



**Investor Supplement**

**2011 Retrospectively Adjusted Financial Information**

The financial statements and financial information included herein are unaudited. These financial statements and financial information have been retrospectively adjusted for (i) for the adoption of Accounting Standards Update 2010-26, *Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts* and (ii) a change in how Kemper allocates capital and net investment income to its business segments.

**Non-GAAP Financial Measures**

This document contains non-GAAP financial measures to analyze the Company's operating performance for the periods presented. Because the Company's calculation of these measures may differ from similar measures used by other companies, investors should be careful when comparing the Company's non-GAAP financial measures to those of other companies. For detailed disclosures on non-GAAP financial measures please refer to the "Definitions of Non-GAAP Financial Measures" on Page 15.

**Kemper Corporation  
Investor Supplement  
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**Kemper Corporation**  
**Consolidated Financial Highlights**  
(Dollars in Millions, Except Per Share Amounts)  
(Unaudited)

	Year Ended	Three Months Ended			
	Dec 31, 2011	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011
<b><u>For Period Ended</u></b>					
Earned Premiums .....	\$ 2,173.6	\$ 536.5	\$ 543.0	\$ 548.1	\$ 546.0
Net Investment Income .....	298.0	75.3	58.6	82.9	81.2
Net Investment Gains (Losses) and Other Income .....	23.4	1.5	(8.8)	16.7	14.0
Total Revenues .....	<u>\$ 2,495.0</u>	<u>\$ 613.3</u>	<u>\$ 592.8</u>	<u>\$ 647.7</u>	<u>\$ 641.2</u>
Consolidated Net Operating Income (Loss) <sup>1</sup> .....	\$ 47.1	\$ 24.1	\$ 7.1	\$ (20.2)	\$ 36.1
Income (Loss) from Continuing Operations .....	\$ 61.7	\$ 25.0	\$ 1.1	\$ (9.4)	\$ 45.0
Net Income (Loss) .....	\$ 74.5	\$ 24.3	\$ 2.0	\$ (3.3)	\$ 51.5
Per Unrestricted Common Share Amounts:					
<u>Basic:</u>					
Consolidated Net Operating Income (Loss) <sup>1</sup> .....	\$ 0.78	\$ 0.40	\$ 0.12	\$ (0.33)	\$ 0.59
Income (Loss) from Continuing Operations .....	\$ 1.02	\$ 0.41	\$ 0.01	\$ (0.16)	\$ 0.74
Net Income (Loss) .....	\$ 1.23	\$ 0.40	\$ 0.03	\$ (0.06)	\$ 0.85
<u>Diluted:</u>					
Consolidated Net Operating Income (Loss) <sup>1</sup> .....	\$ 0.78	\$ 0.40	\$ 0.12	\$ (0.33)	\$ 0.59
Income (Loss) from Continuing Operations .....	\$ 1.02	\$ 0.41	\$ 0.01	\$ (0.16)	\$ 0.73
Net Income (Loss) .....	\$ 1.23	\$ 0.40	\$ 0.03	\$ (0.06)	\$ 0.84
Dividends Paid to Shareholders Per Share .....	\$ 0.96	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24
<b><u>At Period End</u></b>					
Total Assets .....	\$ 7,934.7	\$ 7,934.7	\$ 8,047.8	\$ 8,068.4	\$ 8,137.0
Insurance Reserves .....	\$ 4,131.8	\$ 4,131.8	\$ 4,158.1	\$ 4,186.8	\$ 4,169.4
Notes Payable .....	\$ 610.6	\$ 610.6	\$ 675.4	\$ 610.2	\$ 610.0
Shareholders' Equity .....	\$ 2,116.6	\$ 2,116.6	\$ 2,121.6	\$ 2,040.4	\$ 2,023.5
Shareholders' Equity Excluding Goodwill .....	\$ 1,804.8	\$ 1,804.8	\$ 1,809.8	\$ 1,728.6	\$ 1,711.7
Common Shares Issued and Outstanding (In Millions) .....	60.249	60.249	60.456	60.460	60.453
Book Value Per Share <sup>2</sup> .....	\$ 35.13	\$ 35.13	\$ 35.09	\$ 33.75	\$ 33.47
Book Value Per Share Excluding Goodwill <sup>1,2</sup> .....	\$ 29.96	\$ 29.96	\$ 29.94	\$ 28.59	\$ 28.31
Book Value Per Share Excluding Unrealized on Fixed Maturities <sup>1,2</sup> .....	\$ 29.70	\$ 29.70	\$ 29.80	\$ 30.62	\$ 31.01
Debt to Total Capitalization <sup>2</sup> .....	22.4%	22.4%	24.1%	23.0%	23.2%
Rolling 12 Months Return on 5-point Average Shareholders Equity <sup>2,3</sup> .....	3.6%	3.6%	5.5%	7.1%	9.0%

<sup>1</sup> Non-GAAP Measure. See Page 15 for definition.

<sup>2</sup> See Capital Metrics for detail calculations.

<sup>3</sup> Rolling 12 Months Return on 5-point Average Shareholders Equity is calculated by taking the last 12 months of Net Income (Loss) divided by the 5-point average Shareholders' Equity. The 5-point Average Shareholders' Equity is calculated by using a 5-point quarter average of Shareholders' Equity for the 12 month period.

