



KEMPER

February 2016

Investor Update



Caution Regarding Forward-looking Statements

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

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

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

Kemper Overview

Multi-line national insurer

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

Strong capital and liquidity

- \$2.0B shareholders' equity
- 27% debt-to-capital ratio
- 90% of fixed maturity portfolio rated investment grade
- Insurance subs rated “Excellent” by A.M. Best¹

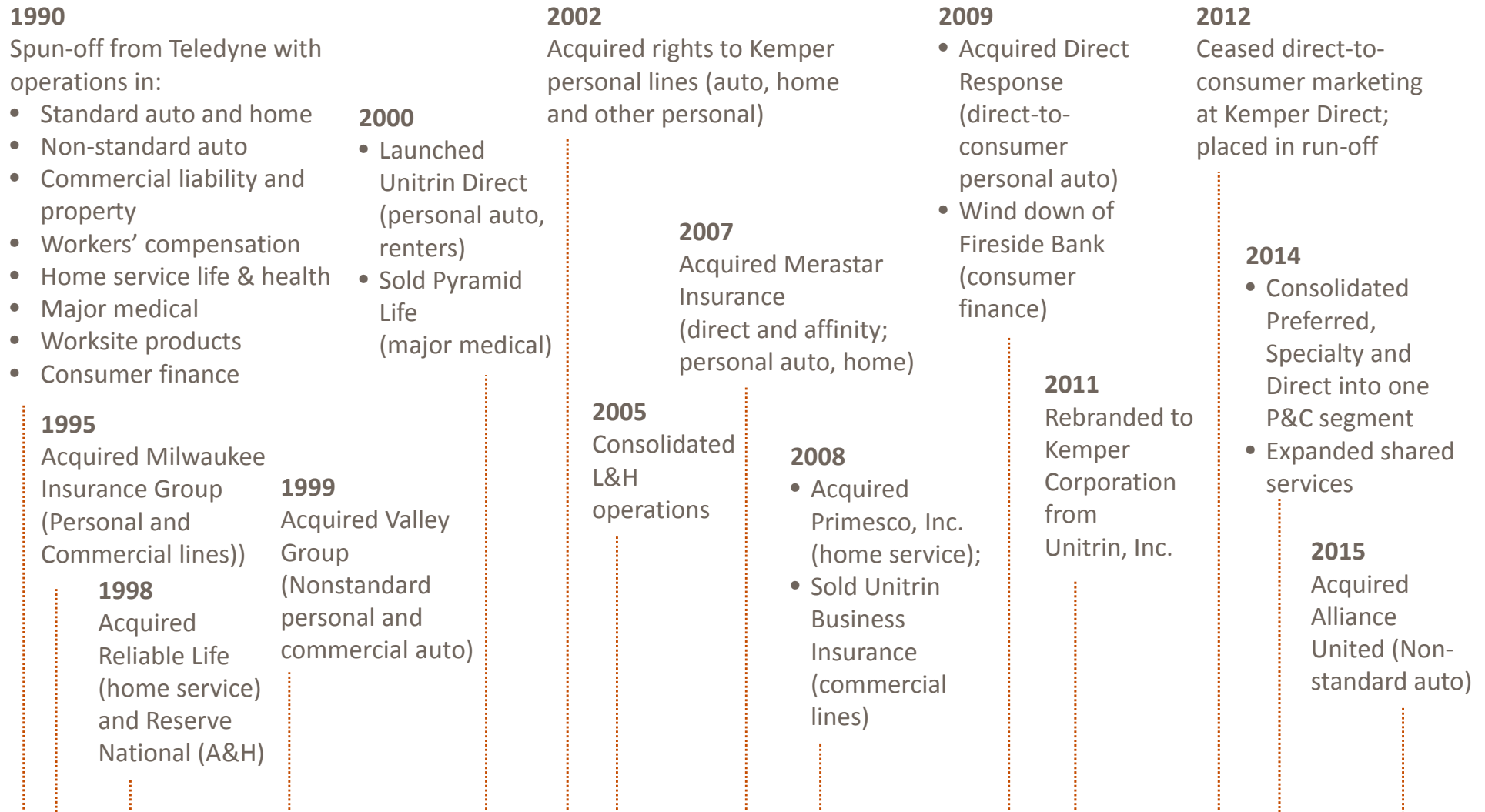
Experienced management team



¹Alliance United Insurance Company is not rated

Our History

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



1990

2015

Lines of Business

Property & Casualty Insurance \$966MM ¹ statutory surplus	Life & Health Insurance \$395MM statutory surplus	Overall
Distribution: <ul style="list-style-type: none"> Independent Agents 	Distribution: <ul style="list-style-type: none"> Captive home service agents Independent agents/Brokers Employer-sponsored voluntary benefit programs 	<ul style="list-style-type: none"> 30,000+ Independent Agents 2,400 Employee Agents
Typical Customer: <ul style="list-style-type: none"> Preferred—People with assets to protect; value the advice of agents Nonstandard—Individuals ineligible for preferred or standard coverage 	Typical Customer: <ul style="list-style-type: none"> Life insurance for modest income consumers Accident & Health for rural markets Life and A&H for those at or near retirement age A&H for employees of small to mid sized businesses 	~6MM policies
Product Offerings: <ul style="list-style-type: none"> Preferred & nonstandard personal auto Nonstandard commercial auto Homeowners and renters Other personal insurance 	Product Offerings: <ul style="list-style-type: none"> Basic protection products Life, limited benefit A&H, supplemental A&H, accident and contents 	

¹P&C includes \$9MM from Capitol County Mutual Fire Insurance Company, an affiliated mutual insurance company owned by its policyholders.

