Second Quarter 2021 Earnings

July 29, 2021

KEMPER

Preliminary Matters

Cautionary Statements Regarding Forward-Looking Information

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

Any or all forward-looking statements may turn out to be wrong, and, accordingly, readers are cautioned not to place undue reliance on such statements, which speak only as of the date of this presentation. Forward-looking statements involve a number of risks and uncertainties that are difficult to predict and are not guarantees of future performance. Among the general factors that could cause actual results and financial condition to differ materially from estimated results and financial condition are those factors listed in periodic reports filed by Kemper Corporation with the Securities and Exchange Commission ("SEC"). The COVID-19 outbreak and subsequent global pandemic ("Pandemic") is an extraordinary event that creates unique uncertainties and risks. Kemper cannot provide any assurances as to the impacts of the Pandemic and related economic conditions on the Company's operating and financial results.

No assurances can be given that the results and financial condition contemplated in any forward-looking statements will be achieved or will be achieved in any particular timetable. Kemper assumes no obligation to publicly correct or update any forward-looking statements as a result of events or developments subsequent to the date of this presentation, including any such statements related to the Pandemic. The reader is advised, however, to consult any further disclosures Kemper makes on related subjects in its filings with the SEC.

Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures that the company believes are meaningful to investors. Non-GAAP financial measures have been reconciled to the most comparable GAAP financial measure.

Create Long-Term Shareholder Value

Leverage competitive advantages to grow returns and BVPS[1] over time



Strategic focus:

Consumer-related businesses with opportunities that:

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

Deliver low double-digit ROE[2] over time

[1] *Book value per share*
[2] *Return on equity*

Second Quarter 2021 Highlights

Swift re-opening from Pandemic creates short-term headwinds to auto insurance businesses

Shareholder Value Creation

Near-term environmental pressures but well positioned to produce long-term shareholder value

- Net loss of $63 million ($0.97 per share), as reported, or $53 million ($0.82 per share), as adjusted
- Adjusted consolidated net operating loss[1] of $99 million ($1.54 per share), as reported, or $89 million ($1.39 per share), as adjusted
- 6% ROAE[2], 11% ROAE[2] excluding net unrealized gains on fixed maturities and goodwill[1]
- BVPS ex. net unrealized gains on fixed maturities and goodwill[1] decreased 1% (AAC goodwill 8% dilutive)
- Generated $422 million of operating cash flow over the trailing 12 months
- Closed on American Access Casualty ("AAC") acquisition April 1

2nd Quarter Overview

Strong growth offset by a number of industry-related environmental challenges

- Specialty P&C produced strong PIF[3] and DWP[3,4] growth of 5.5% and 13.2% excluding Classic Car
- Earnings were pressured in P&C by environmental trends impacting frequency and severity and by certain Florida PIP[5] rulings
- Life & Health experienced improved sales and higher persistency; COVID-related mortality subsiding

Capital Management and Financial Strength

Strong capital and liquidity position continues to provide financial flexibility

- Repurchased $112 million worth of shares in 2Q'21
- Holding company remains a source of strength for subsidiaries with more than $900 million of liquidity
- Debt-to-capital ratio of 20.7% is within target range of 17-22%

[1] Non-GAAP financial measure; please see reconciliation in appendix on pages 23-33; [2] Return on average shareholders' equity (5-point average); [3] As adjusted for acquisition; see reconciliation on Pages 23-33; [4] Normalized for premium credits; [5] Personal Injury Protection

Second Quarter Financial Highlights

11% ROATCE and TBV per common share excluding unrealized gains[1] decreased 1% primarily due to AAC

(Dollars in millions, except per share amounts)	As Reported Quarter Ended Jun 30, 2021	As Reported Quarter Ended Jun 30, 2020	As Adjusted[1] Quarter Ended Jun 30, 2021	As Adjusted[1] Quarter Ended Jun 30, 2020
Net Income	$(63)	$126	$(53)	$149
Net Income – Per Diluted Share	$(0.97)	$1.91	$(0.82)	$2.25
Adjusted Consolidated Net Operating Income[1]	$(99)	$79	$(89)	$97
Adj. Consolidated Net Op. Income – Per Diluted Share[1]	$(1.54)	$1.20	$(1.39)	$1.47
Catastrophe Losses	$35	$28		
Tangible Book Value Per Common Share excluding unrealized gains[1]	$37.77	$38.07		
Return on Avg. Tangible Common Equity[1]	10.8%	18.8%		
Dividend Paid to Shareholders Per Share	$0.31	$0.30		
Specialty PIF growth (ex. Classic Car)	19.4%	7.5%	5.5%	6.8%