**Kemper Corporation**  
**Consolidated Statements of Operations**  
(Dollars in Millions)  
(Unaudited)

	Year Ended	Three Months Ended			
	Dec 31, 2011	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011
<b>Revenues:</b>					
Earned Premiums .....	\$ 2,173.6	\$ 536.5	\$ 543.0	\$ 548.1	\$ 546.0
Net Investment Income .....	298.0	75.3	58.6	82.9	81.2
Other Income .....	1.0	0.2	0.4	0.2	0.2
Net Realized Gains (Losses) on Sales of Investments .....	33.7	5.9	(4.2)	17.8	14.2
Other-than-temporary Impairment Losses:					
Total Other-than-temporary Impairment Losses .....	(11.4)	(4.7)	(5.0)	(1.3)	(0.4)
Portion of Losses Recognized in Other Comprehensive (Income) Loss .....	0.1	0.1	—	—	—
Net Impairment Losses Recognized in Earnings .....	(11.3)	(4.6)	(5.0)	(1.3)	(0.4)
Total Revenues .....	2,495.0	613.3	592.8	647.7	641.2
<b>Expenses:</b>					
Policyholders' Benefits and Incurred Losses and Loss Adjustment Expenses .....	1,645.7	376.7	399.6	477.1	392.3
Insurance Expenses .....	683.6	170.1	176.8	170.6	166.1
Write-off of Intangibles Acquired .....	13.5	13.5	—	—	—
Interest and Other Expenses .....	83.9	21.9	21.4	20.9	19.7
Total Expenses .....	2,426.7	582.2	597.8	668.6	578.1
<b>Income (Loss) from Continuing Operations before Income Taxes .....</b>	<b>68.3</b>	<b>31.1</b>	<b>(5.0)</b>	<b>(20.9)</b>	<b>63.1</b>
Income Tax Benefit (Expense) .....	(6.6)	(6.1)	6.1	11.5	(18.1)
<b>Income (Loss) from Continuing Operations .....</b>	<b>61.7</b>	<b>25.0</b>	<b>1.1</b>	<b>(9.4)</b>	<b>45.0</b>
Discontinued Operations:					
Income from Discontinued Operations before Income Taxes .....	19.5	0.2	0.6	9.3	9.4
Income Tax Benefit (Expense) .....	(6.7)	(0.9)	0.3	(3.2)	(2.9)
<b>Income (Loss) from Discontinued Operations .....</b>	<b>12.8</b>	<b>(0.7)</b>	<b>0.9</b>	<b>6.1</b>	<b>6.5</b>
<b>Net Income (Loss) .....</b>	<b>\$ 74.5</b>	<b>\$ 24.3</b>	<b>\$ 2.0</b>	<b>\$ (3.3)</b>	<b>\$ 51.5</b>
<b>Income (Loss) from Continuing Operations Per Unrestricted Share:</b>					
Basic .....	\$ 1.02	\$ 0.41	\$ 0.01	\$ (0.16)	\$ 0.74
Diluted .....	\$ 1.02	\$ 0.41	\$ 0.01	\$ (0.16)	\$ 0.73
<b>Net Income (Loss) Per Unrestricted Share:</b>					
Basic .....	\$ 1.23	\$ 0.40	\$ 0.03	\$ (0.06)	\$ 0.85
Diluted .....	\$ 1.23	\$ 0.40	\$ 0.03	\$ (0.06)	\$ 0.84
<b>Dividends Paid to Shareholders Per Share .....</b>	<b>\$ 0.96</b>	<b>\$ 0.24</b>	<b>\$ 0.24</b>	<b>\$ 0.24</b>	<b>\$ 0.24</b>
<b>Weighted Average Unrestricted Common Shares Outstanding .....</b>	<b>60.263</b>	<b>60.113</b>	<b>60.141</b>	<b>60.119</b>	<b>60.678</b>

**Kemper Corporation**  
**Consolidated Balance Sheets**  
(Dollars in Millions)  
(Unaudited)

	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011
<b>Assets:</b>				
Investments:				
Fixed Maturities at Fair Value .....	\$ 4,773.4	\$ 4,782.4	\$ 4,573.2	\$ 4,491.9
Equity Securities at Fair Value .....	397.3	360.8	503.0	511.7
Equity Method Limited Liability Investments at Cost Plus Cumulative Undistributed Earnings .....	306.3	305.0	325.3	326.0
Short-term Investments at Cost .....	247.4	120.9	274.5	415.8
Other Investments .....	498.3	495.2	497.2	496.0
<b>Total Investments</b> .....	<u>6,222.7</u>	<u>6,064.3</u>	<u>6,173.2</u>	<u>6,241.4</u>
Cash .....	251.2	471.0	123.8	77.5
Receivable from Policyholders .....	379.2	390.4	381.7	387.6
Other Receivables .....	218.7	214.0	442.8	510.4
Deferred Policy Acquisition Costs .....	294.0	296.5	294.4	289.8
Goodwill .....	311.8	311.8	311.8	311.8
Current and Deferred Income Tax Assets .....	6.4	38.7	76.1	53.2
Other Assets .....	250.7	261.1	264.6	265.3
<b>Total Assets</b> .....	<u>\$ 7,934.7</u>	<u>\$ 8,047.8</u>	<u>\$ 8,068.4</u>	<u>\$ 8,137.0</u>
<b>Liabilities and Shareholders' Equity:</b>				
Insurance Reserves:				
Life and Health .....	\$ 3,102.7	\$ 3,094.5	\$ 3,085.6	\$ 3,073.6
Property and Casualty .....	1,029.1	1,063.6	1,101.2	1,095.8
<b>Total Insurance Reserves</b> .....	<u>4,131.8</u>	<u>4,158.1</u>	<u>4,186.8</u>	<u>4,169.4</u>
Certificates of Deposits at Cost .....	—	—	—	172.7
Unearned Premiums .....	666.2	687.1	675.6	680.4
Liabilities for Income Taxes .....	6.2	14.9	7.4	8.6
Notes Payable at Amortized Cost .....	610.6	675.4	610.2	610.0
Accrued Expenses and Other Liabilities .....	403.3	390.7	548.0	472.4
<b>Total Liabilities</b> .....	<u>5,818.1</u>	<u>5,926.2</u>	<u>6,028.0</u>	<u>6,113.5</u>
<b>Shareholders' Equity:</b>				
Common Stock .....	6.0	6.1	6.0	6.0
Paid-in Capital .....	743.9	745.4	744.2	743.3
Retained Earnings .....	1,108.7	1,102.0	1,114.7	1,132.6
Accumulated Other Comprehensive Income .....	258.0	268.1	175.5	141.6
<b>Total Shareholders' Equity</b> .....	<u>2,116.6</u>	<u>2,121.6</u>	<u>2,040.4</u>	<u>2,023.5</u>
<b>Total Liabilities and Shareholders' Equity</b> .....	<u>\$ 7,934.7</u>	<u>\$ 8,047.8</u>	<u>\$ 8,068.4</u>	<u>\$ 8,137.0</u>

