



KEMPER

February 2015

Investor Update



Caution Regarding Forward-looking Statements

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

Any or all forward-looking statements may turn out to be wrong, and, accordingly, readers are cautioned not to place undue reliance on such statements, which speak only as of the date of this report. Forward-looking statements involve a number of risks and uncertainties that are difficult to predict, and are not guarantees of future performance. Among the general factors that could cause actual results and financial condition to differ materially from estimated results and financial condition are those listed in periodic reports filed by Kemper Corporation with the Securities and Exchange Commission (SEC). No assurances can be given that the results and financial condition contemplated in any forward-looking statements will be achieved or will be achieved in any particular timetable. Kemper assumes no obligation to publicly correct or update any forward-looking statements as a result of events or developments subsequent to the date of this report. The reader is advised, however, to consult any further disclosures Kemper makes on related subjects in its filings with the SEC.

This report 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, 2014 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

- \$2.1B shareholders' equity
- 26% debt-to-capital ratio
- 92% of fixed maturity portfolio rated investment grade
- Insurance subs rated "Excellent" by A.M. Best

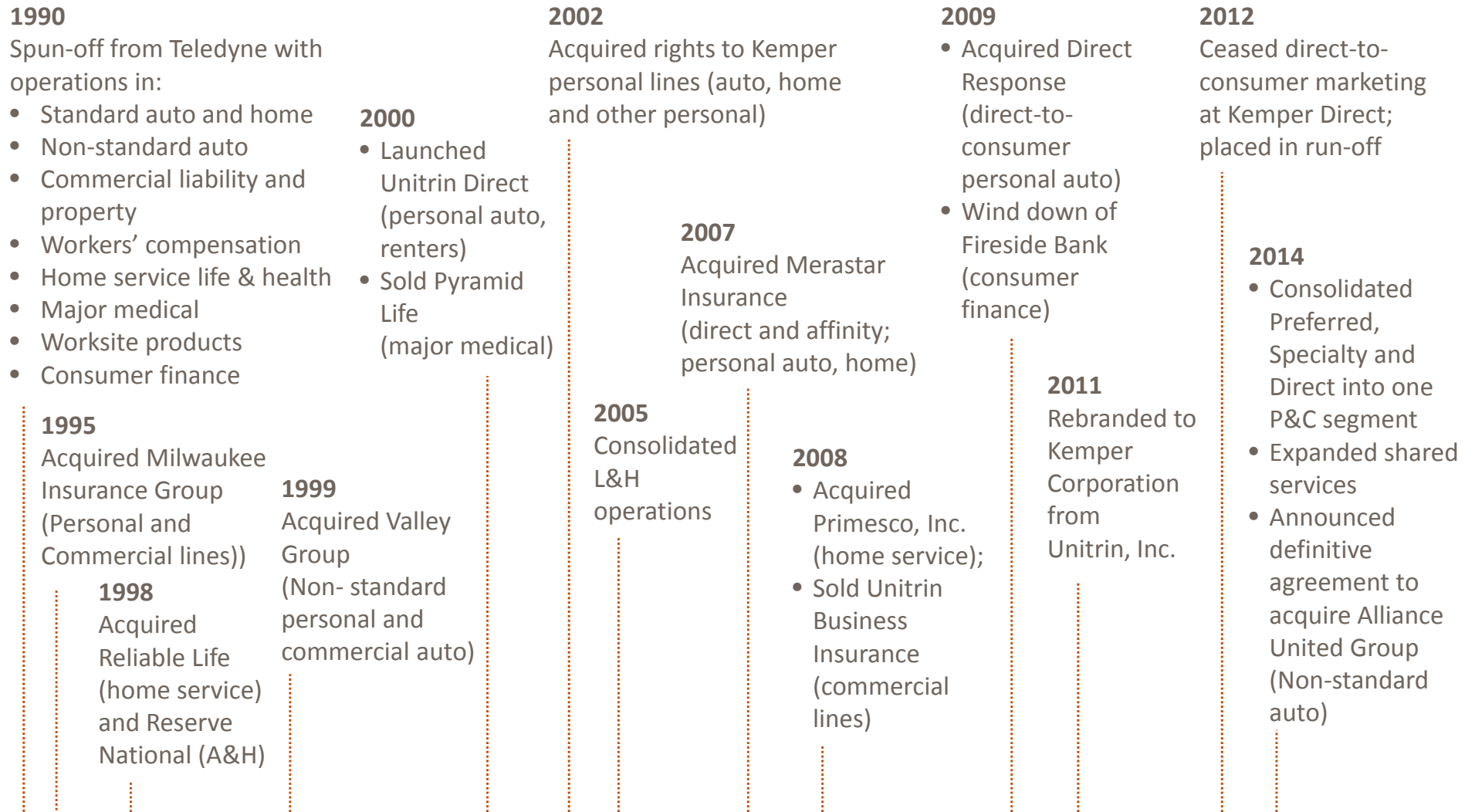


History of opportunistic acquisitions & successful integrations

Experienced management team

Our History

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



1990

2014

Lines of Business

Property & Casualty Insurance \$958MM ¹ statutory surplus	Life & Health Insurance \$437MM statutory surplus	Overall
Distribution: <ul style="list-style-type: none"> • Independent Agents • Employer-sponsored voluntary benefit programs 	Distribution: <ul style="list-style-type: none"> • Captive home service agents • Independent agents/Brokers • Employer-sponsored voluntary benefit programs 	30,000+ Independent Insurance Agents 2,400 Employee Agents
Typical Customer: <ul style="list-style-type: none"> • Preferred/Standard - 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 • A&H 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"> • Standard and nonstandard private passenger 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 \$10MM from Capitol County Mutual Fire Insurance Company, an affiliated mutual insurance company owned by its policyholders.