AAC goodwill diluted TBVPS by $3.07

Anticipated environmental challenges emerged more rapidly than expected; taking proactive corrective actions to return to target profitability

[1] *Non-GAAP financial measure; please see reconciliation in appendix on pages 23-33*

Review of Net Operating Income

Environmental challenges pressured short-term operating income

Dollars per Unrestricted Share - Diluted	Three Months Ended, As Reported					
	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020	Variance QoQ
Net Income	**$ (0.97)**	**$ 1.85**	**$ 1.46**	**$ 1.83**	**$ 1.91**	**(2.88)**
(Income) Loss from Change in FV of Equity & Convertible Securities	(0.50)	(0.62)	(0.86)	(0.53)	(0.86)	0.36
Investment Related (Gains)/Losses	(0.24)	(0.16)	-	(0.12)	(0.14)	(0.10)
Net Impairment Losses	0.04	0.05	(0.01)	0.01	0.08	(0.04)
Acquisition Related Transaction, Integration & Other Costs	0.13	0.19	0.24	0.17	0.21	(0.08)
Debt Extinguishment, Pension and Other Charges	-	-	0.76	-	-	-
Adj. Consolidated Net Operating Income[1]	**(1.54)**	**1.31**	**1.59**	**1.36**	**1.20**	**(2.74)**
Sources of Volatility:						
Income (Loss) After-Tax From:						
Catastrophes	(0.43)	(0.33)	(0.07)	(0.80)	(0.34)	(0.09)
Solar Investment	0.01	0.20	0.05	-	-	0.01
Prior-year Reserve Development	(1.01)	-	(0.10)	(0.10)	(0.22)	(0.79)
Alternative Investment Income	0.38	0.32	0.27	0.12	(0.14)	0.52
All Other*	(0.15)	(0.03)	(0.05)	(0.05)	-	(0.15)
Total from Sources of Volatility	$ (1.20)	$ 0.16	$ 0.10	$ (0.83)	$ (0.70)	$ (0.50)

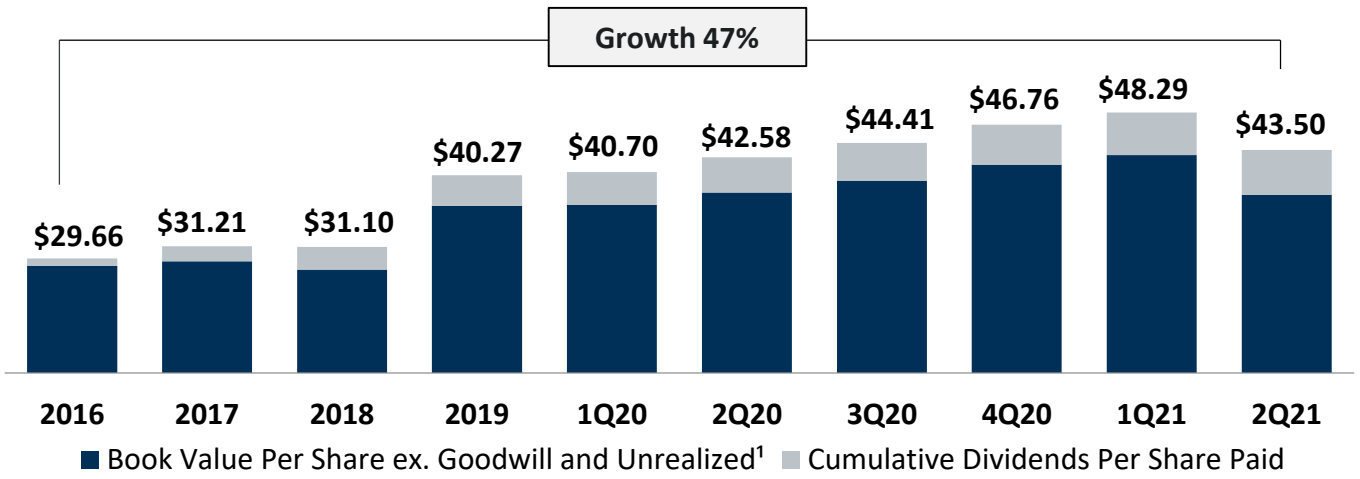
Despite near-term challenges, business model well positioned to produce high-quality long-term earnings

