preliminary estimates. Determining fair values requires the use of estimates and assumptions including, but not limited to, estimates of future cash flows and direct costs in addition to developing the appropriate discount rates. Kemper believes the estimated fair values recognized for the assets acquired and the liabilities assumed are based on reasonable estimates and assumptions currently available. The final determination of the fair values of assets acquired and liabilities assumed will be based on the estimated fair value of such assets and liabilities that exist as of the closing date. Accordingly, the amounts allocated to the fair value of assets acquired and liabilities assumed and the resulting goodwill could change from the amounts used in the pro forma financial statements presented below.

The pro forma adjustments and related assumptions are described in the accompanying notes to the pro forma financial statements. Kemper believes that the assumptions used to derive the pro forma adjustments are reasonable given the information available. However, adjustments that may be recorded upon completion of the final valuation of balance sheet amounts may differ materially from the information presented in the pro forma financial statements.

The pro forma financial statements have been prepared by Kemper in accordance with Article 11 of Regulation S-X promulgated by the U.S. Securities Exchange Commission ("SEC") and are not necessarily indicative of the combined financial position or results of operations that might have been achieved had the Merger been completed as of the dates indicated, nor are they meant to be indicative of any anticipated combined financial position or future results of operations that the combined company will experience after the Merger. Neither Kemper nor Infinity can provide any assurance that the results indicated in the pro forma financial statements will be realized or that Kemper’s or Infinity’s future financial results will not materially vary from the pro forma financial statements. In addition, the accompanying unaudited pro forma condensed combined statements of income do not include any pro forma adjustments to give effect to expected synergies, expected cost savings or restructuring actions that may be achievable or the impact of any non-recurring activity and one-time Merger-related costs.

Certain financial information of Infinity, as presented in its historical consolidated financial statements, has been reclassified to conform to the historical presentation in Kemper’s consolidated financial statements. Refer to Note 4, "Historical Infinity Conforming Adjustments," to the pro forma financial statements for an explanation of these reclassifications.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET
As of June 30, 2018

(Dollars in Millions)	Historical Kemper	Historical Infinity (1)	Acquisition Adjustments	Ref.	Pro Forma as Adjusted
Assets:					
Investments:					
Fixed Maturities at Fair Value	$ 5,260.3	$ 1,479.5	$ (0.5)	(6a)	$ 6,739.3
Equity Securities at Fair Value	514.9	90.3	—		605.2
Equity Securities at Modified Cost	54.1	—	—		54.1
Equity Method Limited Liability Investments at Cost Plus Cumulative Undistributed Earnings	170.9	—	—		170.9
Short-term Investments at Cost which Approximates Fair Value	169.0	—	—		169.0
Other Investments	411.7	—	—		411.7
Total Investments	6,580.9	1,569.8	(0.5)		8,150.2
Cash and Cash Equivalents	649.9	102.8	(564.6)	(6b)	188.1
Receivables from Policyholders	407.5	584.2	(2.6)	(6c)	989.1
Other Receivables	189.2	31.9	—		221.1
Deferred Policy Acquisition Costs	388.9	102.9	(102.9)	(6d)	388.9
Intangible Assets	—	—	262.7	(6e)	262.7
Goodwill	323.0	75.3	694.6	(6f)	1,092.9
Current Income Tax Assets	0.9	—	0.2	(6g)	1.1
Deferred Income Tax Assets	10.6	23.1	(33.7)	(6h)	—
Other Assets	289.6	96.1	6.0	(6i)	391.7
Total Assets	$ 8,840.5	$ 2,586.1	$ 259.2		$ 11,685.8
Liabilities and Shareholders' Equity:					
Liabilities:					
Insurance Reserves:					
Life and Health	$ 3,543.5	$ —	$ —		$ 3,543.5
Property and Casualty	1,059.7	714.2	(12.8)	(6j)	1,761.1
Total Insurance Reserves	4,603.2	714.2	(12.8)		5,304.6
Unearned Premiums	723.8	716.5	—		1,440.3
Current Income Tax Liabilities	—	3.9	(3.9)	(6k)	—
Deferred Income Tax Liabilities	—	—	1.2	(6l)	1.2
Liabilities for Unrecognized Tax Benefits	9.2	—	—		9.2
Debt, Current and Non-current	951.8	273.9	8.2	(6m)	1,233.9
Accrued Expenses and Other Liabilities	506.8	141.8	29.5	(6n)	678.1
Total Liabilities	6,794.8	1,850.3	22.2		8,667.3
Shareholders' Equity:					
Common Stock	5.2	21.9	(20.6)	(6o)	6.5
Paid-in Capital	681.5	386.7	592.1	(6p)	1,660.3
Retained Earnings	1,289.4	846.4	(853.7)	(6q)	1,282.1
Accumulated Other Comprehensive Income	69.6	(16.1)	16.1	(6r)	69.6
Treasury Stock, at Cost	—	(503.1)	503.1	(6s)	—
Total Shareholders' Equity	2,045.7	735.8	237.0		3,018.5
Total Liabilities and Shareholders' Equity	$ 8,840.5	$ 2,586.1	$ 259.2		$ 11,685.8