P&C Insurance Businesses

Private Passenger Auto

- Long-term recognized carrier in standard and nonstandard market
- Nonstandard customers historically been top tier of insureds ineligible for preferred and/or standard
- Preferred/Standard – Award-winning claims function
- Nonstandard - Claims handling meets unique nonstandard market needs
- Sold in 47 states and the District of Columbia through more than 11,000 independent insurance agents
- Top premium states: CA, NY, TX & NC

**2014 Net Earned Premiums:
\$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 (56% CA and 27% TX)

**2014 Net Earned Premiums:
\$55MM**

Home & Other Personal

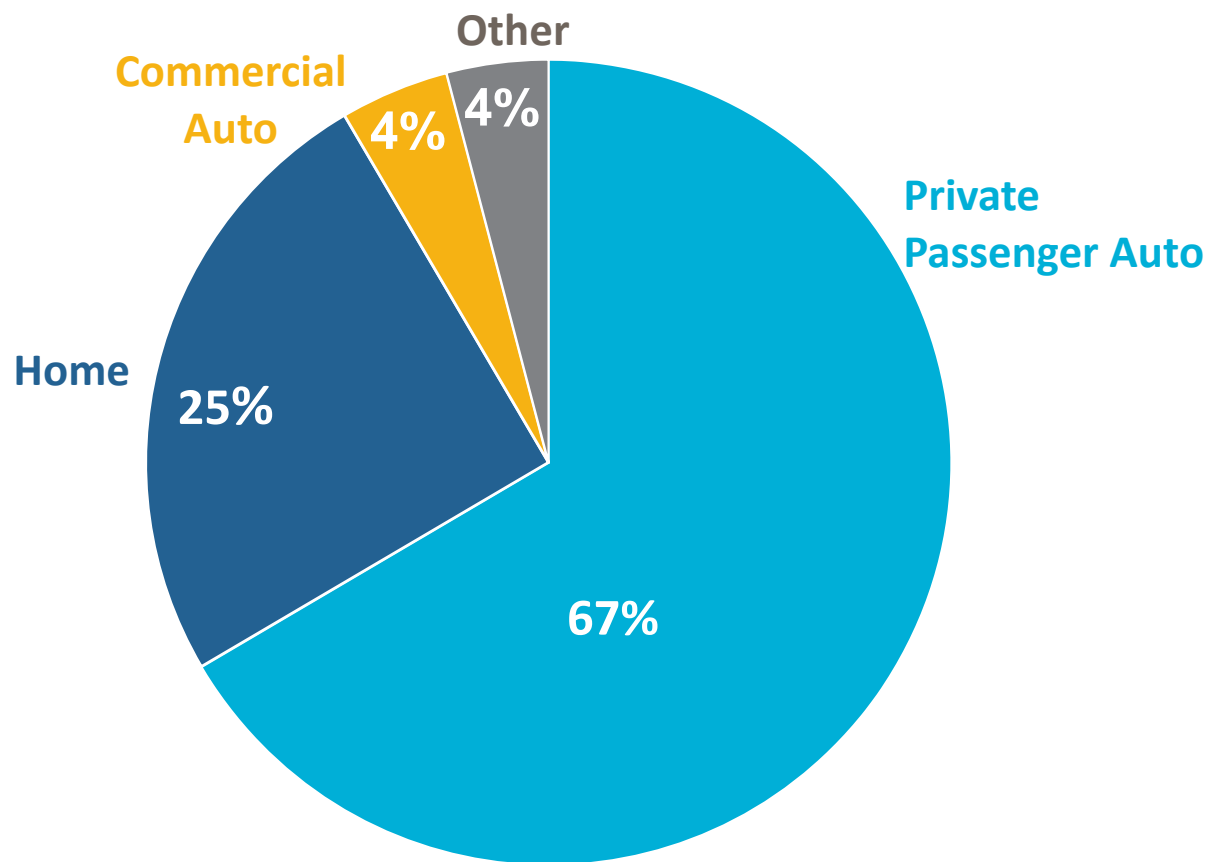
- Often sold with auto as part of our Package Plus offering
- More than 50% of home policies are Package Plus
- Reduced exposures to catastrophe-prone areas in recent years
- Home can be sold with other personal insurance products such as umbrella and inland marine
- Limited earthquake exposures
- Top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

**2014 Net Earned Premiums:
\$364MM**

Diversity in both product and distribution in the P&C market

Kemper Property & Casualty Financial Highlights

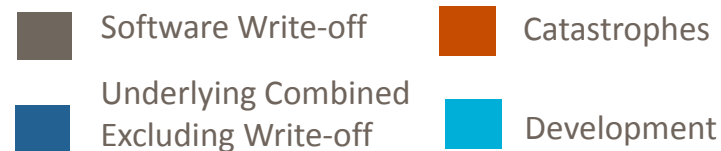
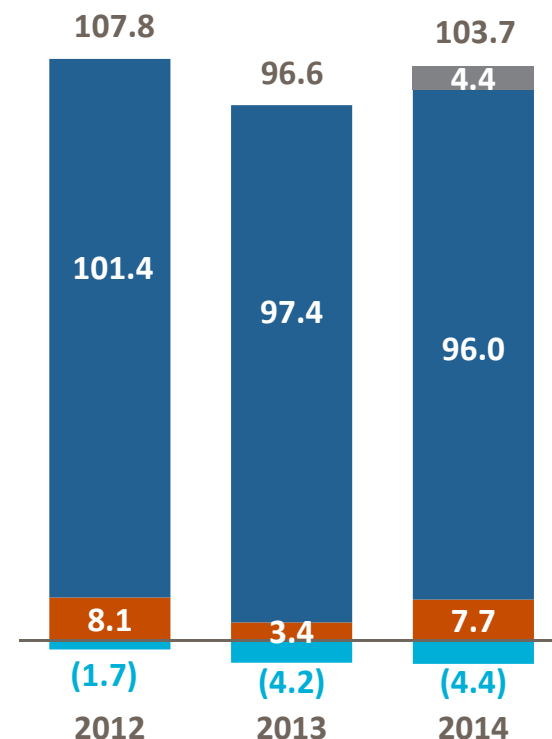
Earned Premiums