[1] *Non-GAAP financial measure; see reconciliation in appendix pages 23-33*
**All Other includes refinement of CEI estimate and impact of purchase accounting*

Consistent Capital Generation and Attractive Returns

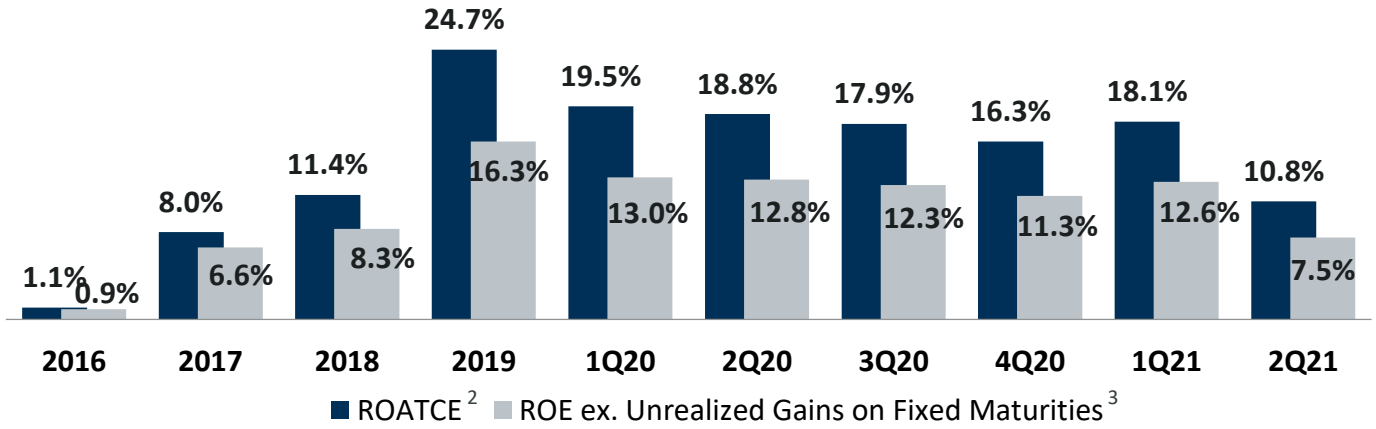
Despite recent pressure, positioned for steady long-term growth

Total Adjusted Return of BVPS Ex. Unrealized Gains on Fixed Maturities and Goodwill



- AAC goodwill diluted TBVPS by $3.07
- Long-term BVPS growth reflects efficient capital deployment decisions and focus on intrinsic value creation

Return on Shareholders' Equity



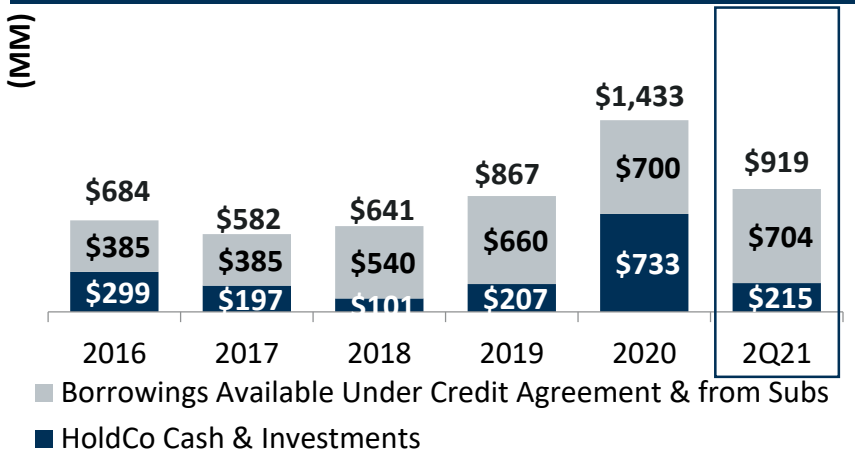
- Attractive returns on equity through economic cycles
- ROATCE measure appropriately captures investors compensation on tangible equity