P&C Businesses Offer Product and Distribution Diversity

Personal Auto

- Long-term recognized carrier in preferred & nonstandard markets
- Expanding nonstandard presence in California with Alliance United acquisition
- Quality claims service
- Sold in 47 states and D.C. through more than 20,000 independent agents
- Top premium states: CA, TX, NY & NC

Net Earned Premiums:
2015 \$1,028MM
2014 \$831MM

Commercial Auto

- Focused on light artisan vehicles
- Characteristics similar to private passenger auto
- Customers tend to be owners of small businesses
- Sold in seven states through 2,800 independent insurance agents; strong, expandable regional presence
- Concentrated in two states (58% CA and 27% TX)

Net Earned Premiums:
2015 \$54MM
2014 \$55MM

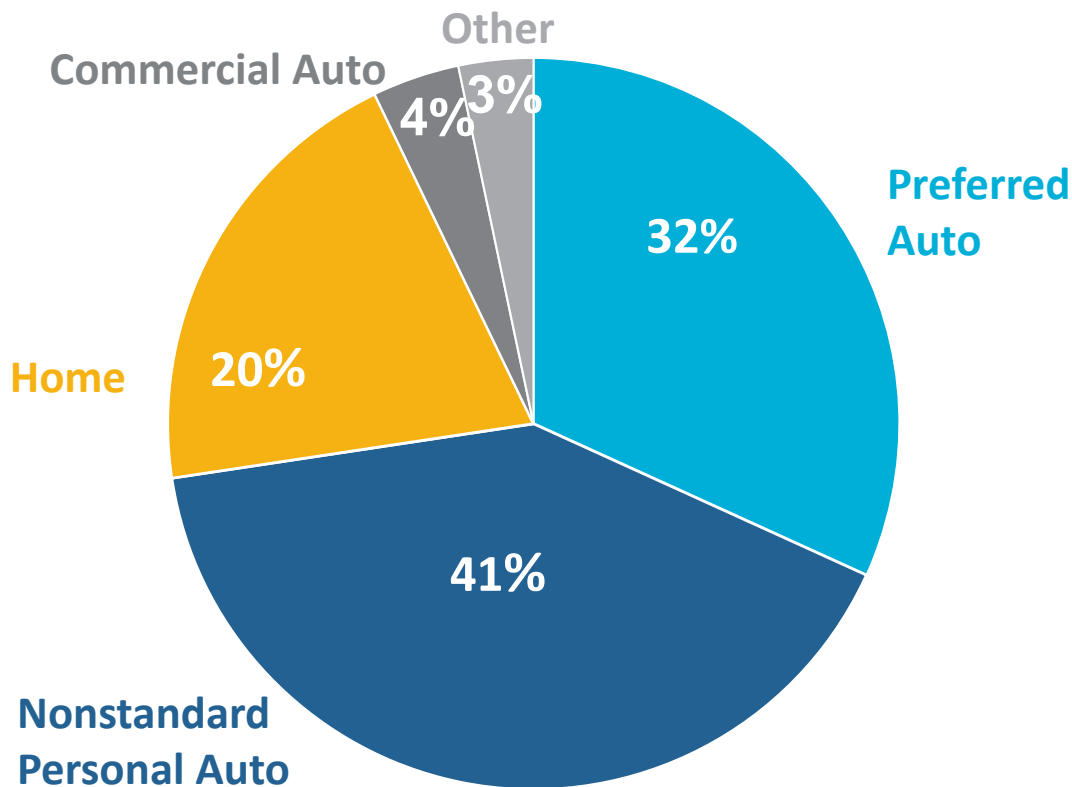
Home and Other Personal

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

Net Earned Premiums:
2015 \$333MM
2014 \$364MM

Kemper Property & Casualty Financial Highlights

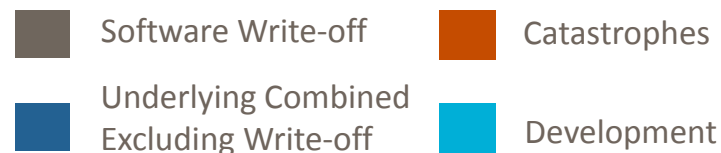
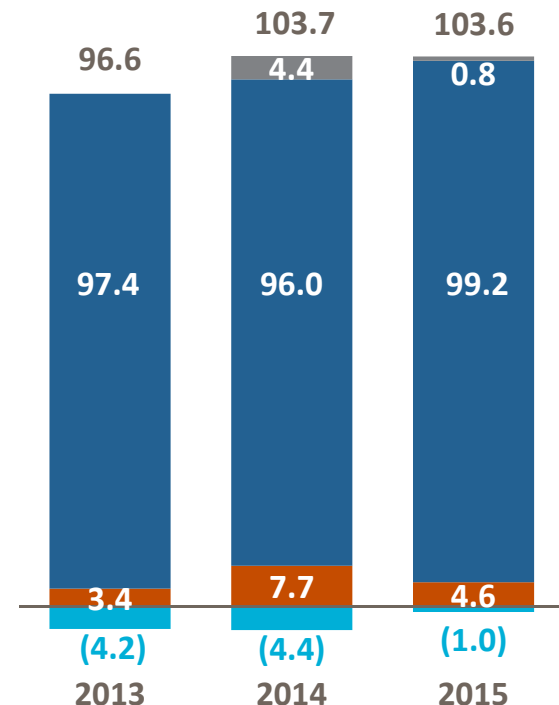
Earned Premiums



2015: \$1,415MM

2014: \$1,250MM

GAAP Combined Ratio

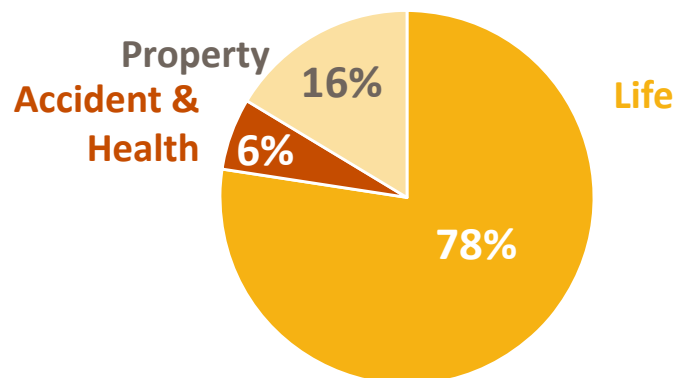


- Acquired Alliance United April 30, 2015; added \$273 million of earned premiums YTD
- Alliance United and legacy nonstandard auto experienced adverse frequency and severity trends in 2015
- Preferred auto's underlying loss & LAE ratio improved 0.9 points in 2015