**Kemper Corporation**  
**Capital Metrics**  
(Dollars and Shares in Millions, Except Per Share Amounts)

	Three Months Ended			
	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011
<b><u>Book Value Per Share</u></b>				
<b><u>Numerator</u></b>				
Shareholders' Equity .....	\$ 2,116.6	\$ 2,121.6	\$ 2,040.4	\$ 2,023.5
Less: Goodwill .....	(311.8)	(311.8)	(311.8)	(311.8)
Shareholders' Equity Excluding Goodwill .....	<u>\$ 1,804.8</u>	<u>\$ 1,809.8</u>	<u>\$ 1,728.6</u>	<u>\$ 1,711.7</u>
Shareholders' Equity .....	\$ 2,116.6	\$ 2,121.6	\$ 2,040.4	\$ 2,023.5
Less: Unrealized Gains and Losses on Fixed Maturities .....	(327.4)	(319.8)	(189.4)	(149.0)
Shareholders' Equity Excluding Unrealized on Fixed Maturities .....	<u>\$ 1,789.2</u>	<u>\$ 1,801.8</u>	<u>\$ 1,851.0</u>	<u>\$ 1,874.5</u>
<b><u>Denominator</u></b>				
Common Shares Issued and Outstanding .....	60.249	60.456	60.460	60.453
Book Value Per Share .....	<u>\$ 35.13</u>	<u>\$ 35.09</u>	<u>\$ 33.75</u>	<u>\$ 33.47</u>
Book Value Per Share Excluding Goodwill .....	<u>\$ 29.96</u>	<u>\$ 29.94</u>	<u>\$ 28.59</u>	<u>\$ 28.31</u>
Book Value Per Share Excluding Unrealized on Fixed Maturities .....	<u>\$ 29.70</u>	<u>\$ 29.80</u>	<u>\$ 30.62</u>	<u>\$ 31.01</u>
<b><u>Return on Shareholders' Equity</u></b>				
<b><u>Numerator</u></b>				
Rolling 12 Months Net Income .....	\$ 74.5	\$ 113.2	\$ 144.2	\$ 181.0
<b><u>Denominator (5-point Average)</u></b>				
5-point Average Shareholders' Equity .....	\$ 2,065.0	\$ 2,063.7	\$ 2,035.4	\$ 2,006.2
Rolling 12 Months Return on Average Shareholders Equity (5-point Average) .....	<u>3.6%</u>	<u>5.5%</u>	<u>7.1%</u>	<u>9.0%</u>
<b><u>Debt and Total Capitalization</u></b>				
Debt .....	\$ 610.6	\$ 675.4	\$ 610.2	\$ 610.0
Shareholders' Equity .....	2,116.6	2,121.6	2,040.4	2,023.5
Total Capitalization .....	<u>\$ 2,727.2</u>	<u>\$ 2,797.0</u>	<u>\$ 2,650.6</u>	<u>\$ 2,633.5</u>
Ratio of Debt to Shareholders' Equity .....	<u>28.8%</u>	<u>31.8%</u>	<u>29.9%</u>	<u>30.1%</u>
Ratio of Debt to Total Capitalization .....	<u>22.4%</u>	<u>24.1%</u>	<u>23.0%</u>	<u>23.2%</u>

**Kemper Corporation**  
**Segment Revenues**  
**(Dollars In Millions)**  
**(Unaudited)**

	Year Ended	Three Months Ended			
	Dec 31, 2011	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011
<b>Revenues:</b>					
Preferred:					
Earned Premiums .....	\$ 859.8	\$ 217.0	\$ 216.5	\$ 214.4	\$ 211.9
Net Investment Income .....	48.8	11.0	8.2	15.4	14.2
Other Income .....	0.3	0.1	0.1	—	0.1
Total Preferred .....	908.9	228.1	224.8	229.8	226.2
Specialty:					
Earned Premiums .....	445.2	108.5	111.0	113.3	112.4
Net Investment Income .....	22.8	5.3	3.7	7.2	6.6
Other Income .....	0.5	0.1	0.2	0.1	0.1
Total Specialty .....	468.5	113.9	114.9	120.6	119.1
Direct:					
Earned Premiums .....	222.7	50.9	54.4	57.5	59.9
Net Investment Income .....	17.4	3.8	2.8	5.5	5.3
Other Income .....	0.1	—	0.1	—	—
Total Direct .....	240.2	54.7	57.3	63.0	65.2
Life and Health Insurance:					
Earned Premiums .....	645.9	160.1	161.1	162.9	161.8
Net Investment Income .....	200.5	53.2	42.5	52.1	52.7
Other Income .....	0.1	—	—	0.1	—
Total Life and Health Insurance .....	846.5	213.3	203.6	215.1	214.5
Total Segment Revenues .....	2,464.1	610.0	600.6	628.5	625.0
Net Realized Gains (Losses) on Sales of Investments .....	33.7	5.9	(4.2)	17.8	14.2
Net Impairment Losses Recognized in Earnings .....	(11.3)	(4.6)	(5.0)	(1.3)	(0.4)
Other .....	8.5	2.0	1.4	2.7	2.4
Total Revenues .....	<u>\$ 2,495.0</u>	<u>\$ 613.3</u>	<u>\$ 592.8</u>	<u>\$ 647.7</u>	<u>\$ 641.2</u>