[1] *Non-GAAP financial measure; please see reconciliation in appendix on pages 23-33*
[2] *Return on average tangible common equity (rolling 5 point avg.); please see reconciliation in appendix on pages 23-33*
[3] *Return on average shareholder's equity excluding unrealized gains on fixed maturities (rolling 5 point avg.); please see reconciliation in appendix on pages 23-33*

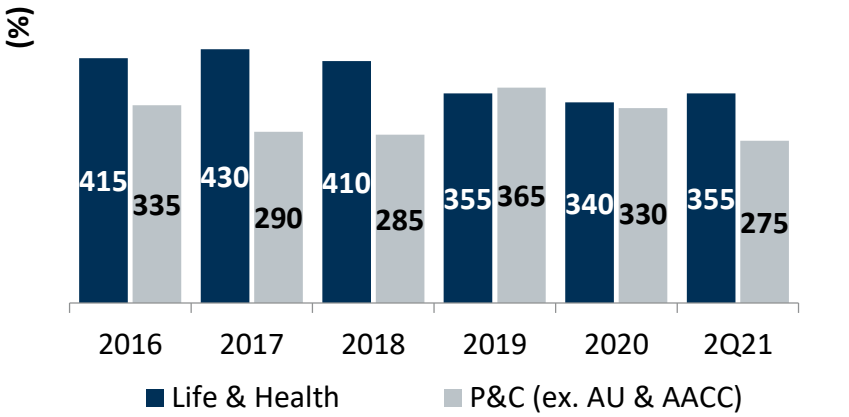
Strong Balance Sheet with Well-Funded Insurance Entities