Life & Health Businesses—Stable Base + Growth Areas

Kemper Home Service Companies

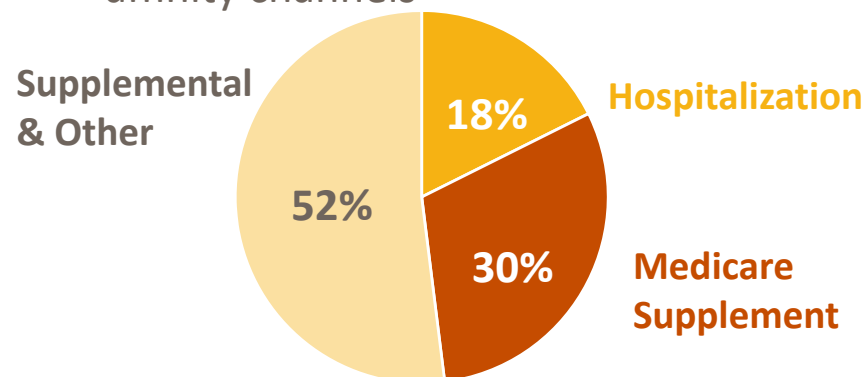
- 2,400 career agents in 25 states serving 5MM policies
- Low face amount protection for individuals and families
- Lead product: ordinary life insurance, including permanent & term insurance
- Limited sensitivity to interest rate or stock market volatility
- Simple products with stable cash flows
-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



Net Earned Premiums: 2015 \$461MM
2014 \$479MM

Reserve National

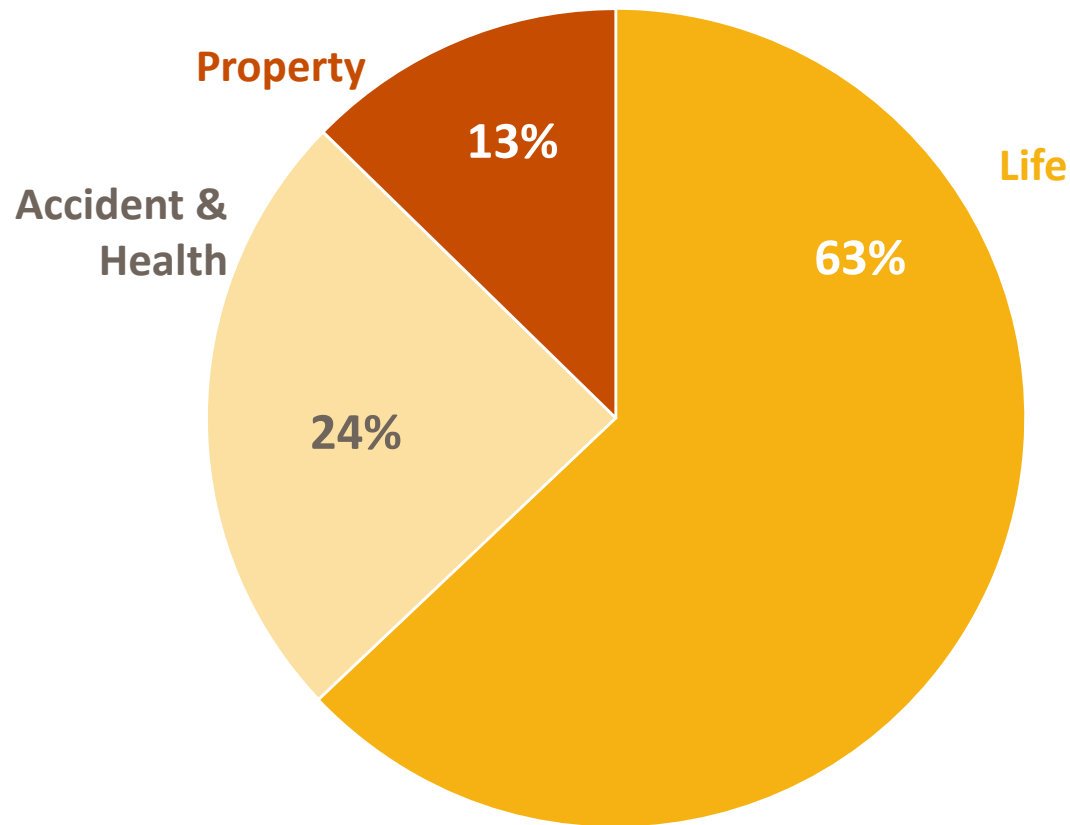
- 20,000+ independent agents
- Historically served rural markets:
 - Individuals, self-employed & employers
 - Licensed in 48 states
- Moving toward supplemental products
- Key growth initiatives and products
 - Kemper Senior Solutions: small face life and limited home health care for those at or near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