2014: \$1,250MM

2013: \$1,393MM

GAAP Combined Ratio

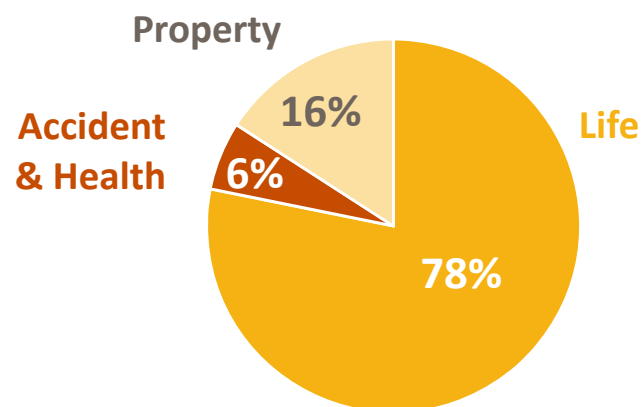


- Premium decline largely due to margin improvement actions in personal auto
- The underlying combined ratio, excluding the write-off, improved 5.4 percentage points since 2012. The underlying loss and LAE ratio improved 6.9 percentage points since 2012

Life & Health Insurance Businesses

Kemper Home Service Companies

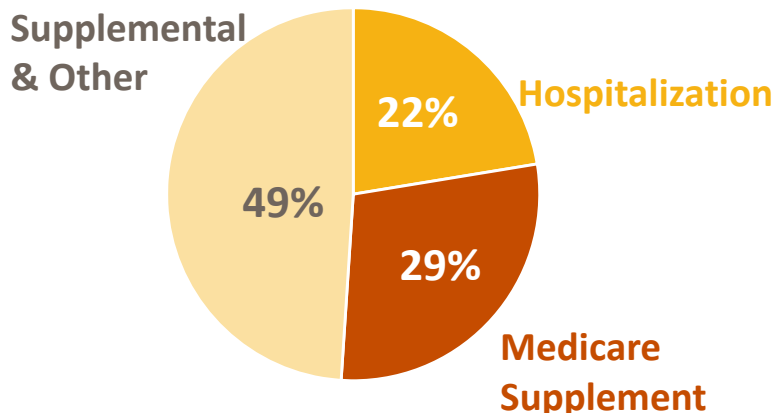
- 2,400 career agents in 25 States serving roughly 5MM policies
- Low face amount protection for individuals and families
- Lead product: ordinary life insurance, including permanent & term insurance
- Limited sensitivity to interest rate or stock market volatility
- Simple products with stable cash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



2014 Net Earned Premiums: \$479MM

Reserve National

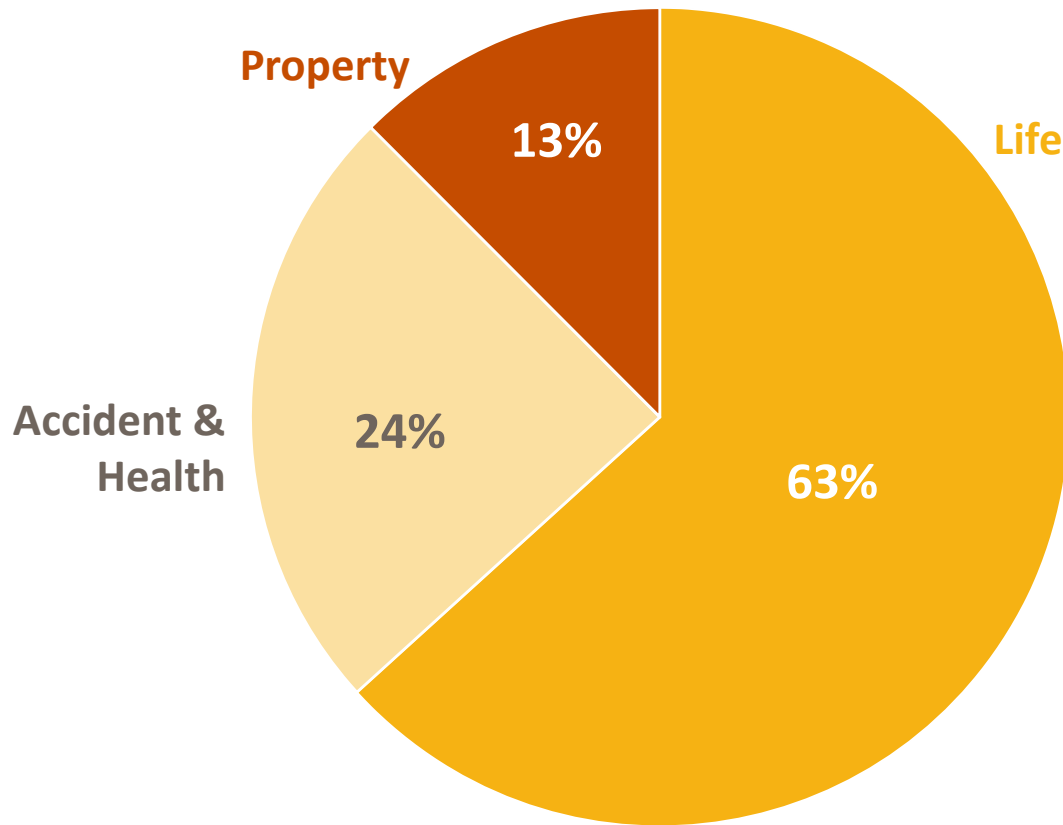
- 20,000+ independent agents
- Moving towards supplemental products
- Historically served rural markets:
 - Individuals, self-employed & small employers
 - Licensed in 48 states
- Key growth initiatives and products
 - Kemper Senior Solutions—small face life and limited home health care for those at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