Significant capital and liquidity positions

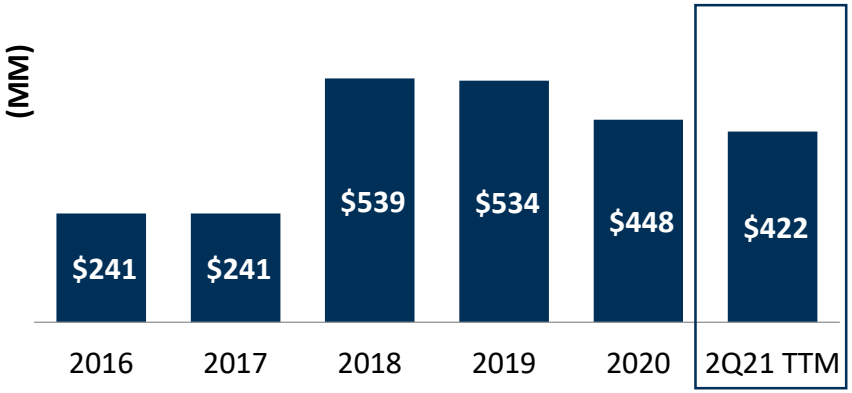
Parent Company Liquidity



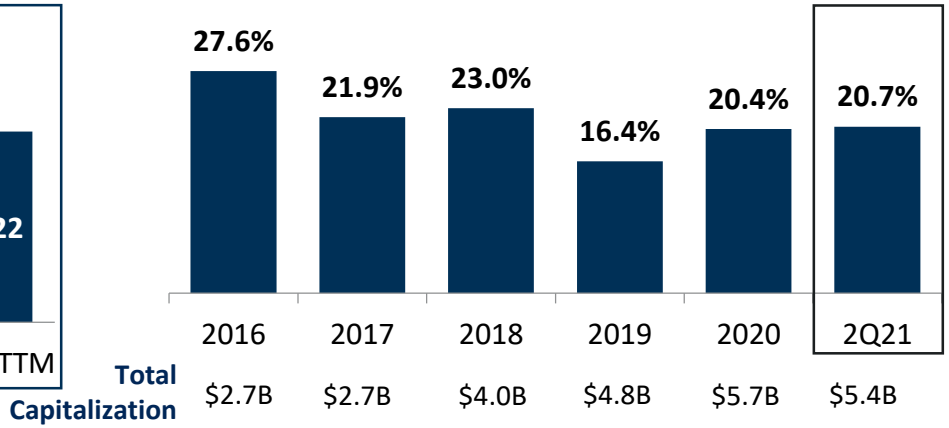
Risk-Based Capital Ratios



Cash Flow from Operating Activities



Debt-to-Capital <30%



Substantial financial flexibility for growth, investments and capital management

Capital Actions Taken in 2021

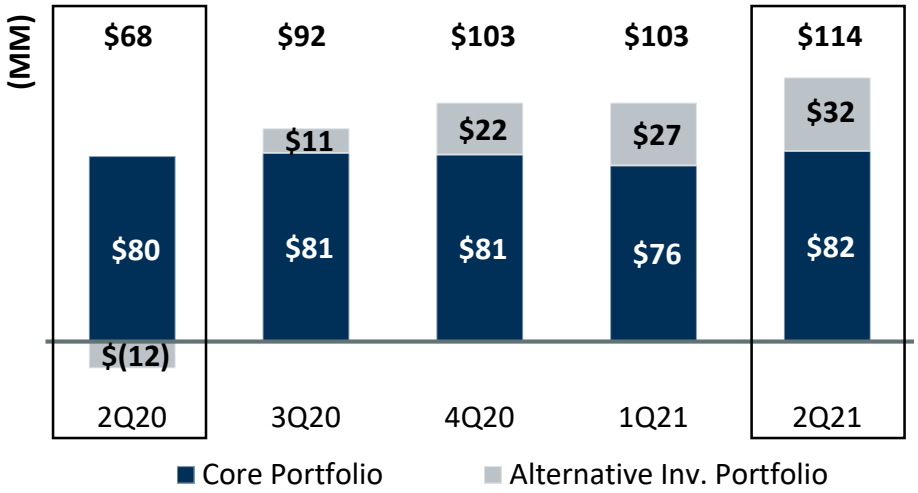
Approximately $580 million of capital management actions taken through June 30, 2021

- $159 million worth of common stock repurchased through 2Q'21
  - 2.0 million shares repurchased
  - Roughly 3% of outstanding shares
- Repaid $50 million of our term loan due in 2023 in 1Q'21
- Third consecutive annual increase in dividend to $1.24 from $1.20 (at February 2021 Board meeting)
- Closed on acquisition of American Access Casualty April 1 (~$371 million purchase price)

Demonstrates strong capital stewardship and value creation for shareholders

Diversified Portfolio with Consistent Returns

Net Investment Income[1]

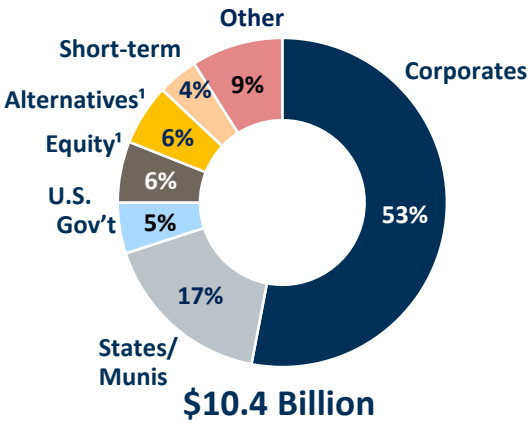


Overview

- Net investment income and portfolio yield benefitted from strong alternative investment performance
- Investment portfolio is designed for growth of both income and total return
- Stable investment income supports long-term business objectives