Net Earned Premiums: 2015 \$133MM
2014 \$134MM

Kemper Life & Health Financial Highlights

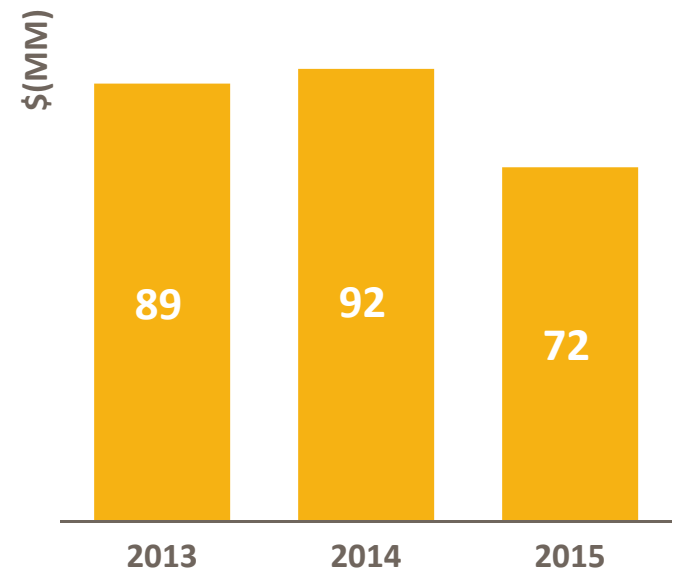
Earned Premiums



2015: \$594MM

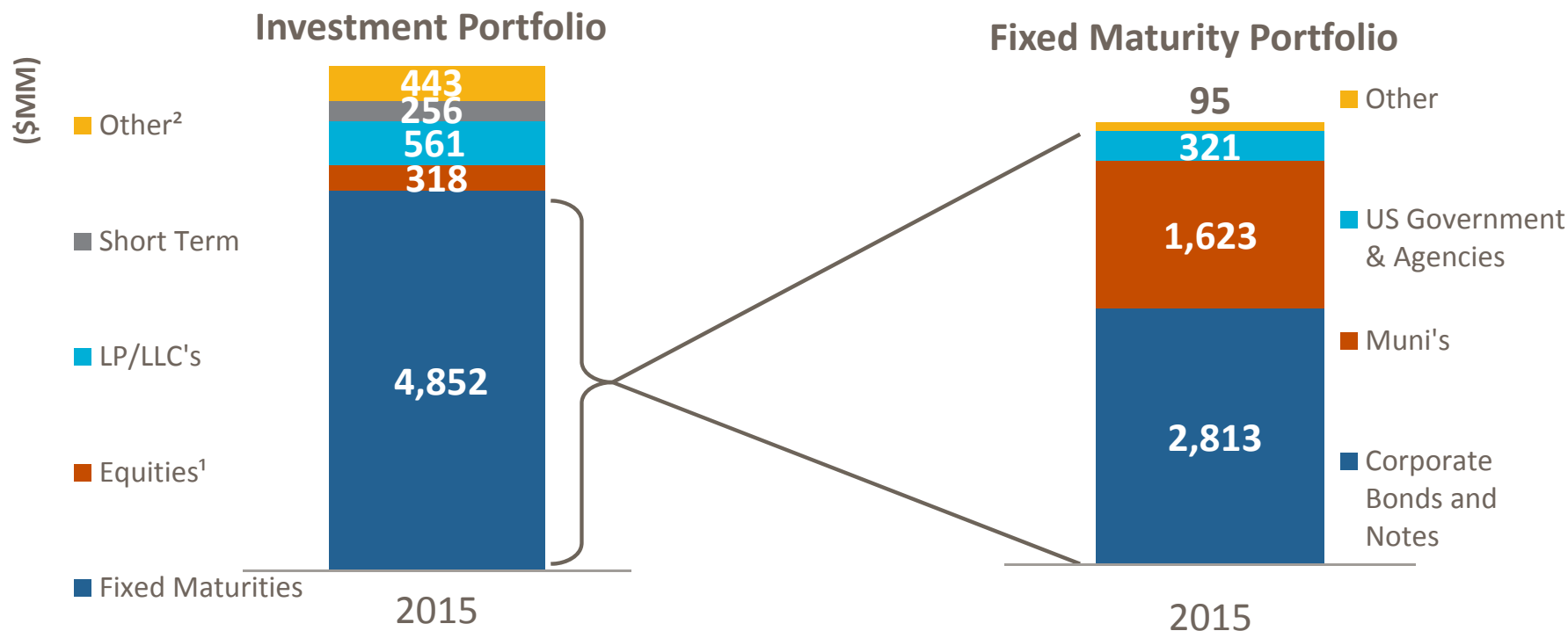
2014: \$613MM

Net Operating Income



- Stable Earned premiums and cash flows provide diversification for our P&C operations
- Low interest rate environment continues to pressure earnings
- 2015 results include deferred premium reserve adjustment and increased legal costs