**Kemper Corporation**  
**Segment Operating Results**  
(Dollars in Millions)  
(Unaudited)

	Year Ended	Three Months Ended			
	Dec 31, 2011	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011
<b><u>Segment Operating Profit (Loss):</u></b>					
Preferred .....	\$ (40.6)	\$ 15.9	\$ (16.1)	\$ (54.5)	\$ 14.1
Specialty .....	24.2	5.3	7.1	6.4	5.4
Direct .....	(47.2)	(27.6)	(3.8)	(8.3)	(7.5)
Life and Health .....	152.3	47.7	29.9	28.2	46.5
Total Segment Operating Profit (Loss) .....	88.7	41.3	17.1	(28.2)	58.5
Unallocated Operating Loss .....	(42.8)	(11.5)	(12.9)	(9.2)	(9.2)
Total Operating Profit (Loss) .....	45.9	29.8	4.2	(37.4)	49.3
Net Realized Gains (Losses) on Sales of Investments .....	33.7	5.9	(4.2)	17.8	14.2
Net Impairment Losses Recognized in Earnings .....	(11.3)	(4.6)	(5.0)	(1.3)	(0.4)
Income (Loss) from Continuing Operations before Income Taxes .....	\$ 68.3	\$ 31.1	\$ (5.0)	\$ (20.9)	\$ 63.1
<b><u>Segment Net Operating Income (Loss):</u></b>					
Preferred .....	\$ (17.6)	\$ 12.7	\$ (8.3)	\$ (33.3)	\$ 11.3
Specialty .....	19.8	4.4	5.7	5.3	4.4
Direct .....	(27.5)	(17.1)	(1.7)	(4.8)	(3.9)
Life and Health .....	98.9	31.2	19.7	18.0	30.0
Total Segment Net Operating Income (Loss) .....	73.6	31.2	15.4	(14.8)	41.8
Unallocated Net Operating Loss .....	(26.5)	(7.1)	(8.3)	(5.4)	(5.7)
Consolidated Operating Income (Loss) .....	47.1	24.1	7.1	(20.2)	36.1
Unallocated Net Income (Loss) From:					
Net Realized Gains (Losses) on Sales of Investments .....	21.9	3.9	(2.7)	11.5	9.2
Net Impairment Losses Recognized in Earnings .....	(7.3)	(3.0)	(3.3)	(0.7)	(0.3)
Income (Loss) from Continuing Operations .....	\$ 61.7	\$ 25.0	\$ 1.1	\$ (9.4)	\$ 45.0



**Kemper Corporation**  
**Segment Operating Results**  
(Dollars in Millions)  
(Unaudited)

	Year Ended	Three Months Ended			
	Dec 31, 2011	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011
<b><u>Net Investment Income by Segment:</u></b>					
Preferred:					
Equity Method Limited Liability Companies .....	\$ 8.0	\$ 0.8	\$ (2.1)	\$ 5.4	\$ 3.9
All Other Net Investment Income .....	40.8	10.2	10.3	10.0	10.3
Net Investment Income .....	48.8	11.0	8.2	15.4	14.2
Specialty:					
Equity Method Limited Liability Companies .....	3.7	0.4	(1.0)	2.5	1.8
All Other Net Investment Income .....	19.1	4.9	4.7	4.7	4.8
Net Investment Income .....	22.8	5.3	3.7	7.2	6.6
Direct:					
Equity Method Limited Liability Companies .....	2.9	0.3	(0.8)	2.0	1.4
All Other Net Investment Income .....	14.5	3.5	3.6	3.5	3.9
Net Investment Income .....	17.4	3.8	2.8	5.5	5.3
Life and Health Insurance:					
Equity Method Limited Liability Companies .....	(6.3)	0.8	(9.3)	—	2.2
All Other Net Investment Income .....	206.8	52.4	51.8	52.1	50.5
Net Investment Income .....	200.5	53.2	42.5	52.1	52.7
Total Segment Net Investment Income .....	289.5	73.3	57.2	80.2	78.8
Unallocated Net Investment Income:					
Equity Method Limited Liability Companies .....	1.3	0.1	(0.5)	1.0	0.7
All Other Net Investment Income .....	7.2	1.9	1.9	1.7	1.7
Unallocated Net Investment Income .....	8.5	2.0	1.4	2.7	2.4
Net Investment Income .....	\$ 298.0	\$ 75.3	\$ 58.6	\$ 82.9	\$ 81.2