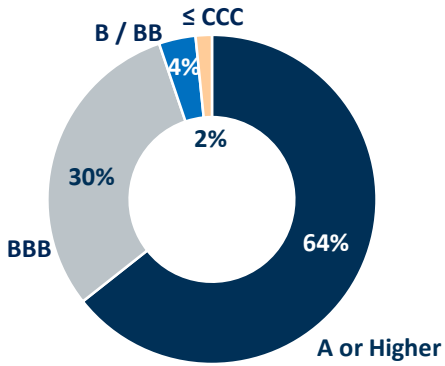
Diversified & Highly-Rated Portfolio

Portfolio Composition



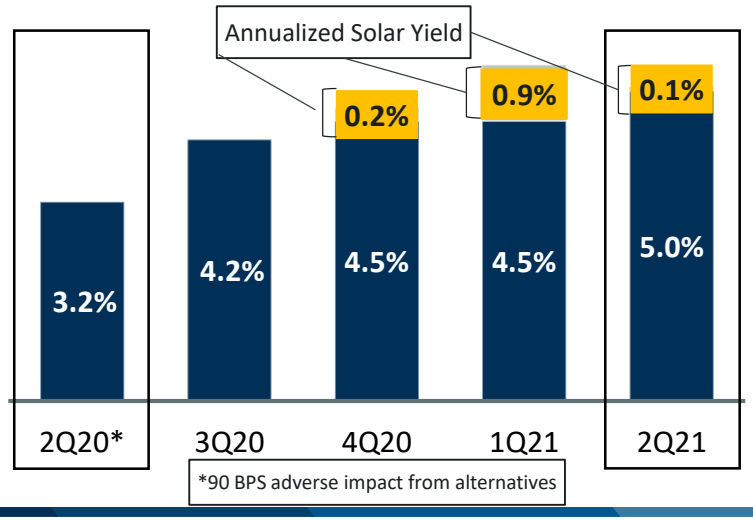
$10.4 Billion

Fixed Maturity Ratings



$7.8 Billion

Pre-Tax Equiv. Annualized Book Yield



Note: Charts may not balance due to rounding

[1] *Equity securities excludes $326 million of Other Equity Interests of LP/LLC's that have been reclassified into Alternative Investments*

Solar Energy Investment: In Line with Environmental Impact Goals

$100 million commitment to solar energy partnership investment generating attractive returns

- In conjunction with Sunrun, invested in a diversified basket of residential solar energy projects
- Opportunity to provide renewable energy solutions for homeowners that benefits the environment
- Expect to earn an attractive return that will primarily be recognized as tax credits / deductions as well as operating cash flows
  - Due to tax profile of transaction, this investment needs to be evaluated on after-tax basis
- Majority of financial benefits will be recognized over the next two years
  - Will reduce our Effective Tax Rate over next two years
  - Largest impact is expected to have taken place in 1Q'21

Reporting on Income Statement Line Items

Key Metrics *($ in millions, except per share data)*	**4Q'20**	**1Q'21**	**2Q'21**	**Cumulative**
Revenue Reduction	$ --	$15.4	$7.7	**$23.1**
Per Share	$ --	*$(0.23)*	*$(0.12)*	***$(0.35)***
Tax Credit / Deductions	$3.2	$28.6	$8.6	**$40.4**
Per Share	*$0.05*	*$0.43*	*$0.13*	***$0.61***
Net Benefit	$3.2	$13.2	$0.9	**$17.3**
Per Share	*$0.05*	*$0.20*	*$0.01*	***$0.26***

Continue to optimize our capital management through investments with attractive returns and cash flows

Environmental Challenges Impacting P&C Segments

Re-opening and other factors are driving up frequency and severity

Impacts on Current Accident Year

- **Frequency up 45% - 50% vs 2Q'20 (low due to Pandemic)**
  - QTD May'21 miles driven up 40%[1] vs QTD May'20 (low due to Pandemic)
  - Driving patterns have changed from pre-Pandemic norms (time of day, duration and distance of trips)
- **Severity up 8% - 10% vs 2Q'20**
  - Supply chain issues (i.e., parts, supplies and rental cars)
  - Labor shortages (i.e., understaffed auto body shops increasing repair time and higher wages)
  - Social inflation expanding into lower limit policies during Pandemic reduced frequency

Specialty Auto Prior Year Reserve Development Details

- **Personal Injury Protection (~$55 million)**
  - Driven by recent Florida court decisions (5-year statute of limitations impacts multiple policy years)
  - Increased litigation activity
- **Other Coverages (~$25 million)**
  - Environmental (supply chain, labor, etc.) and social inflation impacting open PY[2] claims similar to CY[3]
  - Roughly $10 – $15 million of other prior year development driven by social inflation

2Q'21 earnings adversely impacted by environmental factors that pressured current year losses and drove prior year reserve development; proactively taking corrective actions

[1] *US DOT Federal Highway Administration*
[2] *Prior year;* [3] *Current Year*

Specialty Property & Casualty Segment[1]