Kemper Investment Portfolio Overview



Total Investments: \$6,430MM

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

Total Fixed Maturities: \$4,852MM

Unrealized Gain: \$292MM

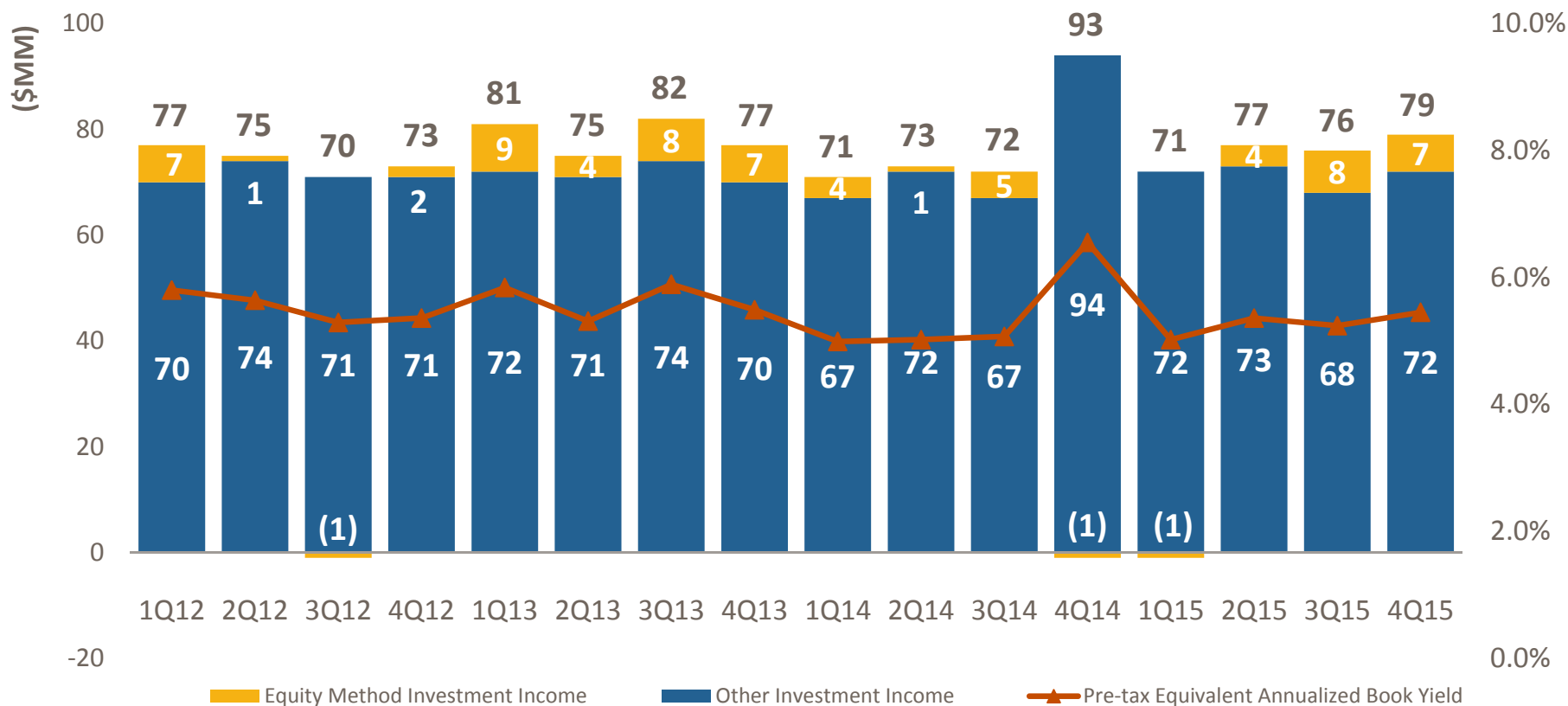
- Primarily high grade municipal, corporate and agency bonds; 90% investment grade
- ~30% of fixed maturities held in Muni's; maximum exposure in any one state is 1.7% of total investments
- Average duration is 6.5 years
- Pre-tax annualized book yield of 5.3% in 2015

¹ Excludes \$205MM of LP/LLC's at Fair Value

² Includes \$288MM policyholder loans, \$150MM of Real Estate and \$5MM other investments

Investment Portfolio Metrics

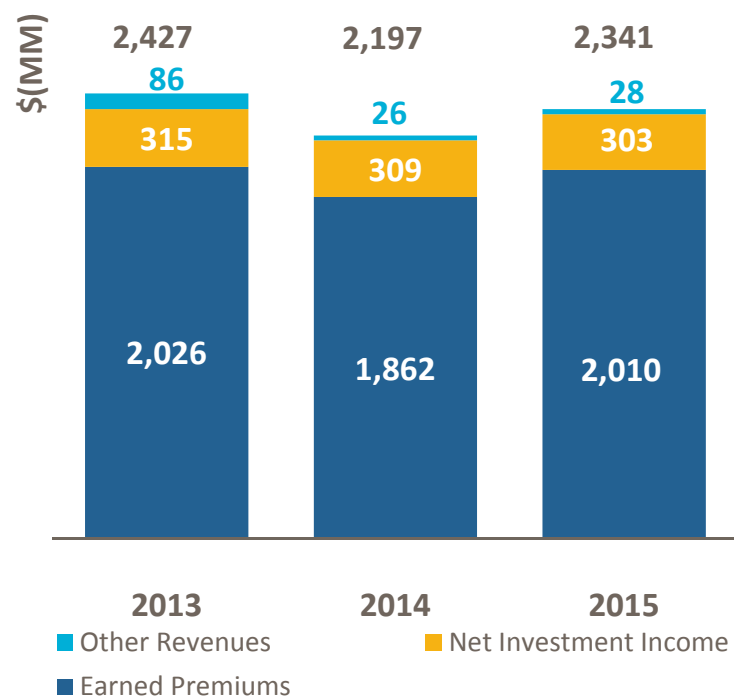
Total net investment income and yield



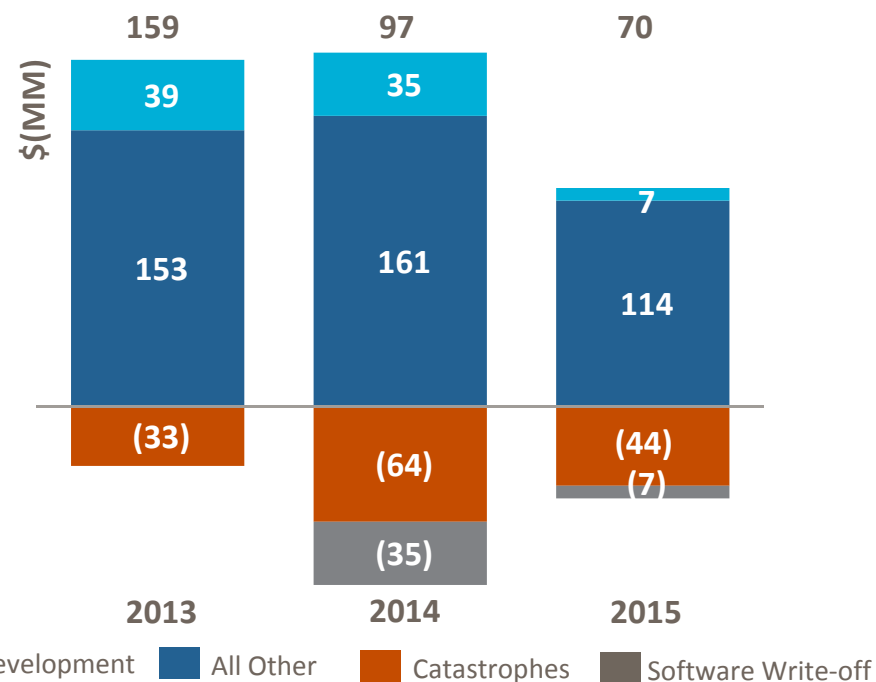
- Relatively stable income and yield; \$22MM special dividend received 4Q14
- Equity method investments provide above average yields but come with volatility
- Portfolio is well positioned over the medium term to handle low interest rate environment