**Kemper Corporation**  
**Combined Property and Casualty Operations<sup>1</sup>**  
(Dollars in Millions)  
(Unaudited)

	Year Ended		Three Months Ended		
	Dec 31, 2011	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011
<b>Results of Operations</b>					
Net Premiums Written .....	\$ 1,516.0	\$ 356.7	\$ 394.6	\$ 381.1	\$ 383.6
Earned Premiums:					
Personal:					
Automobile .....	\$ 1,129.4	\$ 274.7	\$ 281.4	\$ 286.2	\$ 287.1
Homeowners .....	304.1	77.7	76.6	75.7	74.1
Other Personal .....	54.2	13.8	13.8	13.4	13.2
Total Personal .....	1,487.7	366.2	371.8	375.3	374.4
Commercial Automobile .....	40.0	10.2	10.1	9.9	9.8
Total Earned Premiums .....	1,527.7	376.4	381.9	385.2	384.2
Net Investment Income .....	89.0	20.1	14.7	28.1	26.1
Other Income .....	0.9	0.2	0.4	0.1	0.2
Total Revenues .....	1,617.6	396.7	397.0	413.4	410.5
Incurred Losses and LAE related to:					
Current Year:					
Non-catastrophe Losses and LAE .....	1,137.8	285.4	280.6	281.2	290.6
Catastrophe Losses and LAE .....	154.7	7.0	43.8	94.7	9.2
Prior Years:					
Non-catastrophe Losses and LAE .....	(27.5)	(2.6)	(16.4)	(5.4)	(3.1)
Catastrophe Losses and LAE .....	(4.9)	(1.6)	(1.5)	(1.9)	0.1
Total Incurred Losses and LAE .....	1,260.1	288.2	306.5	368.6	296.8
Insurance Expenses .....	407.6	101.4	103.3	101.2	101.7
Write-off of Other Intangible Assets Acquired .....	13.5	13.5	—	—	—
Operating Profit (Loss) .....	(63.6)	(6.4)	(12.8)	(56.4)	12.0
Income Tax Benefit (Expense) .....	38.3	6.4	8.5	23.6	(0.2)
Segment Net Operating Income (Loss) .....	\$ (25.3)	\$ —	\$ (4.3)	\$ (32.8)	\$ 11.8
<b>Ratios Based On Earned Premiums</b>					
Current Year Non-catastrophe Losses and LAE Ratio .....	74.5 %	75.8 %	73.5 %	73.0 %	75.7 %
Current Year Catastrophe Losses and LAE Ratio .....	10.1	1.9	11.5	24.6	2.4
Prior Years Non-catastrophe Losses and LAE Ratio .....	(1.8)	(0.7)	(4.3)	(1.4)	(0.8)
Prior Years Catastrophe Losses and LAE Ratio .....	(0.3)	(0.4)	(0.4)	(0.5)	—
Total Incurred Loss and LAE Ratio .....	82.5	76.6	80.3	95.7	77.3
Incurred Expense Ratio .....	27.6	30.5	27.0	26.3	26.5
Combined Ratio .....	110.1 %	107.1 %	107.3 %	122.0 %	103.8 %
<b>Underlying Combined Ratio<sup>2</sup></b>					
Current Year Non-catastrophe Losses and LAE Ratio .....	74.5 %	75.8 %	73.5 %	73.0 %	75.7 %
Incurred Expense Ratio .....	27.6	30.5	27.0	26.3	26.5
Underlying Combined Ratio .....	102.1 %	106.3 %	100.5 %	99.3 %	102.2 %
<b>Non-GAAP Measure Reconciliation</b>					
Underlying Combined Ratio .....	102.1 %	106.3 %	100.5 %	99.3 %	102.2 %
Current Year Catastrophe Losses and LAE Ratio .....	10.1	1.9	11.5	24.6	2.4
Prior Years Non-catastrophe Losses and LAE Ratio .....	(1.8)	(0.7)	(4.3)	(1.4)	(0.8)
Prior Years Catastrophe Losses and LAE Ratio .....	(0.3)	(0.4)	(0.4)	(0.5)	—
Combined Ratio as Reported .....	110.1 %	107.1 %	107.3 %	122.0 %	103.8 %

<sup>1</sup> Includes the results of operations of the Preferred, Specialty and Direct segments.

<sup>2</sup> Underlying Combined Ratio is a non-GAAP measure, which is computed as the difference between three operating ratios: the combined ratio, the effect of catastrophes (excluding development of prior year catastrophes) on the combined ratio and the effect of prior year reserve development at the reporting date (including development on prior year catastrophes) on the combined ratio.