Environmental challenges pressuring short-term profitability

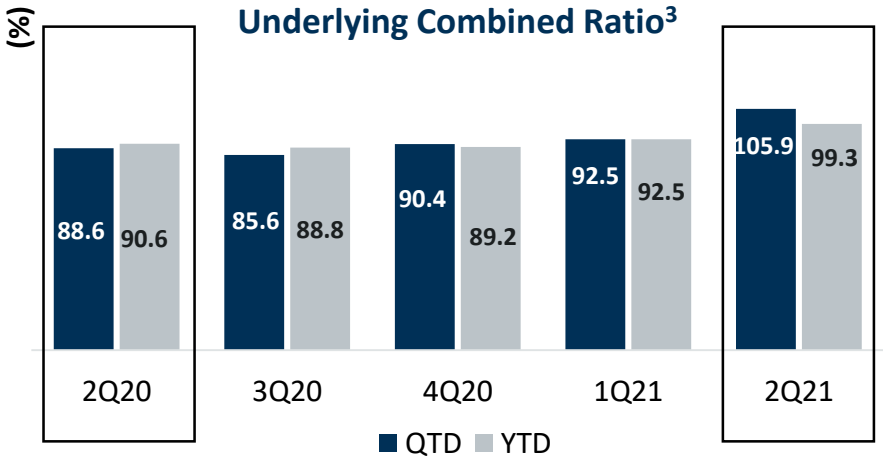
Key Highlights

- Re-opening led to a 17.3 point increase in underlying combined ratio[3]
- 2Q'21 written premium[2] excluding Classic Car increased 13%, led by continued opportunities in core and emerging geographies, and strong commercial vehicle growth
- Integration efforts with AAC progressing as expected

	PPA (ex. CC) DWP[2]		Population CAGR	
	TTM *($ million)*	YoY Growth	'16-'19	Est. '20-'30
California	$2,076	2.5%	0.3%	0.8%
Florida / Texas	$1,148	12.6%	1.3%	1.6%
Expansion States	$252	13.9%	1.0%	1.1%
Other	$169	0.6%	0.3%	0.4%
Total	$3,646	6.1%		
US				0.6%
Hispanic				1.6%

Note: Chart may not balance due to rounding

Key Metrics *($ in millions)*	2Q'21	2Q'20	Change to 2Q'20
Earned Premiums	$1,010	$851	19%
Underlying Loss & LAE Ratio[3]	86.8%	67.8%	1,900 bps
Underlying Expense Ratio[3]	19.2%	20.7%	(150) bps
Policies In-Force (000)	2,246	2,149	4.5%
PIF ex. Classic Car (000)	2,242	2,125	5.5%



Strength of franchise continues to create long-term value for our stakeholders

Source: Population growth sources include U.S. Census Bureau and The Association Institute
[1] As adjusted for acquisition; see reconciliation on Pages 23-33; [2] Normalized for premium credits;
[3] Non-GAAP financial measure; see reconciliation in appendix on pages 23-33; excludes impact of purchase accounting

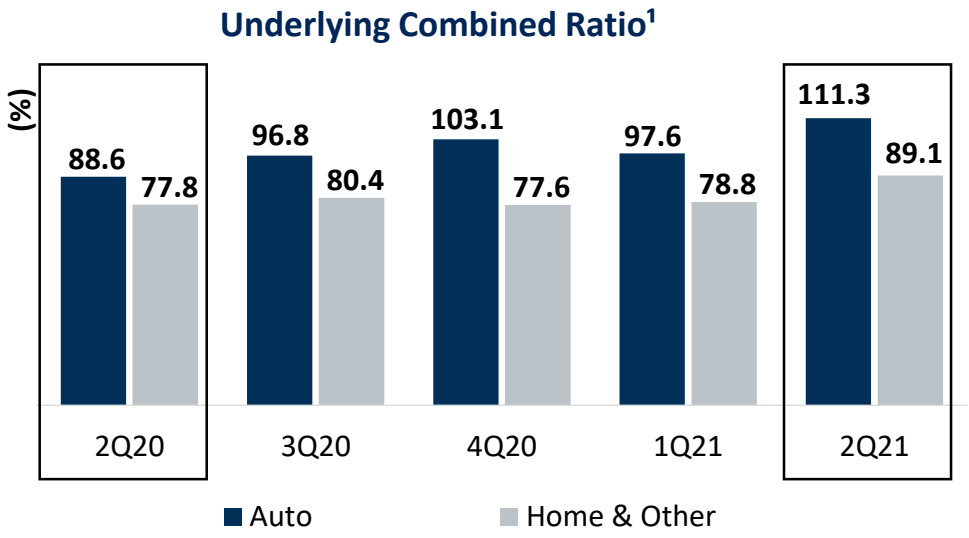
Preferred Property & Casualty Insurance Segment