Kemper Corporation Consolidated Financial Highlights

Total Revenues



Consolidated Net Operating Income



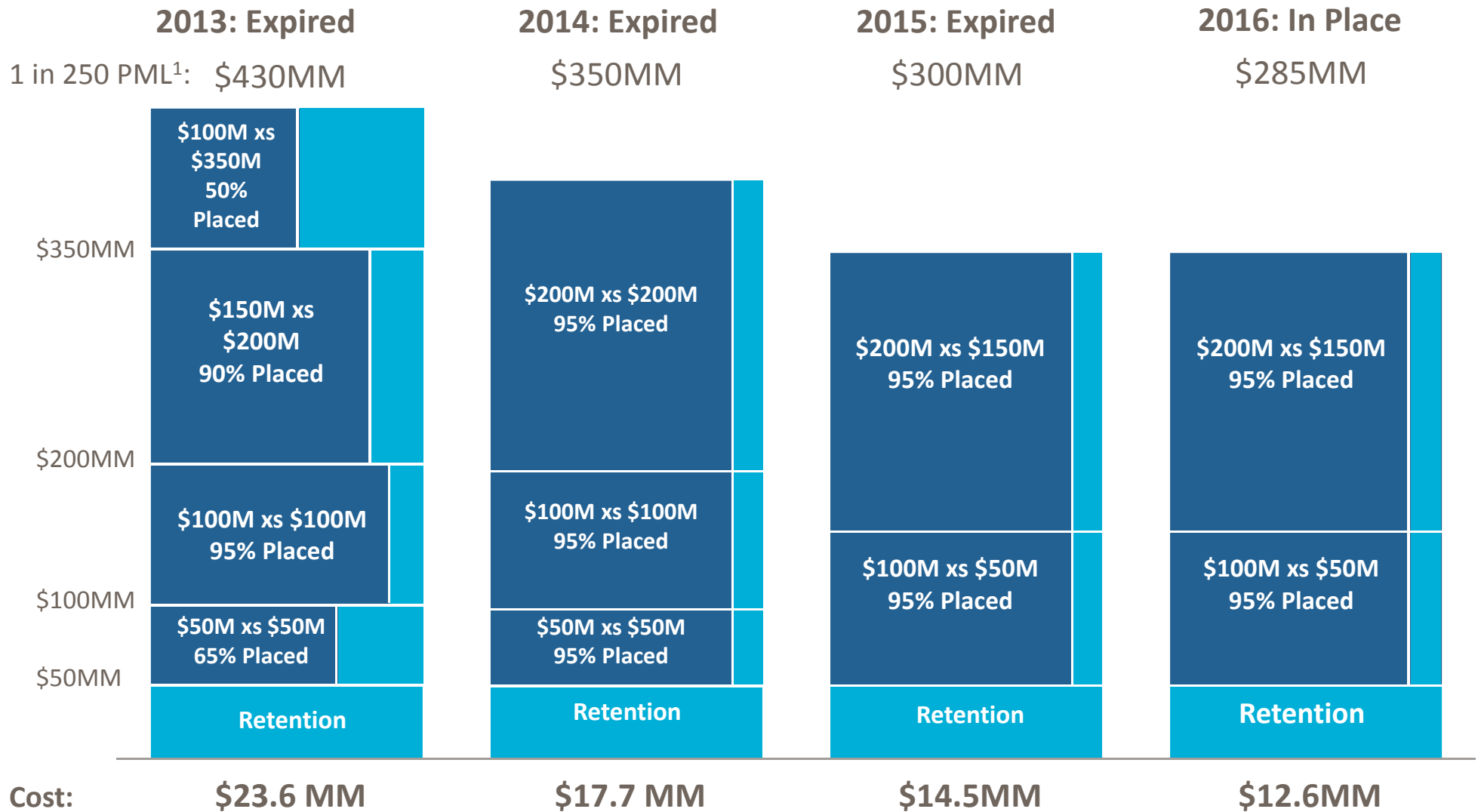
Net Operating EPS¹ Details (\$)

	2013	2014	2015
Catastrophes	(0.58)	(1.19)	(0.85)
Prior Year Reserve Development	0.68	0.64	0.15
Equity Method Investments	0.30	0.11	0.24
Software Write-off	-	(0.66)	(0.14)
All Other	2.38	2.89	1.95
Total	2.78	1.79	1.35

Drivers of Decline:

- NII special div. in 2014
- Alliance United and legacy nonstandard frequency trends
- L&H deferred premium reserve adjustment and legal expenses
- Higher pension expense

Catastrophe Risk Management

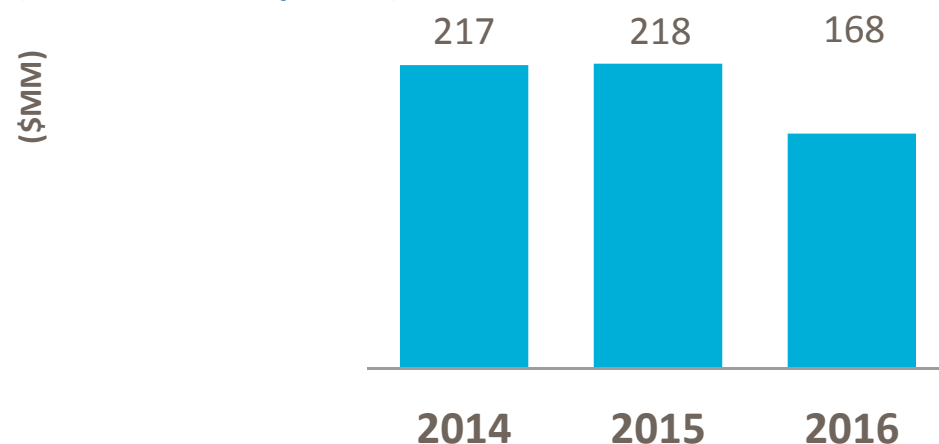


- PML's decreased as we moved away from the coast and reduced premiums
- 2013 -2014 Increased reinsurance coverage within the layers
- 2015 & 2016 locked in historically low rates with multi-year agreements