(1) Historical Infinity financial information has been conformed to the historical presentation in Kemper's consolidated financial statements. Refer to Note 4, "Historical Infinity Conforming Adjustments."

The accompanying notes to the unaudited pro forma condensed combined financial statements are an integral part of these financial statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
For the Year Ended December 31, 2017

(Dollars in Millions, Except for Per Share Amounts)	Historical Kemper	Historical Infinity (1)	Acquisition Adjustments	Ref.	Financing Adjustments	Ref.	Pro Forma As Adjusted
Revenues:							
Earned Premiums	$ 2,350.0	$ 1,371.3	$ —		$ —		$ 3,721.3
Net Investment Income	327.2	37.3	0.3	(7a)	(2.7)	(7f)	362.1
Other Income	4.0	1.4	—		—		5.4
Net Realized Gains on Sales of Investments	56.5	5.3	—		—		61.8
Net Impairment Losses Recognized in Earnings	(14.3)	(3.1)	—		—		(17.4)
Total Revenues	2,723.4	1,412.2	0.3		(2.7)		4,133.2
Expenses:							
Policyholders' Benefits and Incurred Losses and Loss Adjustment Expenses	1,837.4	1,053.7	7.2	(7b)	—		2,898.3
Insurance Expenses	644.3	251.5	76.7	(7c)	—		972.5
Interest and Other Expenses	80.6	26.3	2.1	(7d)	9.5	(7g)	118.5
Total Expenses	2,562.3	1,331.5	86.0		9.5		3,989.3
Income from Continuing Operations before Income Taxes	161.1	80.7	(85.7)		(12.2)		143.9
Income Tax Benefit (Expense)	(41.2)	(35.3)	30.0	(7e)	4.3	(7h)	(42.2)
Income from Continuing Operations	$ 119.9	$ 45.4	$ (55.7)		$ (7.9)		$ 101.7
Income from Continuing Operations Per Unrestricted Share:							
Basic	$ 2.32	$ 4.13					$ 1.56
Diluted	$ 2.31	$ 4.10					$ 1.56

(1) Historical Infinity financial information has been conformed to the historical presentation in Kemper's consolidated financial statements. Refer to Note 4, "Historical Infinity Conforming Adjustments."

The accompanying notes to the unaudited pro forma condensed combined financial statements are an integral part of these financial statements.

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
Six Months Ended June 30, 2018

(Dollars in Millions, Except for Per Share Amounts)	Historical Kemper	Historical Infinity (1)	Acquisition Adjustments	Ref.	Financing Adjustments	Ref.	Pro Forma As Adjusted
Revenues:							
Earned Premiums	$ 1,267.9	$ 728.2	$ —		$ —		$ 1,996.1
Net Investment Income	157.6	21.6	0.2	(8a)	(1.4)	(8f)	178.0
Other Income	2.4	0.9	—		—		3.3
Income from Change in Fair Value of Equity Securities	1.1	(2.9)	—		—		(1.8)
Net Realized Gains on Sales of Investments	6.4	0.8	—		—		7.2
Net Impairment Losses Recognized in Earnings	(0.5)	(2.0)	—		—		(2.5)
Total Revenues	1,434.9	746.6	0.2		(1.4)		2,180.3
Expenses:							
Policyholders' Benefits and Incurred Losses and Loss Adjustment Expenses	936.4	539.8	3.1	(8b)	—		1,479.3
Insurance Expenses	331.3	129.6	11.6	(8c)	—		472.5
Interest and Other Expenses	54.7	16.9	(13.2)	(8d)	4.8	(8g)	63.2
Total Expenses	1,322.4	686.3	1.5		4.8		2,015.0
Income from Continuing Operations before Income Taxes	112.5	60.3	(1.3)		(6.2)		165.3
Income Tax Benefit (Expense)	(21.4)	(12.5)	0.3	(8e)	1.4	(8h)	(32.2)
Income from Continuing Operations	$ 91.1	$ 47.8	$ (1.0)		$ (4.8)		$ 133.1
Income from Continuing Operations Per Unrestricted Share:							
Basic	$ 1.76	$ 4.38					$ 2.04
Diluted	$ 1.75	$ 4.34					$ 2.03