2014 Net Earned Premiums: \$134MM

Kemper Life & Health Financial Highlights

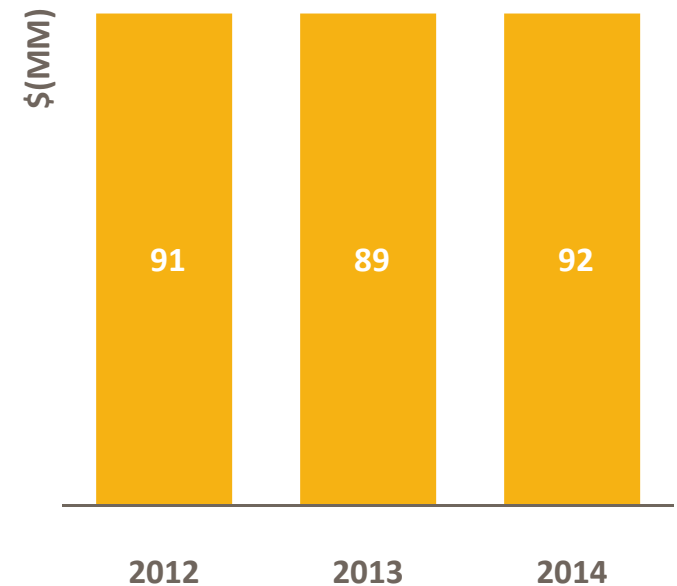
Earned Premiums



2014: \$613MM

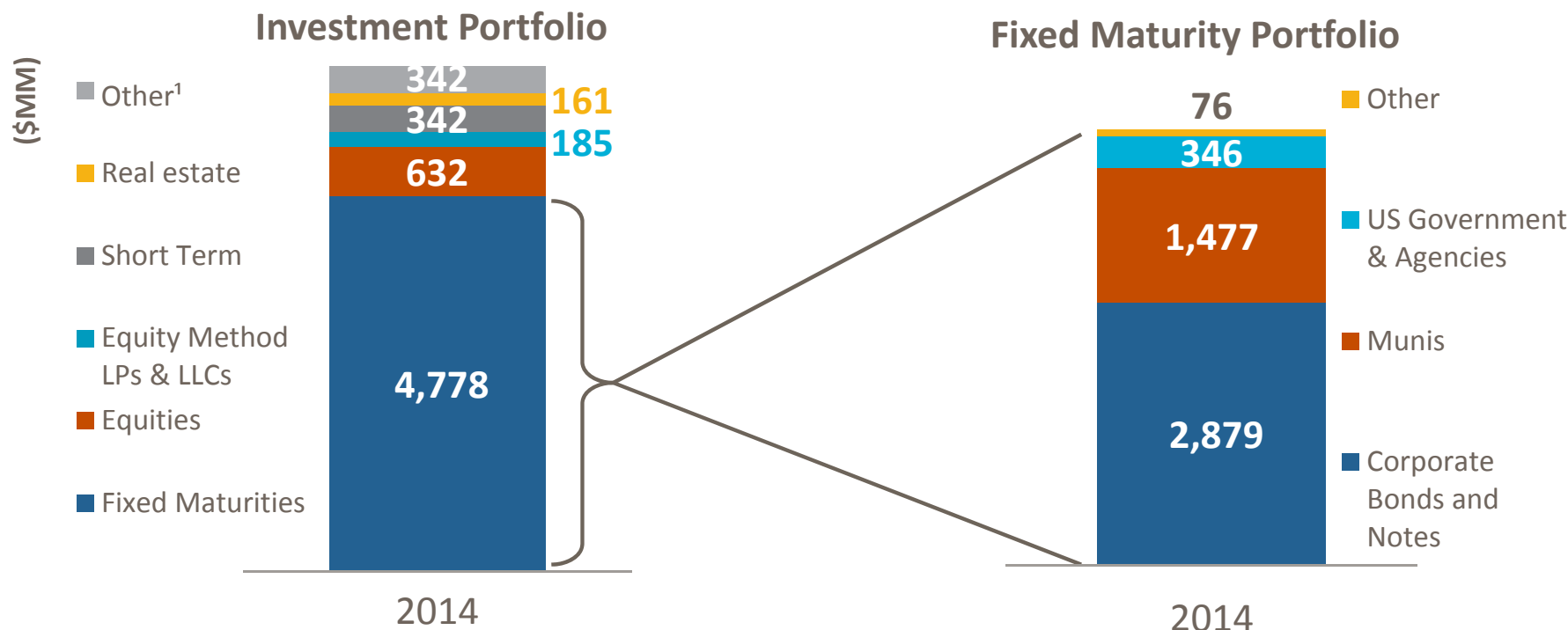
2013: \$633MM

Net Operating Income



- Stable earned premiums with upside from Reserve National's distribution initiatives
- Low interest rate environment continues to pressure earnings

Kemper Investment Portfolio Overview



Total Investments: \$6,440MM

- 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
- Centralized investment function

¹ Includes \$284MM policyholder loans, \$53MM fair value option investments, and \$5MM other investments