**Kemper Corporation  
Preferred  
(Dollars in Millions)  
(Unaudited)**

	Year Ended	Three Months Ended			
	Dec 31, 2011	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011
<b>Results of Operations</b>					
Net Premiums Written .....	\$ 868.8	\$ 211.2	\$ 233.3	\$ 224.7	\$ 199.6
Earned Premiums:					
Automobile .....	\$ 510.9	\$ 127.9	\$ 128.5	\$ 127.6	\$ 126.9
Homeowners .....	294.9	75.3	74.3	73.4	71.9
Other Personal .....	54.0	13.8	13.7	13.4	13.1
Total Earned Premiums .....	859.8	217.0	216.5	214.4	211.9
Net Investment Income .....	48.8	11.0	8.2	15.4	14.2
Other Income .....	0.3	0.1	0.1	—	0.1
Total Revenues .....	908.9	228.1	224.8	229.8	226.2
Incurred Losses and LAE related to:					
Current Year:					
Non-catastrophe Losses and LAE .....	584.6	148.8	148.9	141.4	145.5
Catastrophe Losses and LAE .....	144.2	6.4	40.9	87.9	9.0
Prior Years:					
Non-catastrophe Losses and LAE .....	(13.6)	(2.0)	(7.9)	(2.6)	(1.1)
Catastrophe Losses and LAE .....	(5.5)	(1.7)	(1.5)	(2.0)	(0.3)
Total Incurred Losses and LAE .....	709.7	151.5	180.4	224.7	153.1
Insurance Expenses .....	239.8	60.7	60.5	59.6	59.0
Operating Profit (Loss) .....	(40.6)	15.9	(16.1)	(54.5)	14.1
Income Tax Benefit (Expense) .....	23.0	(3.2)	7.8	21.2	(2.8)
Segment Net Operating Income (Loss) .....	\$ (17.6)	\$ 12.7	\$ (8.3)	\$ (33.3)	\$ 11.3
<b>Ratios Based On Earned Premiums</b>					
Current Year Non-catastrophe Losses and LAE Ratio .....	67.9 %	68.6 %	68.7 %	65.9 %	68.7 %
Current Year Catastrophe Losses and LAE Ratio .....	16.8	2.9	18.9	41.0	4.2
Prior Years Non-catastrophe Losses and LAE Ratio .....	(1.6)	(0.9)	(3.6)	(1.2)	(0.5)
Prior Years Catastrophe Losses and LAE Ratio .....	(0.6)	(0.8)	(0.7)	(0.9)	(0.1)
Total Incurred Loss and LAE Ratio .....	82.5	69.8	83.3	104.8	72.3
Incurred Expense Ratio .....	27.9	28.0	27.9	27.8	27.8
Combined Ratio .....	110.4 %	97.8 %	111.2 %	132.6 %	100.1 %
<b>Underlying Combined Ratio <sup>1</sup></b>					
Current Year Non-catastrophe Losses and LAE Ratio .....	67.9 %	68.6 %	68.7 %	65.9 %	68.7 %
Incurred Expense Ratio .....	27.9	28.0	27.9	27.8	27.8
Underlying Combined Ratio .....	95.8 %	96.6 %	96.6 %	93.7 %	96.5 %
<b>Non-GAAP Measure Reconciliation</b>					
Underlying Combined Ratio .....	95.8 %	96.6 %	96.6 %	93.7 %	96.5 %
Current Year Catastrophe Losses and LAE Ratio .....	16.8	2.9	18.9	41.0	4.2
Prior Years Non-catastrophe Losses and LAE Ratio .....	(1.6)	(0.9)	(3.6)	(1.2)	(0.5)
Prior Years Catastrophe Losses and LAE Ratio .....	(0.6)	(0.8)	(0.7)	(0.9)	(0.1)
Combined Ratio as Reported .....	110.4 %	97.8 %	111.2 %	132.6 %	100.1 %

<sup>1</sup> Underlying Combined Ratio is a non-GAAP measure, which is computed as the difference between three operating ratios: the combined ratio, the effect of catastrophes (excluding development of prior year catastrophes) on the combined ratio and the effect of prior year reserve development at the reporting date (including development on prior year catastrophes) on the combined ratio.

**Kemper Corporation**  
**Specialty**  
(Dollars in Millions)  
(Unaudited)

	Year Ended	Three Months Ended			
	Dec 31, 2011	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011
<b>Results of Operations</b>					
Net Premiums Written .....	\$ 438.2	\$ 100.0	\$ 109.3	\$ 105.8	\$ 123.1
Earned Premiums:					
Personal Automobile .....	\$ 405.2	\$ 98.3	\$ 100.9	\$ 103.4	\$ 102.6
Commercial Automobile .....	40.0	10.2	10.1	9.9	9.8
Total Earned Premiums .....	445.2	108.5	111.0	113.3	112.4
Net Investment Income .....	22.8	5.3	3.7	7.2	6.6
Other Income .....	0.5	0.1	0.2	0.1	0.1
Total Revenues .....	468.5	113.9	114.9	120.6	119.1
Incurred Losses and LAE related to:					
Current Year:					
Non-catastrophe Losses and LAE .....	358.4	87.5	86.8	91.3	92.8
Catastrophe Losses and LAE .....	3.8	0.1	0.7	2.9	0.1
Prior Years:					
Non-catastrophe Losses and LAE .....	(9.5)	(2.5)	(3.2)	(1.9)	(1.9)
Catastrophe Losses and LAE .....	0.1	—	—	—	0.1
Total Incurred Losses and LAE .....	352.8	85.1	84.3	92.3	91.1
Insurance Expenses .....	91.5	23.5	23.5	21.9	22.6
Operating Profit .....	24.2	5.3	7.1	6.4	5.4
Income Tax Expense .....	(4.4)	(0.9)	(1.4)	(1.1)	(1.0)
Segment Net Operating Income .....	\$ 19.8	\$ 4.4	\$ 5.7	\$ 5.3	\$ 4.4
<b>Ratios Based On Earned Premiums</b>					
Current Year Non-catastrophe Losses and LAE Ratio .....	80.4 %	80.6 %	78.2 %	80.6 %	82.5 %
Current Year Catastrophe Losses and LAE Ratio .....	0.9	0.1	0.6	2.6	0.1
Prior Years Non-catastrophe Losses and LAE Ratio .....	(2.1)	(2.3)	(2.9)	(1.7)	(1.7)
Prior Years Catastrophe Losses and LAE Ratio .....	—	—	—	—	0.1
Total Incurred Loss and LAE Ratio .....	79.2	78.4	75.9	81.5	81.0
Incurred Expense Ratio .....	20.6	21.7	21.2	19.3	20.1
Combined Ratio .....	99.8 %	100.1 %	97.1 %	100.8 %	101.1 %
<b>Underlying Combined Ratio<sup>1</sup></b>					
Current Year Non-catastrophe Losses and LAE Ratio .....	80.4 %	80.6 %	78.2 %	80.6 %	82.5 %
Incurred Expense Ratio .....	20.6	21.7	21.2	19.3	20.1
Underlying Combined Ratio .....	101.0 %	102.3 %	99.4 %	99.9 %	102.6 %
<b>Non-GAAP Measure Reconciliation</b>					
Underlying Combined Ratio .....	101.0 %	102.3 %	99.4 %	99.9 %	102.6 %
Current Year Catastrophe Losses and LAE Ratio .....	0.9	0.1	0.6	2.6	0.1
Prior Years Non-catastrophe Losses and LAE Ratio .....	(2.1)	(2.3)	(2.9)	(1.7)	(1.7)
Prior Years Catastrophe Losses and LAE Ratio .....	—	—	—	—	0.1
Combined Ratio as Reported .....	99.8 %	100.1 %	97.1 %	100.8 %	101.1 %