(1) Historical Infinity financial information has been conformed to the historical presentation in Kemper's consolidated financial statements. Refer to Note 4, "Historical Infinity Conforming Adjustments."

The accompanying notes to the unaudited pro forma condensed combined financial statements are an integral part of these financial statements.

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Note 1. Description of the Merger

On July 2, 2018, Kemper completed the acquisition of Infinity pursuant to the terms of a merger agreement dated February 13, 2018 by and among Kemper, Vulcan Sub, Inc., an Ohio corporation and a wholly owned subsidiary of Kemper (“Kemper Merger Sub”), and Infinity, pursuant to which Kemper Merger Sub merged with and into Infinity, with Infinity surviving as a wholly owned subsidiary of Kemper (the "Merger").

Note 2. Basis of Presentation

The unaudited pro forma condensed combined balance sheet as of June 30, 2018 and the unaudited pro forma condensed combined statements of income for the year ended December 31, 2017 and six months ended June 30, 2018 are based on the historical consolidated financial statements of Kemper and Infinity after giving effect to the closing and the assumptions and adjustments described in the accompanying notes. Such pro forma adjustments are (1) factually supportable, (2) directly attributable to the Merger and (3) with respect to the unaudited pro forma condensed combined statements of income, expected to have a continuing impact on the results of operations of the combined company.

The unaudited pro forma condensed combined financial statements were prepared using the acquisition method of accounting pursuant to the provisions of ASC 805, "Business Combinations," which requires, among other things, that assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the closing date.

The acquisition method of accounting uses the fair value concepts defined in ASC 820, “Fair Value Measurement,” as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” This is an exit price concept for the valuation of an asset or liability. Market participants are assumed to be buyers or sellers in the most advantageous market for the asset or liability. Fair value measurement for an asset assumes the highest and best use by these market participants. Fair value measurements can be highly subjective, and it is possible that participants applying reasonable judgment could develop different assumptions resulting in a range of alternative estimates using the same facts and circumstances.

The preliminary estimated identifiable finite-lived intangible assets include Value of Business Acquired ("VOBA"), agency and broker relationships, trade name and internal-use software. The estimated identifiable indefinite-lived intangible assets include insurance licenses, which are not amortized, but will be subject to periodic impairment testing and are subject to the same risks and uncertainties noted for the identifiable finite-lived intangible assets. Goodwill represents the excess of the estimated purchase price over the estimated fair value of Infinity’s assets acquired and liabilities assumed.

The Company has not yet completed the allocation of the purchase price to the assets acquired and liabilities assumed. Accordingly, the preliminary estimated fair values of the assets acquired and liabilities assumed may change, including the estimated fair values and useful lives of the tangible assets and identifiable intangible assets and allocation of the excess purchase price to goodwill.

The pro forma financial statements are presented solely for informational purposes and are not necessarily indicative of any anticipated combined financial position or future results of operations that the combined company will experience after the Merger. In addition, the accompanying unaudited pro forma condensed combined statements of income do not reflect expected revenue synergies, expected cost savings or restructuring actions that may be achievable or the impact of any non-recurring activity and one-time Merger-related costs.

Note 3. Accounting Policies

As part of preparing the pro forma financial statements, Kemper conducted a review of the accounting policies of Infinity to determine if differences in accounting policies require restatement or reclassification of results of operations or reclassification of assets or liabilities to conform to Kemper’s accounting policies and classifications. During the preparation of these pro forma financial statements, Kemper did not become aware of any material differences between accounting policies of Kemper and Infinity, except for certain reclassifications necessary to conform Infinity's historical consolidated financial statements to Kemper's financial presentation, and accordingly, these pro forma financial statements do not assume any material differences in accounting policies between Kemper and Infinity, except as disclosed in Note 4, "Historical Infinity Conforming Adjustments."