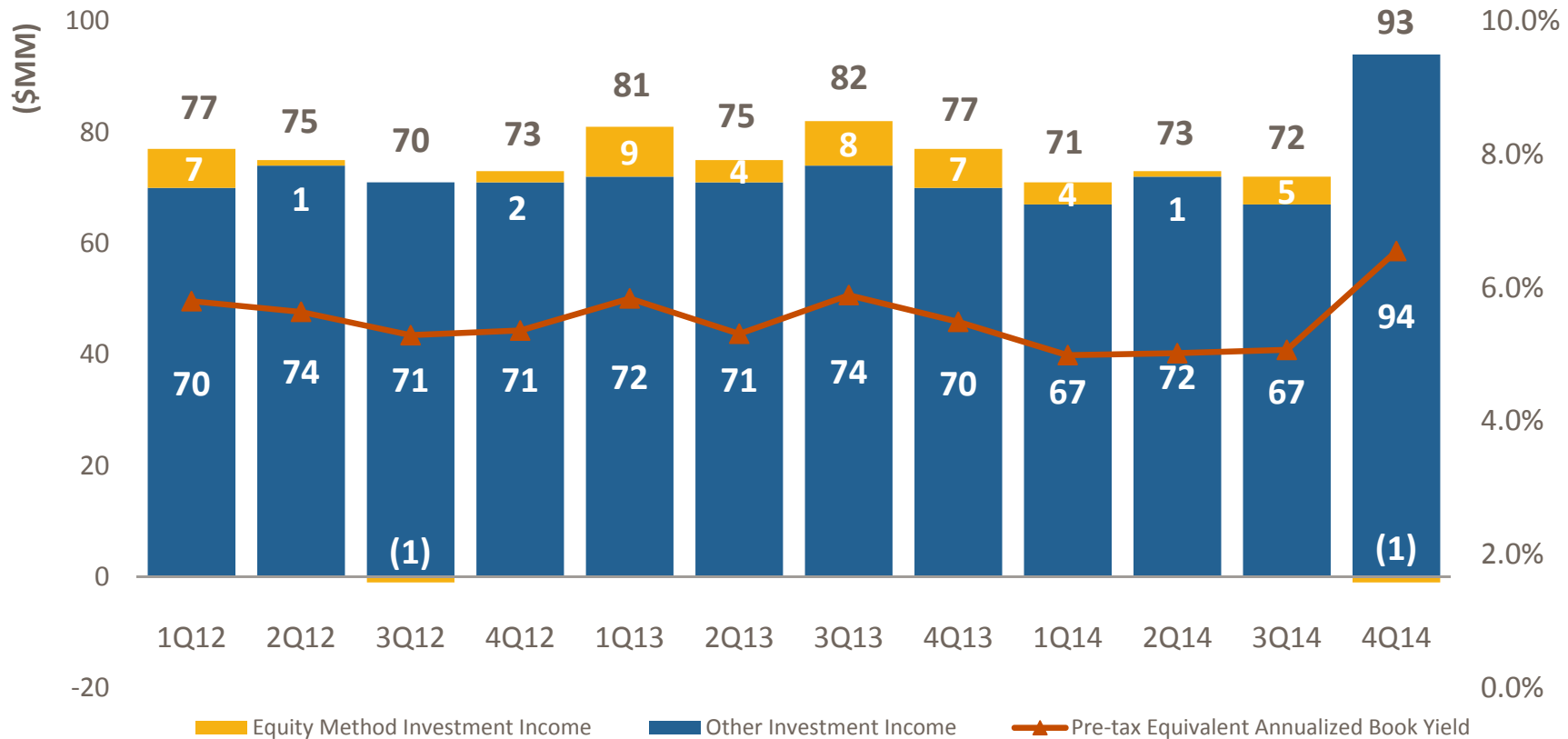
Total Fixed Maturities: \$4,778MM

Unrealized Gain: \$436MM

- Primarily high grade municipal, corporate and agency bonds; 92% investment grade
- 30% of fixed maturities held in states and political subdivisions (munis); maximum exposure in any one state is 1.5% of total investments
- Average duration is less than 7 years
- Pre-tax book yield of 5.2% in 2014

Investment Portfolio Metrics

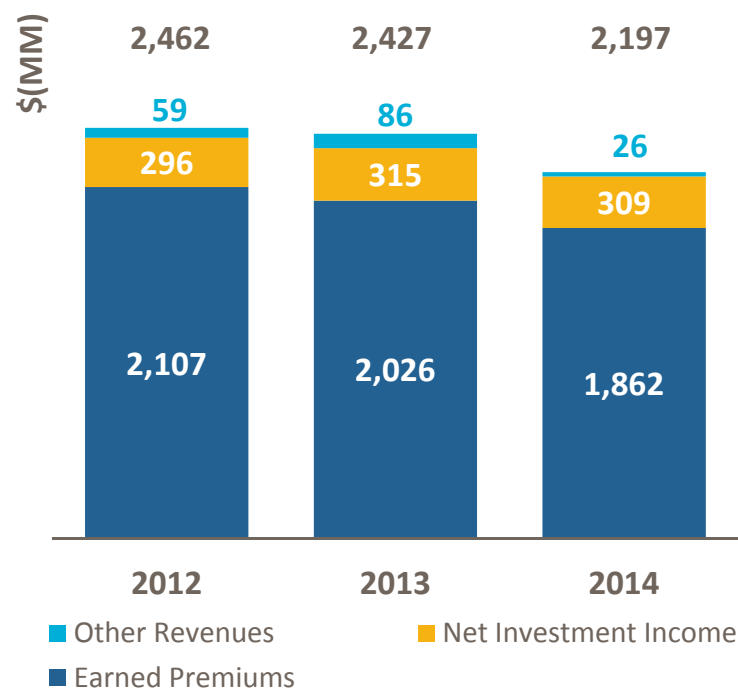
Total net investment income and yield



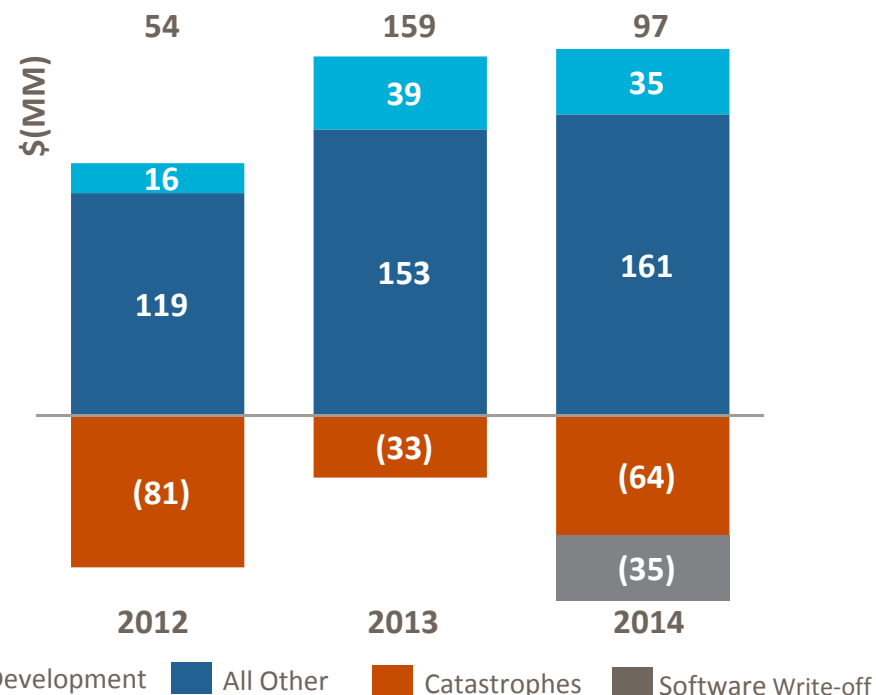
- Relatively stable income and yield; \$ 22MM special dividend received 4Q14
- Equity method investments provide above average yields but come with volatility
- Portfolio is well positioned over the medium term