<sup>1</sup>Underlying Combined Ratio is a non-GAAP measure, which is computed as the difference between three operating ratios: the combined ratio, the effect of catastrophes (excluding development of prior year catastrophes) on the combined ratio and the effect of prior year reserve development at the reporting date (including development on prior year catastrophes) on the combined ratio.

**Kemper Corporation**  
**Direct**  
**(Dollars in Millions)**  
**(Unaudited)**

	Year Ended	Three Months Ended			
	Dec 31, 2011	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011
<b><u>Results of Operations</u></b>					
Net premiums written .....	\$ 209.0	\$ 45.5	\$ 52.0	\$ 50.6	\$ 60.9
Earned Premiums:					
Automobile .....	\$ 213.3	\$ 48.5	\$ 52.0	\$ 55.2	\$ 57.6
Homeowners .....	9.2	2.4	2.3	2.3	2.2
Other Personal .....	0.2	—	0.1	—	0.1
Total Earned Premiums .....	222.7	50.9	54.4	57.5	59.9
Net Investment Income .....	17.4	3.8	2.8	5.5	5.3
Other Income .....	0.1	—	0.1	—	—
Total Revenues .....	240.2	54.7	57.3	63.0	65.2
Incurred Losses and LAE related to:					
Current Year:					
Non-catastrophe Losses and LAE .....	194.8	49.1	44.9	48.5	52.3
Catastrophe Losses and LAE .....	6.7	0.5	2.2	3.9	0.1
Prior Years:					
Non-catastrophe Losses and LAE .....	(4.4)	1.9	(5.3)	(0.9)	(0.1)
Catastrophe Losses and LAE .....	0.5	0.1	—	0.1	0.3
Total Incurred Losses and LAE .....	197.6	51.6	41.8	51.6	52.6
Insurance Expenses .....	76.3	17.2	19.3	19.7	20.1
Write-off of Other Intangible Assets Acquired .....	13.5	13.5	—	—	—
Operating Loss .....	(47.2)	(27.6)	(3.8)	(8.3)	(7.5)
Income Tax Benefit .....	19.7	10.5	2.1	3.5	3.6
Segment Net Operating Loss .....	\$ (27.5)	\$ (17.1)	\$ (1.7)	\$ (4.8)	\$ (3.9)
<b><u>Ratios Based On Earned Premiums</u></b>					
Current Year Non-catastrophe Losses and LAE Ratio .....	87.5 %	96.5 %	82.5 %	84.3 %	87.3 %
Current Year Catastrophe Losses and LAE Ratio .....	3.0	1.0	4.0	6.8	0.2
Prior Years Non-catastrophe Losses and LAE Ratio .....	(2.0)	3.7	(9.7)	(1.6)	(0.2)
Prior Years Catastrophe Losses and LAE Ratio .....	0.2	0.2	—	0.2	0.5
Total Incurred Loss and LAE Ratio .....	88.7	101.4	76.8	89.7	87.8
Incurred Expense Ratio .....	40.3	60.3	35.5	34.3	33.6
Combined Ratio .....	129.0 %	161.7 %	112.3 %	124.0 %	121.4 %
<b><u>Underlying Combined Ratio</u><sup>1</sup></b>					
Current Year Non-catastrophe Losses and LAE Ratio .....	87.5 %	96.5 %	82.5 %	84.3 %	87.3 %
Incurred Expense Ratio .....	40.3	60.3	35.5	34.3	33.6
Underlying Combined Ratio .....	127.8 %	156.8 %	118.0 %	118.6 %	120.9 %
<b><u>Non-GAAP Measure Reconciliation</u></b>					
Underlying Combined Ratio .....	127.8 %	156.8 %	118.0 %	118.6 %	120.9 %
Current Year Catastrophe Losses and LAE Ratio .....	3.0	1.0	4.0	6.8	0.2
Prior Years Non-catastrophe Losses and LAE Ratio .....	(2.0)	3.7	(9.7)	(1.6)	(0.2)
Prior Years Catastrophe Losses and LAE Ratio .....	0.2	0.2	—	0.2	0.5
Combined Ratio as Reported .....	129.0 %	161.7 %	112.3 %	124.0 %	121.4 %

<sup>1</sup> Underlying Combined Ratio is a non-GAAP measure, which is computed as the difference between three operating ratios: the combined ratio, the effect of catastrophes (excluding development of prior year catastrophes) on the combined ratio and the effect of prior year reserve development at the reporting date (including development on prior year catastrophes) on the combined ratio.