Note 4. Historical Infinity Conforming Adjustments

Financial information of Infinity in the "Historical Infinity" column of the pro forma financial statements has been conformed to the historical presentation in Kemper's consolidated financial statements. Installment and Other Fees of $105.8 million in Infinity's historical statement of income for the year ended December 31, 2017 and $56.2 million for the six months ended June 30, 2018 were reclassified to Insurance Expenses.

Note 5. Preliminary Purchase Price Allocation

Total cash, stock and equity-based compensation consideration paid to Infinity shareholders and certain holders of Infinity equity-based compensation awards was approximately $1.5 billion. In conjunction with closing the acquisition, Kemper issued 13,184,107 shares, with an aggregate fair value of $982.6 million based on Kemper's July 2, 2018 stock price of $74.53 per share, and paid $564.6 million in cash consideration to Infinity's shareholders. In addition, Kemper issued 44,010 restricted units under Kemper's equity-based compensation plan to replace Infinity restricted shares that were outstanding immediately prior to the closing. The aggregate fair value of such Kemper restricted units granted was $3.3 million at July 2, 2018, of which $1.6 million is attributed to service provided prior to the closing and included in consideration paid. The remaining amount of $1.7 million is attributed to future service and will be recognized in compensation expense primarily over a period of two years. The cash consideration was funded by cash on hand as of July 2, 2018, inclusive of $250.0 million in borrowings under Kemper's delayed draw term loan facility and $110.0 million of Kemper subsidiary borrowings from the Federal Home Loan Bank ("FHLB") of Dallas and FHLB of Chicago. See Note 9, "Preliminary Unaudited Pro Forma Debt," for additional information.

The pro forma preliminary allocation of the purchase price to Infinity's assets acquired and liabilities assumed as of June 30, 2018 based on the preliminary estimate of their respective fair values is presented below.

(Dollars in Millions)		
Assets:		
Investments	$	1,569.3
Cash and Cash Equivalents		102.8
Receivables from Policyholders		581.6
Other Receivables		31.9
Intangible Assets		262.7
Other Assets		102.1
Liabilities:		
Insurance Reserves		(701.4)
Unearned Premiums		(716.5)
Current Income Tax Liabilities		(1.8)
Deferred Income Tax Liabilities		(11.7)
Debt, Current and Non-current		(282.1)
Accrued Expenses and Other Liabilities		(158.1)
Total Identifiable Net Assets Acquired		778.8
Goodwill		769.9
Purchase Price	$	1,548.7

Intangible assets were identified that met either the separability criterion or the contractual-legal criterion described in ASC 805. The VOBA intangible asset represents the present value of the expected underwriting profit within policies that were in-force at the closing date. Agency relationships represent the network through which Infinity conducted its operations and existing Infinity policyholder relationships. The fair value of agency and broker relationships acquired was estimated using the income approach. Critical inputs into the valuation model for agency and broker relationships acquired include sales field force cost and time estimates to recreate the number of agents and brokers acquired and an estimate of lost underwriting profit during the estimated time period to recreate the agents and brokers acquired. Internal-use software relates to Infinity's software used internally and was estimated using the cost approach. The Infinity trade name was estimated using the relief-from-royalty method under the income approach. Licenses, which represents the regulatory licenses held by Infinity, was valued using the market approach.

The preliminary allocation to intangible assets is as follows:

(Dollars in Millions)	**June 30, 2018**
VOBA	$ 145.8
Agency Relationships	55.5
Internal-use Software	41.0
Trade Name	10.5
Licenses	8.0
Agency Business	1.9
Total Identified Intangible Assets	$ 262.7

The expected amortization related to the preliminary fair value of the acquired finite lived intangible assets for the five years following the Merger is shown in the table below:

	Year Following the Acquisition				
(Dollars in Millions)	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Amortization of Intangibles:					
VOBA	141.8	1.4	1.3	1.3	—
Agency and Broker Relationships	3.7	3.7	3.7	3.7	3.7
Internal-use Software	12.6	11.7	7.0	3.4	3.4
Trade Name	8.4	2.1	—	—	—
Agency Business	1.3	0.6	—	—	—
Total	$ 167.8	$ 19.5	$ 12.0	$ 8.4	$ 7.1