Kemper Corporation Consolidated Financial Highlights

Total Revenues



Consol. Net Operating Income



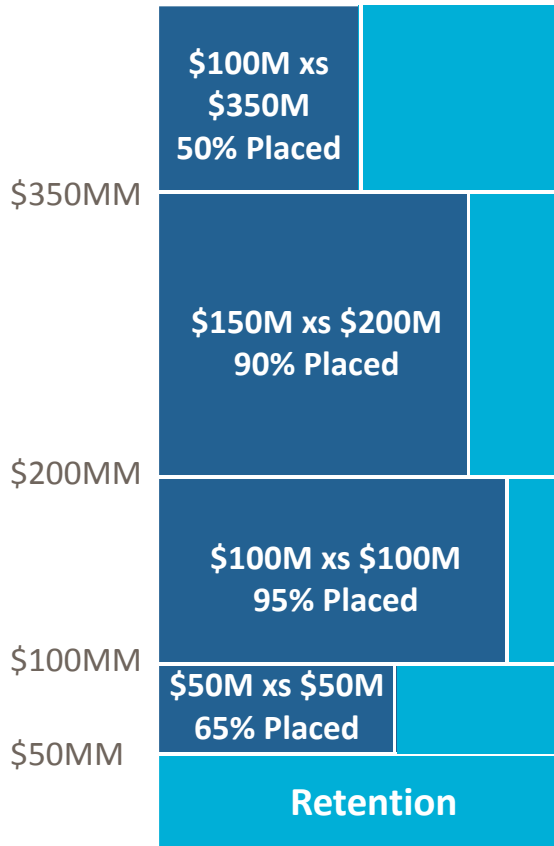
Net Operating EPS¹ Details (\$)

	2012	2013	2014
Catastrophes	(1.37)	(0.58)	(1.19)
Prior Year Reserve Development	0.28	0.68	0.64
Equity Method Investments	0.10	0.30	0.11
Software Write-off	-	-	(0.66)
All Other	1.90	2.38	2.89
Total	0.91	2.78	1.79

Catastrophe Risk Management

2013: Expired

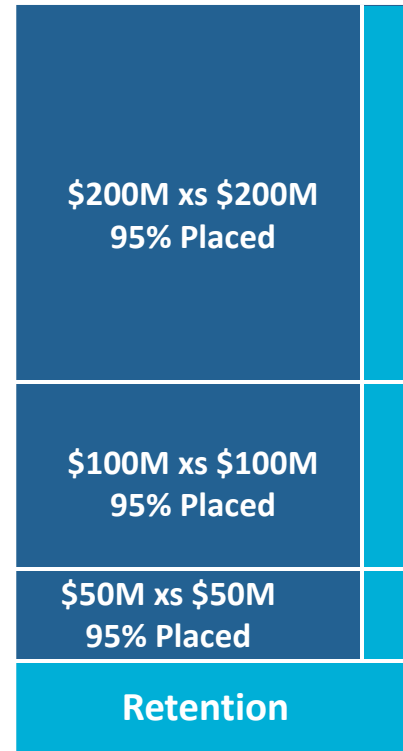
1 in 250 PML¹: \$430MM



Total Cost \$23.6 MM

2014: Expired

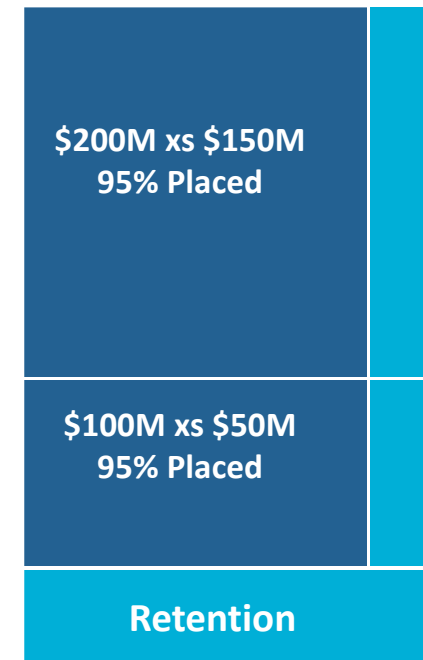
1 in 250 PML: \$350MM



Total Cost \$17.7 MM

2015: In Place

1 in 250 PML: \$320MM



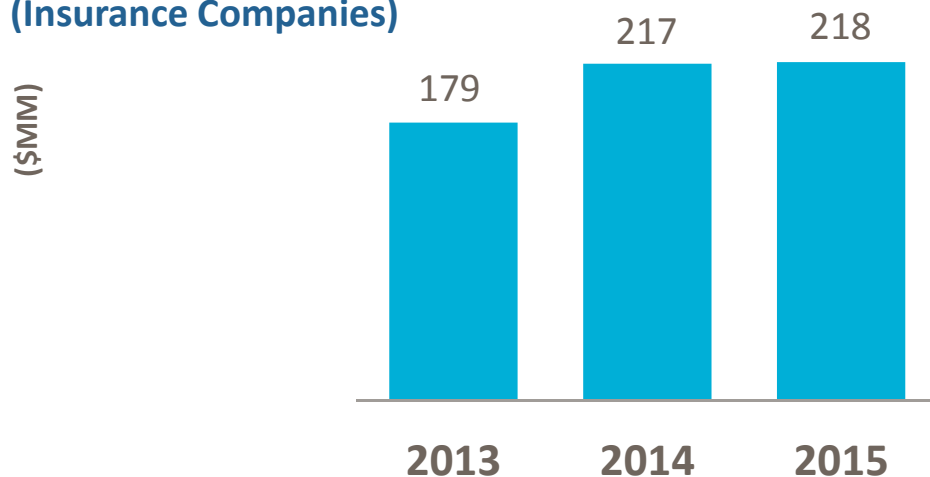
Total Cost \$14.5MM

- PML's have come down as we moved away from the coast and reduced concentrations
- Increased our reinsurance coverage within the layers & locked in a multi year agreement