**Kemper Corporation**  
**Life and Health Insurance**  
(Dollars in Millions)  
(Unaudited)

	Year Ended	Three Months Ended			
	Dec 31, 2011	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011
<b>Results of Operations</b>					
Earned Premiums:					
Life .....	\$ 395.1	\$ 98.0	\$ 98.0	\$ 99.7	\$ 99.4
Accident and Health .....	166.3	41.7	41.9	41.5	41.2
Property .....	84.5	20.4	21.2	21.7	21.2
Total Earned Premiums .....	645.9	160.1	161.1	162.9	161.8
Net Investment Income .....	200.5	53.2	42.5	52.1	52.7
Other Income .....	0.1	—	—	0.1	—
Total Revenues .....	846.5	213.3	203.6	215.1	214.5
Policyholders' Benefits and Incurred Losses and LAE .....	385.6	88.5	93.0	108.6	95.5
Insurance Expenses .....	308.6	77.1	80.7	78.3	72.5
Operating Profit .....	152.3	47.7	29.9	28.2	46.5
Income Tax Expense .....	(53.4)	(16.5)	(10.2)	(10.2)	(16.5)
Segment Net Operating Income .....	\$ 98.9	\$ 31.2	\$ 19.7	\$ 18.0	\$ 30.0

**Kemper Corporation**  
**Definitions of Non-GAAP Financial Measures**

The Company believes that investors' understanding of Kemper's performance is enhanced by the disclosure of the following non-GAAP financial measures. The methods for calculating these measures may differ from those used by other companies and therefore comparability may be limited.

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

**Book Value Per Share Excluding Goodwill** is a ratio that uses a non-GAAP financial measure. It is calculated by dividing shareholders' equity after excluding the recorded Goodwill asset. Book value per share is the most directly comparable GAAP financial measure. Book Value Per Share, Excluding Goodwill, also referred to as Tangible Book Value Per Share, is a common measure used by analysts and investors to compare similar companies.

**Combined Property and Casualty Operations** is a non-GAAP measure, which is comprised of the Preferred, Specialty and Direct segments.

**Consolidated Net Operating Income (Loss)** is an after-tax, non-GAAP financial measure and is computed by excluding from Income (Loss) from Continuing Operations the after-tax impact of 1) Net Realized Gains (Losses) on Sales of Investments, 2) Net Impairment Losses Recognized in Earnings related to investments and 3) other significant non-recurring or infrequent items that may not be indicative of ongoing operations. Significant non-recurring items are excluded when (a) the nature of the charge or gain is such that it is reasonably unlikely to recur within two years, and (b) there has been no similar charge or gain within the prior two years. The most directly comparable GAAP financial measure is income from continuing operations.

The Company believes that Consolidated Net Operating Income (Loss) provides investors with a valuable measure of its ongoing performance because it reveals underlying operational performance trends that otherwise might be less apparent if the items were not excluded. Net Realized Gains (Losses) on Sales of Investments and Net Impairment Losses Recognized in Earnings related to investments included in the Company's results may vary significantly between periods and are generally driven by business decisions and external economic developments such as capital market conditions that impact the values of the company's investments, the timing of which is unrelated to the insurance underwriting process. Significant non-recurring items are excluded because, by their nature, they are not indicative of the Company's business or economic trends.

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

	Year Ended	Three Months Ended			
	Dec 31, 2011	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011
<i>Dollars in Millions (Unaudited)</i>					
Consolidated Net Operating Income (Loss) .....	\$ 47.1	\$ 24.1	\$ 7.1	\$ (20.2)	\$ 36.1
Net Income (Loss) From: .....					
Net Realized Gains (Losses) on Sales of Investments .....	21.9	3.9	(2.7)	11.5	9.2
Net Impairment Losses Recognized in Earnings .....	(7.3)	(3.0)	(3.3)	(0.7)	(0.3)
Income (Loss) from Continuing Operations .....	\$ 61.7	\$ 25.0	\$ 1.1	\$ (9.4)	\$ 45.0

**Consolidated Net Operating Income (Loss) Per Unrestricted Share** is a non-GAAP financial measure, which is computed by dividing Consolidated Net Operating Income by the weighted average unrestricted shares outstanding. The most directly comparable GAAP financial measure is Income (Loss) from Continuing Operations Per Unrestricted share-basic.

A reconciliation of Consolidated Net Operating Income (Loss) Per Unrestricted Share to Income (Loss) from Continuing Operations Per Unrestricted Share is presented below:

<i>Dollars in Millions (Unaudited)</i>	Year Ended	Three Months Ended			
	Dec 31, 2011	Dec 31, 2011	Sep 30, 2011	Jun 30, 2011	Mar 31, 2011
Consolidated Net Operating Income (Loss) Per Unrestricted Share .....	\$ 0.78	\$ 0.40	\$ 0.12	\$ (0.33)	\$ 0.59
Net Income (Loss) Per Unrestricted Share From: .....					
Net Realized Gains (Losses) on Sales of Investments .....	0.36	0.06	(0.05)	0.19	0.15
Net Impairment Losses Recognized in Earnings .....	(0.12)	(0.05)	(0.06)	(0.02)	—
Income (Loss) from Continuing Operations Per Unrestricted Share .....	\$ 1.02	\$ 0.41	\$ 0.01	\$ (0.16)	\$ 0.74

**Underlying Combined Ratio** is a non-GAAP financial measure, which is computed by adding the Current Year Non-catastrophe Losses and LAE Ratio with the Incurred Expense Ratio. The most directly comparable GAAP financial measure is the combined ratio. The Company believes the underlying combined ratio is useful to investors and is used by management to reveal the trends in the Company's Property and Casualty insurance businesses that may be obscured by catastrophe losses and prior year reserve development. These catastrophe losses cause loss trends to vary significantly between periods as a result of their incidence of occurrence and magnitude, and can have a significant impact on the combined ratio. Prior year reserve developments are caused by unexpected loss development on historical reserves. Because reserve development relates to the re-estimation of losses from earlier periods, it has no bearing on the performance of our insurance products in the current period. The Company believes it is useful for investors to evaluate these components separately and in the aggregate when reviewing the Company's underwriting performance. The underlying combined ratio should not be considered a substitute for the combined ratio and does not reflect the overall underwriting profitability of our business.