Note 6. Preliminary Unaudited Pro Forma Condensed Combined Balance Sheet Adjustments

Adjustments included in the “Acquisition Adjustments” column in the accompanying unaudited pro forma condensed combined balance sheet as of June 30, 2018 are as follows:

	(Dollars in Millions)		Increase (Decrease) as of June 30, 2018
	Assets:		
(6a)	Adjustment to Reflect Fixed Maturities at Fair Value	$	(0.5)
(6b)	Adjustment to Reflect the Cash Portion of the Merger Consideration Paid by Kemper to Infinity Shareholders to Effect the Merger Funded by Available Cash Resources		(564.6)
(6c)	Adjustment to Reflect Receivables from Policyholders at Fair Value		(2.6)
(6d)	Adjustment to Eliminate Infinity’s Deferred Policy Acquisition Costs		(102.9)
(6e)	Adjustment to Record Intangible Assets Acquired		262.7
	Adjustments to Goodwill:		
	To Eliminate Infinity’s Historical Goodwill		(75.3)
	To Record Goodwill Determined as the Consideration Paid to Effect the Merger in Excess of the Estimated Fair Values of the Net Assets Acquired		769.9
(6f)	Total Goodwill Adjustments		694.6
	Adjustments to Current Income Tax Assets:		
	To Record Current Income Tax Asset Associated with Transaction Costs to be Incurred by Infinity		2.1
	To Record Current Income Tax Asset Associated with Transaction Costs to be Incurred by Kemper		2.0
	Adjustment to Reclassify Infinity's Historical Current Income Tax Liability to Current Income Tax Asset		(3.9)
(6g)	Total Adjustment to Current Income Tax Assets		0.2
(6h)	Adjustment to Reclassify Kemper and Infinity's Historical Deferred Income Tax Assets to Deferred Income Tax Liabilities		(33.7)
(6i)	Adjustment to Reflect Infinity’s Property and Equipment at Fair Value		6.0
	Total Adjustments to Assets	$	259.2

(Dollars in Millions)			Increase (Decrease) as of June 30, 2018
	Liabilities:		
(6j)	Adjustment to Reflect Infinity’s Unpaid Losses and Loss Adjustment Expenses at Fair Value	$	(12.8)
(6k)	Adjustment to Reclassify Infinity's Historical Current Income Tax Liability to Current Income Tax Asset		(3.9)
	Adjustments to Deferred Income Tax Liabilities:		
	To Eliminate Infinity’s Historical Deferred Tax Liability Associated with Deferred Policy Acquisition Costs		(21.6)
	To Reflect Deferred Tax Liability Associated with the Fair Value Adjustment of Infinity’s Fixed Maturity Investments		(0.1)
	To Reflect Deferred Tax Liability Associated with the Fair Value Adjustment of Infinity’s Property and Equipment		1.3
	To Reflect Deferred Tax Liability Associated with the Fair Value Adjustment of Infinity’s Unpaid Losses and Loss Adjustment Expenses		2.7
	To Reflect Deferred Tax Asset Associated with the Fair Value Adjustment of Infinity’s Debt		(1.7)
	To Reflect Deferred Tax Liability for the Intangible Assets Being Acquired		55.2
	To Reflect Deferred Tax Asset Associated with the Fair Value Adjustment of Accrued Expenses and Other Liabilities		(0.9)
	To Reclassify Kemper and Infinity's Historical Deferred Income Tax Assets to Deferred Income Tax Liabilities		(33.7)
(6l)	Total Adjustments to Deferred Income Tax Liabilities		1.2
(6m)	Adjustment to Reflect Infinity’s Debt at Fair Value		8.2
	Adjustments to Accrued Expenses and Other Liabilities:		
	To Reflect Estimated Transaction Costs to be Incurred by Kemper		13.2
	To Reflect Estimated Transaction Costs to be Incurred by Infinity		14.4
	To Reflect Miscellaneous Accruals at Fair Value		1.9
(6n)	Total Adjustment to Accrued Expenses and Other Liabilities		29.5
	Total Adjustments to Liabilities	$	22.2
	Shareholders’ Equity:		
	Adjustments to Common Stock:		
	To Eliminate the Historical Outstanding Infinity Common Stock	$	(21.9)
	To Record the Par Value of Kemper Common Stock Issued as Part of the Merger Consideration to Effect the Merger		1.3
(6o)	Total Adjustments to Common Stock		(20.6)
	Adjustments to Paid-in Capital:		
	To Eliminate Infinity’s Historical Paid-in Capital		(386.7)
	To Record the Paid-in Capital of Kemper Common Stock Issued as Part of the Merger Consideration to Effect the Merger		982.8
	To Record adjustment to Paid-in Capital for Costs Associated with the Issuance of Kemper Common Stock		(4.0)
(6p)	Total Adjustments to Paid-in Capital		592.1
	Adjustments to Retained Earnings:		
	To Eliminate Infinity’s Historical Retained Earnings		(846.4)
	Adjustment to Reflect Transaction Costs Expected to be Incurred by Kemper		(7.3)
(6q)	Total Adjustments to Retained Earnings		(853.7)
(6r)	To Eliminate Infinity’s Historical Accumulated Other Comprehensive Income		16.1