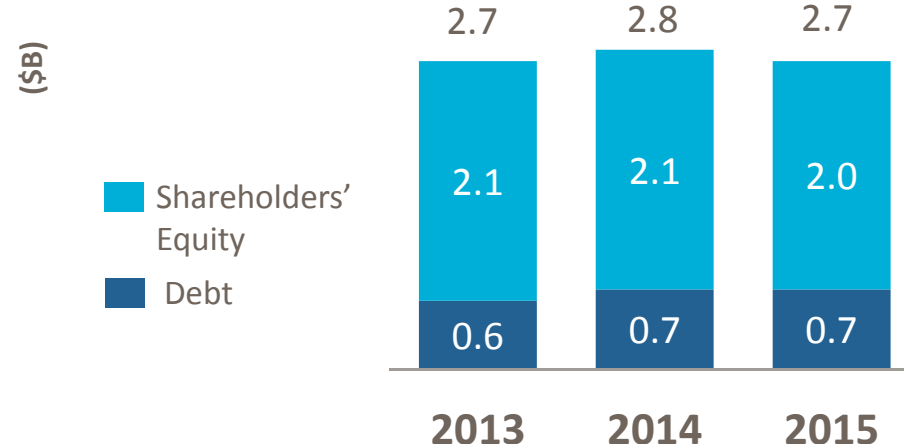
Liquidity & Capital Overview

Max ordinary dividend capacity¹

(Insurance Companies)



Stable capital profile



Dividends paid to Kemper Corporation (\$MM)

Insurance subs	217	285
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Risk-Based Capital (%)

Life & Health	420	390
Property & Casualty	335	325

Key Metrics

Debt to Total Capital	23%	26%	27%
Undrawn Parent Credit Facility (PCF) (\$MM)	225	225	225
Allowed Sub. Borrowings from FHLB ² under PCF (\$MM)	250	250	500

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

² Federal Home Loan Bank

2015 Capital Deployment Priorities

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

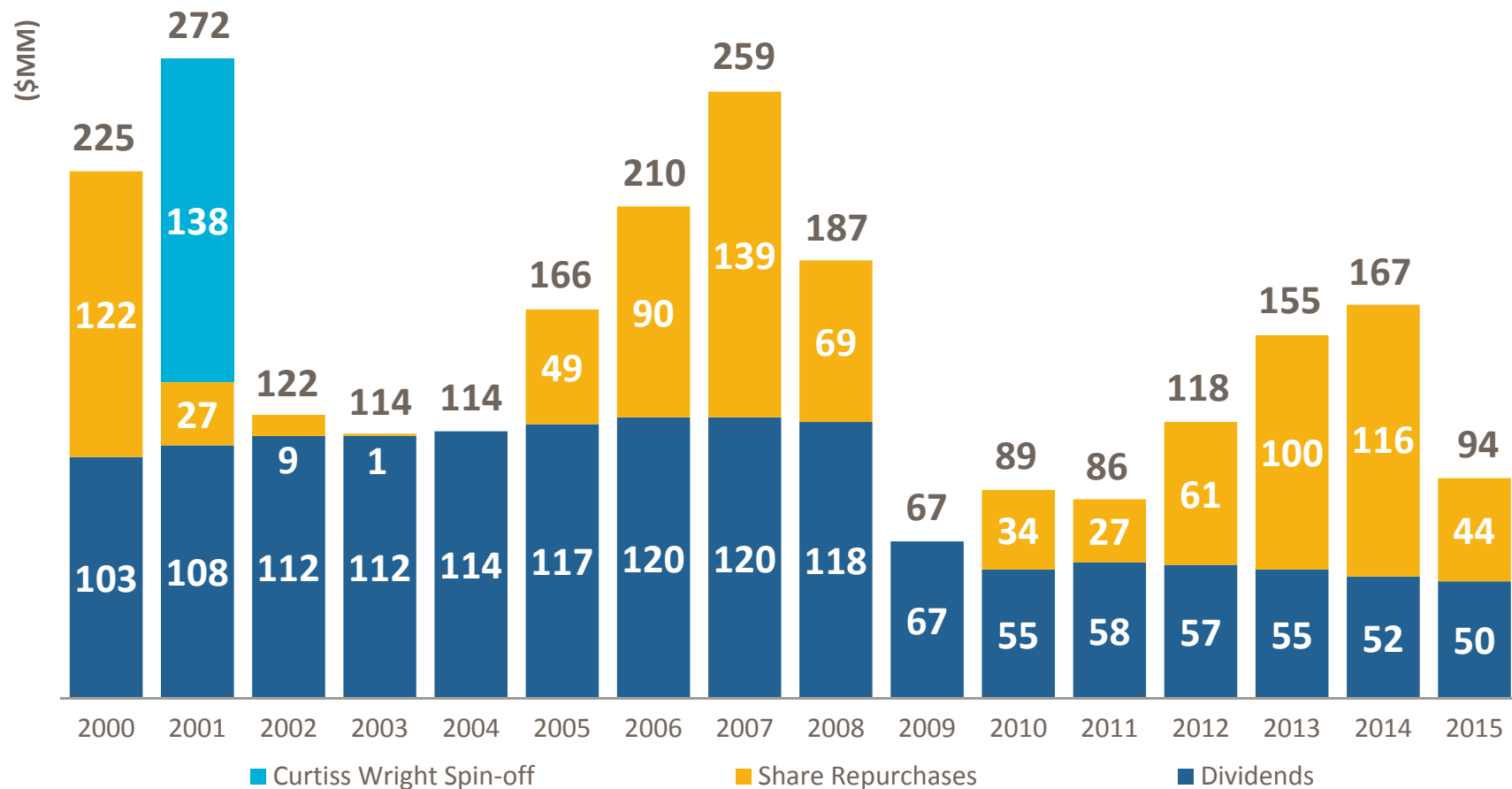
2. Strategic acquisitions:

- Bolt-on nonstandard & preferred opportunities
- Leverage scale in life operations

3. Return capital to shareholders:

- Maintain competitive dividends
- Repurchase shares
 - \$116MM repurchased in 2014; \$44MM in 2015
 - \$300MM program (\$247MM remaining); no expiration date

Capital Returned to Shareholders



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

Note: components may not sum to totals due to rounding



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Appendix

Consolidated Statements of Income

Kemper Corporation & Subsidiaries

(\$MM)	Year Ended Dec. 31,		Change	Comments
	2014	2015		
Revenues:				
Earned Premiums:				
Property & Casualty	\$ 1,250	\$ 1,415	13.2%	Alliance United acquisition on April 30th \$8 million adjustment for deferred premium reserves
Life & Health	613	594	-3.1%	
Net Investment Income	309	303	-1.9%	
Other Income	1	4	NM	
Net Realized Investment Gains	24	25	4.2%	
Total Revenues	2,197	2,341	6.6%	
Expenses:				
Incurred Losses and LAE:				
Property & Casualty	887	1,086	22.4%	Alliance United acquisition on April 30th
Life & Health	374	382	2.1%	
Insurance Expenses	628	645	2.7%	
Write-offs of Long-lived Assets	55	11	-80.0%	Policy System in 2014 and Billing in 2015
Loss from Early Extinguishment of Debt	-	9	100.0%	Retired debt maturing in Nov.
Interest and Other Expenses	92	108	17.4%	Higher interest and retirement benefits
Total Expenses	2,036	2,241	10.1%	
Income Tax Expense	(48)	(20)	NM	
Net Income from Continuing Ops.	\$ 113	\$ 80	-29.2%	
Total Net Income	\$ 115	\$ 86	-25.2%	

Consolidated Balance Sheets

Kemper Corporation & Subsidiaries

(\$MM)	2014	2015	Change	Comments
Assets:				
Cash and Investments:				
Fixed Maturities at Fair Value	\$ 4,778	\$ 4,852	1.5%	
Equity Securities	632	523	-17.2%	Portfolio allocation and tax planning
Equity Method LLC/LP	185	191	3.2%	
Fair Value Option Investments	53	165	211.3%	Additional capital at Parent Company
Other Investments	450	443	-1.6%	
Cash & Short-term Inv.	418	417	-0.2%	
Total Cash & Investments	6,516	6,591	1.2%	
Receivables from Policyholders	295	332	12.5%	Acquisition of Alliance United
Other Receivables	187	193	3.2%	
Deferred Acquisition Costs	303	317	4.6%	
Goodwill	312	323	3.5%	Acquisition of Alliance United
Other Assets	220	280	27.3%	Acquisition of Alliance United
Total Assets	\$ 7,833	\$ 8,036	2.6%	
Liabilities & Shareholders' Equity:				
Insurance Reserves	\$ 4,007	\$ 4,204	4.9%	Acquisition of Alliance United
Unearned Premiums	537	613	14.2%	Acquisition of Alliance United
Debt	752	751	-0.1%	
Other Liabilities	446	476	6.7%	Acquisition of Alliance United
Total Liabilities	5,742	6,044	5.3%	
Shareholders' Equity	2,091	1,992	-4.7%	
Total Liabilities & Shareholders' Equity	\$ 7,833	\$ 8,036	2.6%	

Non-GAAP Financial Measures

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

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

<u>Underlying Combined Ratio</u>	2013	2014	2015
Current Year Non-catastrophe Losses and LAE Ratio	70.4%	67.7%	73.2%
Insurance Expense Ratio, Excluding Write-off of Long-lived Asset	27.0%	28.3%	26.0%
Impact on Ratio from Write-off of Long-lived Asset	0.0%	4.4%	0.8%
Underlying Combined Ratio	<u>97.4%</u>	<u>100.4%</u>	<u>100.0%</u>
 <u>Non-GAAP Measure Reconciliation</u>			
Underlying Combined Ratio	97.4%	100.4%	100.0%
Current Year Catastrophe Losses and LAE Ratio	3.4%	7.7%	4.6%
Prior Years Non-catastrophe Losses and LAE Ratio	-3.3%	-3.1%	-0.4%
Prior Years Catastrophe Losses and LAE Ratio	-0.9%	-1.3%	-0.6%
Combined Ratio as Reported	<u>96.6%</u>	<u>103.7%</u>	<u>103.6%</u>

¹ Accounting principles generally accepted in the United States

Non-GAAP Financial Measures - Continued

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

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

<i>Dollars in Millions</i>	2013	2014	2015
Consolidated Net Operating Income	\$ 159.2	\$ 97.1	\$ 69.9
Net Income (Loss) From:			
Net Realized Gains on Sales of Investments	64.4	25.4	33.9
Net Impairment Losses Recognized in Earnings	(9.1)	(9.9)	(17.7)
Loss from Early Extinguishment of Debt	-	-	(5.9)
Income from Continuing Operations	<u>\$ 214.5</u>	<u>\$ 112.6</u>	<u>\$ 80.2</u>

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

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

	2013	2014	2015
Diluted Net Operating EPS	\$ 2.78	\$ 1.79	\$ 1.35
Diluted Earnings Per Share From:			
Net Realized Gains on Sales of Investments	1.12	0.47	0.65
Net Impairment Losses Recognized in Earnings	(0.16)	(0.18)	(0.34)
Loss from Early Extinguishment of Debt	-	-	(0.11)
Income from Continuing Operations Per Unrestricted Share - Diluted	<u>\$ 3.74</u>	<u>\$ 2.08</u>	<u>\$ 1.55</u>