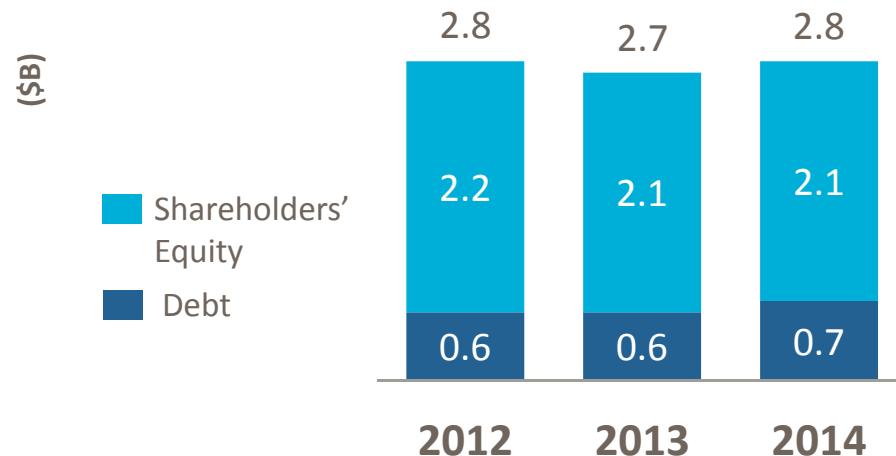
Liquidity & Capital Overview

Max ordinary dividend capacity¹

(Insurance Companies)



Stable capital profile



Dividends paid to Kemper Corporation (\$MM)

Insurance subs	95	217
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Risk-Based Capital (%)

Life & Health	425	430
Property & Casualty	350	350

Key Metrics

Debt to Total Capital	22%	23%	26%
Undrawn Parent Credit Facility (PCF) (\$MM)	325	225	225
Allowed Sub. Borrowings from FHLB ² under PCF (\$MM)	100	250	250

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

Capital Redeployment Priorities

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

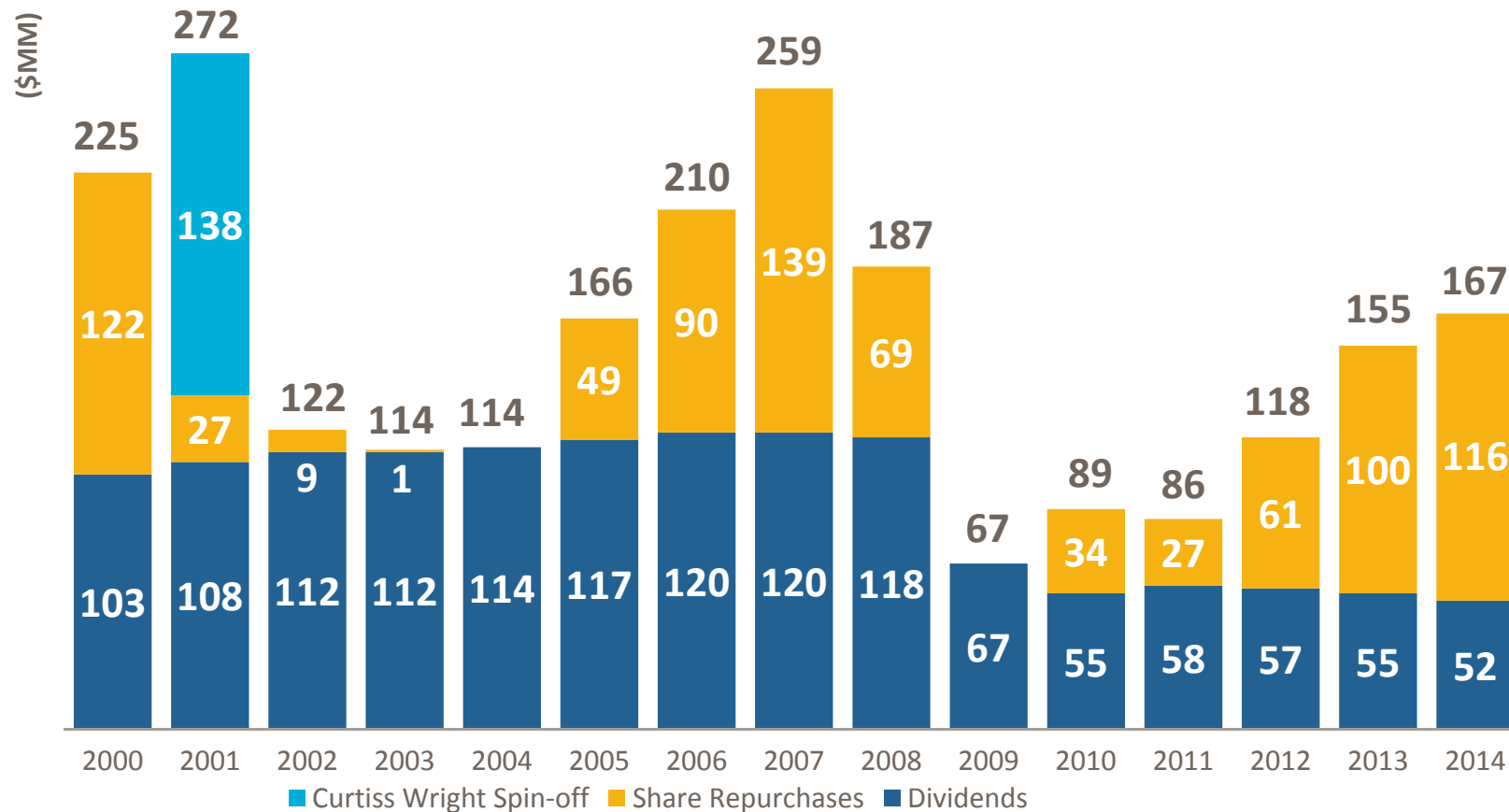
2. Strategic acquisitions:

- Bolt-on standard & preferred opportunities
- Geographic expansion of non-standard auto
- Leverage scale in life operations

3. Return capital to shareholders:

- Maintain competitive dividends
- Repurchase shares
 - \$100MM repurchased in 2013; \$116MM in 2014
 - \$300MM program (\$291MM 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

The Case for Kemper

Multi-line national insurer with diverse products, multi-channel distribution and experienced management team

Conservative balance sheet with strong liquidity

History of creating shareholder value

Improving fundamentals on P&C



KEMPER

Appendix

Consolidated Statements of Income

Kemper Corporation & Subsidiaries

(\$MM)	Year Ended		Change	Comments
	2013	2014		
Revenues:				
Earned Premiums:				
Property & Casualty	\$ 1,393	\$ 1,250	-10.3%	Profit improvement actions
Life & Health	633	613	-3.2%	
Net Investment Income	315	309	-1.9%	Higher dividends on equity securities
Other Income	1	1	0.0%	
Net Realized Investment Gains	85	24	-71.8%	Lower realized gains
Total Revenues	2,427	2,197	-9.5%	
Expenses:				
Incurred Losses and LAE:				
Property & Casualty	969	887	-8.5%	
Life & Health	388	374	-3.6%	
Insurance Expenses	654	628	-4.0%	
Write-off of Long-lived Asset	-	55	100.0%	
Interest and Other Expenses	101	92	-8.9%	
Total Expenses	2,112	2,036	-3.6%	
Income Tax Expense	(100)	(48)	NM	
Net Income from Continuing Ops.	\$ 215	\$ 113	-47.4%	
Total Net Income	\$ 218	\$ 115	-47.2%	

Consolidated Balance Sheets

Kemper Corporation & Subsidiaries

(\$MM)	2013	2014	Change	Comments
Assets:				
Cash and Investments:				
Fixed Maturities at Fair Value	\$ 4,575	\$ 4,778	4.4%	
Equity Securities	599	632	5.5%	
Equity Method LLC/LP	245	185	-24.5%	Intentionally reducing portfolio
Fair Value Option Investments	-	53	100.0%	
Other Investments	448	450	0.4%	
Cash & Short-term Inv.	351	418	19.1%	
Total Cash & Investments	6,218	6,516	4.8%	
Receivables from Policyholders	331	295	-10.9%	Lower written premiums
Other Receivables	193	187	-3.1%	
Deferred Acquisition Costs	303	303	0.0%	
Goodwill	312	312	0.0%	
Other Assets	299	220	-26.4%	Lower income tax assets
Total Assets	\$ 7,656	\$ 7,833	2.3%	
Liabilities & Shareholders' Equity:				
Insurance Reserves	\$ 4,061	\$ 4,007	-1.3%	
Unearned Premiums	599	537	-10.4%	Lower written premium
Debt	607	752	23.9%	Issued debt with proceeds of \$144 million
Other Liabilities	338	446	32.0%	Higher pension liability
Total Liabilities	5,605	5,742	2.4%	
Shareholders' Equity	2,051	2,091	2.0%	
Total Liabilities & Shareholders' Equity	\$ 7,656	\$ 7,833	2.3%	

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>	2012	2013	2014
Current Year Non-catastrophe Losses and LAE Ratio	74.6%	70.4%	67.7%
Insurance Expense Ratio, Excluding Write-off of Long-lived Asset	26.8%	27.0%	28.3%
Impact on Ratio from Write-off of Long-lived Asset	0.0%	0.0%	4.4%
Underlying Combined Ratio	<u>101.4%</u>	<u>97.4%</u>	<u>100.4%</u>
 <u>Non-GAAP Measure Reconciliation</u>			
Underlying Combined Ratio	101.4%	97.4%	100.4%
Current Year Catastrophe Losses and LAE Ratio	8.1%	3.4%	7.7%
Prior Years Non-catastrophe Losses and LAE Ratio	-1.3%	-3.3%	-3.1%
Prior Years Catastrophe Losses and LAE Ratio	-0.4%	-0.9%	-1.3%
Combined Ratio as Reported	<u>107.8%</u>	<u>96.6%</u>	<u>103.7%</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, which is computed by excluding from income 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) significant non-recurring or infrequent items that may not be indicative of ongoing operations. Significant non-recurring items are excluded when (a) the nature of the charge or gain is such that it is reasonably unlikely to recur within two years, and (b) there has been no similar charge or gain within the prior two years. The most directly comparable GAAP financial measure is income (loss) from continuing operations.

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

<i>Dollars in Millions</i>	2012	2013	2014
Consolidated Net Operating Income	\$ 53.8	\$ 159.2	\$ 97.1
Net Income (Loss) From:			
Net Realized Gains on Sales of Investments	42.5	64.4	25.4
Net Impairment Losses Recognized in Earnings	(4.5)	(9.1)	(9.9)
Income from Continuing Operations	<u>\$ 91.8</u>	<u>\$ 214.5</u>	<u>\$ 112.6</u>

Diluted Net Operating EPS is a non-GAAP financial measure, which 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:

	2012	2013	2014
Diluted Net Operating EPS	\$ 0.91	\$ 2.78	\$ 1.79
Diluted Earnings Per Share From:			
Net Realized Gains on Sales of Investments	0.71	1.12	0.47
Net Impairment Losses Recognized in Earnings	(0.08)	(0.16)	(0.18)
Income from Continuing Operations Per Unrestricted Share - Diluted	<u>\$ 1.54</u>	<u>\$ 3.74</u>	<u>\$ 2.08</u>