(6s)	To Eliminate Infinity’s Historical Treasury Stock at Cost	503.1
	Total Adjustments to Shareholders’ Equity	$ 237.0

Note 7. Preliminary Unaudited Pro Forma Condensed Combined Statement of Income Adjustments for Year Ended December 31, 2017

Adjustments included in the "Acquisition Adjustments" column in the accompanying unaudited pro forma condensed combined statement of income for the year ended December 31, 2017 are as follows:

	(Dollars in Millions)	Increase (Decrease) for the Year Ended Dec 31, 2017
	Revenues:	
(7a)	Adjustment to Net Investment Income to Amortize the Fair Value Adjustment to Infinity's Investments in Fixed Maturities	$ 0.3
	Total Adjustment to Revenue	0.3
	Expenses:	
	Adjustments to Policyholders' Benefits and Incurred Losses and Loss Adjustment Expenses	
	To Amortize the Estimated Fair Value Adjustment on Infinity's Unpaid Losses and Loss Adjustment Expenses	7.2
(7b)	Total Adjustments to Policyholders' Benefits and Incurred Losses and Loss Adjustment Expenses	7.2
	Adjustments to Insurance Expenses:	
	Adjustment to Eliminate Infinity's Historical Amortization of Deferred Policy Acquisition Costs Following the Write-Off of the Deferred Policy Acquisition Costs	(91.1)
	To Amortize Certain Identifiable Finite Lived Intangible Assets Acquired in Connection with the Merger	167.8
(7c)	Total Adjustments to Insurance Expenses	76.7
	Adjustments to Interest and Other Expenses:	
	To Reflect Interest Expense as a Result of the Fair Value Related to Infinity's Long-Term Debt Assumed by Kemper	(1.3)
	To Record Incremental Stock-Based Compensation Expense for Replacement Awards in Connection with the Merger	2.3
	To Record Depreciation Expense Following the Fair Value Adjustment of Property and Equipment Acquired by Kemper	1.1
(7d)	Total Adjustments to Interest and Other Expenses	2.1
	Total Adjustments to Expenses	86.0
	Adjustment to Income Taxes:	
	Adjustment to Reflect the Income Tax Impact on the Unaudited Pro Forma Adjustments using the U.S. Statutory Tax Rate of 35%	30.0
(7e)	Total Adjustments to Income Taxes	30.0
	Total Adjustments to Income from Continuing Operations	$ (55.7)

Adjustments included in the "Financing Adjustments" column in the accompanying unaudited pro forma condensed combined statement of income for the year ended December 31, 2017 are as follows:

(Dollars in Millions)		Increase (Decrease) for the Year Ended Dec 31, 2017
	Revenues:	
	Adjustments to Net Investment Income:	
	To Reflect the Impact on Historical Net Investment Income Based on the Average Annual Yield of Kemper's Short-Term Investments which were Sold to Fund Part of the Cash Portion of the Merger Consideration Paid to Effect the Merger	(2.2)
	To Reflect the Impact on Historical Net Investment Income Based on the Average Annual Yield of Infinity's Cash and Cash Equivalents which was Used to Repay the Short-term Borrowing to Effect the Merger	(0.5)
(7f)	Total Adjustments to Net Investment Income	(2.7)
	Total Adjustments to Revenues	(2.7)
	Expenses:	
	Adjustments to Interest and Other Expenses:	
	Adjustment to Record the Estimated Interest Expense on the Term Loan Used to Fund Part of the Cash Portion of the Merger Consideration Paid to Effect the Merger	9.5
(7g)	Total Adjustments to Interest and Other Expenses	9.5
	Total Adjustments to Expenses	9.5
	Adjustment to Income Taxes:	
	Adjustment to Reflect the Income Tax Impact on the Unaudited Pro Forma Adjustments Using the U.S. Statutory Tax Rate of 35%	4.3
(7h)	Total Adjustments to Income Taxes	4.3
	Total Adjustments to Income from Continuing Operations	$ (7.9)

Note 8. Preliminary Unaudited Pro Forma Condensed Combined Statement of Income Adjustments for the Six Months Ended June 30, 2018

Adjustments included in the "Acquisition Adjustments" column in the accompanying unaudited pro forma condensed combined statement of income for the six months ended June 30, 2018 are as follows:

	(Dollars in Millions)	Increase (Decrease) for the Six Months Ended June 30, 2018
	Revenues:	
(8a)	Adjustment to Net Investment Income to Amortize the Fair Value Adjustment to Infinity's Investments in Fixed Maturities	$ 0.2
	Total Adjustment to Revenue	0.2
	Expenses:	
	Adjustments to Policyholders' Benefits and Incurred Losses and Loss Adjustment Expenses:	
	To Amortize the Estimated Fair Value Adjustment on Infinity's Unpaid Losses and Loss Adjustment Expenses	3.1
(8b)	Total Adjustments to Policyholders' Benefits and Incurred Losses and Loss Adjustment Expenses	3.1
	Adjustments to Insurance Expenses:	
	To Amortize Certain Identifiable Finite Lived Intangible Assets Acquired in Connection with the Merger	11.6
(8c)	Total Adjustments to Insurance Expenses	11.6
	Adjustments to Interest and Other Expenses:	
	To Reflect Interest Expense as a Result of the Fair Value Related to Infinity's Long-Term Debt Assumed by Kemper	(0.9)
	To Record Incremental Stock-Based Compensation Expense for Replacement Awards in Connection with the Merger	(0.3)
	To Reverse Transaction Costs Incurred by Kemper and Infinity	(12.5)
	To Record Depreciation Expense Following the Fair Value Adjustment of Property and Equipment Acquired by Kemper	0.5
(8d)	Total Adjustments to Interest and Other Expenses	(13.2)
	Total Adjustments to Expenses	1.5
	Adjustment to Income Taxes:	
	Adjustment to Reflect the Income Tax Impact on the Unaudited Pro Forma Adjustments using the U.S. Statutory Tax Rate of 21%	0.3
(8e)	Total Adjustments to Income Taxes	0.3
	Total Adjustments to Income from Continuing Operations	$ (1.0)

Adjustments included in the “Financing Adjustments” column in the accompanying unaudited pro forma condensed combined statement of income for the sixth months ended June 30, 2018 are as follows:

(Dollars in Millions)		Increase (Decrease) for the Six Months Ended June 30, 2018
	Revenues:	
	Adjustments to Net Investment Income:	
	To Reflect the Impact on Historical Net Investment Income Based on the Average Annual Yield of Kemper’s Short-Term Investments which will be Sold to Fund Part of the Cash Portion of the Merger Consideration Paid to Effect the Merger	(1.1)
	To Reflect the Impact on Historical Net Investment Income Based on the Average Annual Yield of Infinity’s Cash and Cash Equivalents which will be Used to Repay the Short-term Borrowing to Effect the Merger	(0.3)
(8f)	Total Adjustments to Net Investment Income	(1.4)
	Total Adjustments to Revenues	(1.4)
	Expenses:	
	Adjustments to Interest and Other Expenses:	
	Adjustment to Record the Estimated Interest Expense on the Term Loan Used to Fund Part of the Cash Portion of the Merger Consideration Paid to Effect the Merger	4.8
(8g)	Total Adjustments to Interest and Other Expenses	4.8
	Total Adjustments to Expenses	4.8
	Adjustment to Income Taxes:	
	Adjustment to Reflect the Income Tax Impact on the Unaudited Pro Forma Adjustments Using the U.S. Statutory Tax Rate of 21%	1.4
(8h)	Total Adjustments to Income Taxes	1.4
	Total Adjustments to Income from Continuing Operations	$ (4.8)

Note 9. Preliminary Unaudited Pro Forma Income from Continuing Operations per Unrestricted Share

The preliminary unaudited pro forma basic and diluted income from continuing operations per unrestricted share calculations are based on Kemper’s basic and diluted weighted average number of unrestricted shares outstanding for the year ended December 31, 2017 and six months ended June 30, 2018. The pro forma weighted average number of shares outstanding reflects the following adjustments as if the Merger had occurred on January 1, 2017:

- elimination of Infinity common stock;
- the issuance of Kemper common stock to Infinity shareholders, based on Infinity’s common stock outstanding immediately prior to the closing;
- pursuant to the terms of the Merger Agreement, the effects of the vesting of the Infinity performance share awards; and
- pursuant to the terms of the Merger Agreement, the treatment of the Rollover RSUs.

The following table sets forth the calculation of pro forma basic and diluted income from continuing operations per unrestricted share for year ended December 31, 2017:

	Year Ended Dec 31, 2017
Numerator—Dollars in Millions	
Pro Forma Income from Continuing Operations	$ 101.7
Less: Pro Forma Income from Continuing Operations Attributed to Participating Awards	(0.7)
Pro Forma Income from Continuing Operations Attributed to Unrestricted Shares	$ 101.0
Denominator—Shares in Thousands	
Kemper’s Historical Weighted Average Unrestricted Shares Outstanding	51,345.6
Shares of Infinity Common Stock Converted Into Shares of Kemper Common Stock	13,106.8
Infinity’s Performance Share Awards which Vested Upon the Closing of the Merger Converted into Shares of Kemper Common Stock	77.3
Pro Forma Weighted Average Shares Outstanding — Basic	64,529.7
Kemper’s Historical Equity-Based Compensation Equivalent Shares	232.2
Pro Forma Weighted Average Shares Outstanding — Diluted	64,761.9
Income from Continuing Operations Per Unrestricted Share — In Whole Dollars	
Basic	$ 1.56
Diluted	$ 1.56

The following table sets forth the calculation of pro forma basic and diluted income from continuing operations per unrestricted share for six months ended June 30, 2018:

	Six Months Ended June 30, 2018
Numerator—Dollars in Millions	
Pro Forma Income from Continuing Operations	$ 133.1
Less: Pro Forma Income from Continuing Operations Attributed to Participating Awards	(0.9)
Pro Forma Income from Continuing Operations Attributed to Unrestricted Shares	$ 132.2
Denominator—Shares in Thousands	
Kemper’s Historical Weighted Average Unrestricted Shares Outstanding	51,526.6
Shares of Infinity Common Stock Converted Into Shares of Kemper Common Stock	13,106.8
Infinity’s Performance Share Awards which Vested Upon the Closing of the Merger Converted into Shares of Kemper Common Stock	77.3
Pro Forma Weighted Average Shares Outstanding — Basic	64,710.7
Kemper’s Historical Equity-Based Compensation Equivalent Shares	470.1
Pro Forma Weighted Average Shares Outstanding — Diluted	65,180.8
Income from Continuing Operations Per Unrestricted Share — In Whole Dollars	
Basic	$ 2.04
Diluted	$ 2.03

Note 10. Preliminary Unaudited Pro Forma Debt

The historical and preliminary unaudited pro forma debt of Kemper and Infinity as of June 30, 2018 is summarized as follows:

(Dollars in Millions)	Historical Kemper		Historical Infinity		Pro Forma As Adjusted	
4.35% Senior Notes due February 2025	$	448.2	$	—	$	448.2
7.35% Subordinated Debentures due February 2054		144.2		—		144.2
5.0% Senior Notes due September 2022		—		273.9		282.1
Subsidiary Borrowings from FHLBs of Dallas and Chicago		110.0		—		110.0
Term Loan due June 29, 2020		249.4		—		249.4
Total	$	951.8	$	273.9	$	1,233.9

On July 13, 2018, Kemper subsidiaries repaid in full the $110.0 million of FHLB borrowings, plus accrued interest, using unencumbered cash and short-term investments acquired in the purchase.

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