Environmental pressure impacting current results as repositioning of business continues

Key Highlights

- Underlying combined ratio in segment increased to 103% for the quarter
  - Primarily driven by re-opening auto frequency and severity trends
- Home & Other absorbed seasonally-elevated catastrophe activity driven by small wind/hail events
  - While 2Q21 was slightly elevated from historical perspective, no change to full year expected catastrophe impact range

Key Metrics *($ in millions)*	2Q'21	2Q'20	Change to 2Q'20
Auto			
Earned Premiums	$104	$99	4.4%
Policies In-Force (000)	212	232	(8.7)%
Home & Other			
Earned Premiums	$60	$65	(7.4)%
Policies In-Force (000)	211	224	(5.8)%



Profitability impacted by frequency and severity challenges associated with re-opening from Pandemic

[1] *Non-GAAP financial measure; please see reconciliation in appendix on pages 23-33*

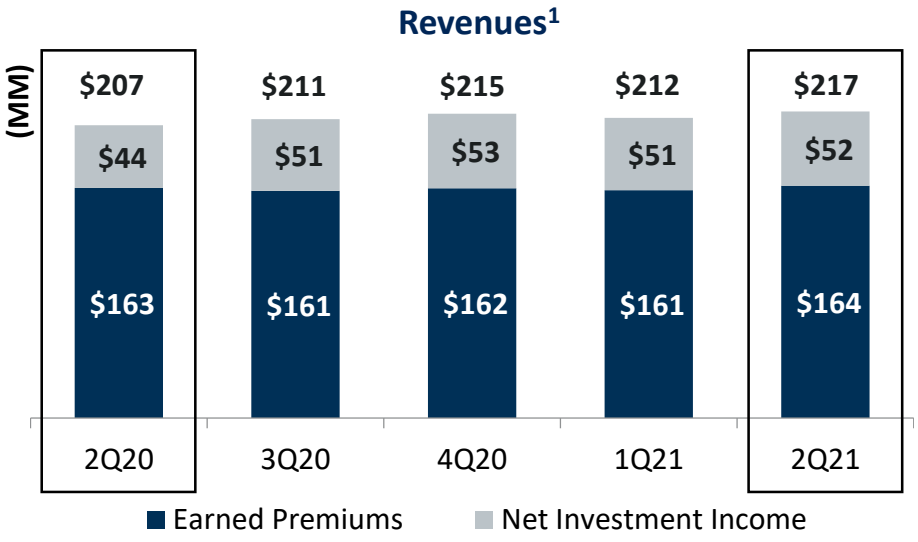
Life & Health Insurance Segment

Environment beginning to normalize

Key Highlights

- Benefits and incurred losses returning to pre-pandemic levels, in-line with national trends
- Life Earned Premium increased $4.9M (5%) in Q2'21 to $100.6M, due to increased persistency and new sales
  - Historically high Life persistency of 94%; improvement of 6 - 9 points over pre-Pandemic levels (2016-2019)
  - Annualized life new business sales surpassed pre-pandemic levels
  - Despite high Pandemic-related mortality, face value of in-force continues to increase

Key Metrics *($ in millions)*	2Q'21	2Q'20	Change to 2Q'20
L&H			
Net Operating Income	$13	$16	(19.3)%
Life			
Face Value of In-Force	$20,295	$19,603	3.5%
Policies In-Force (000)	3,338	3,390	(1.5)%



Business positioned for profitable growth

Note: Chart may not balance due to rounding

[1] Excludes other income and solar credit impairment

Appendix

A Leading Specialized Insurer

Taking advantage of a diversified portfolio of niche businesses….

KEMPER

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

~$15B	~6.6M	~34,000	~10,000
Assets	Policies	Agents/Brokers	Employees

KEMPER Auto

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

KEMPER Personal Insurance

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

KEMPER Life & Health

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

….to create value for all our stakeholders

Capital Deployment Priorities

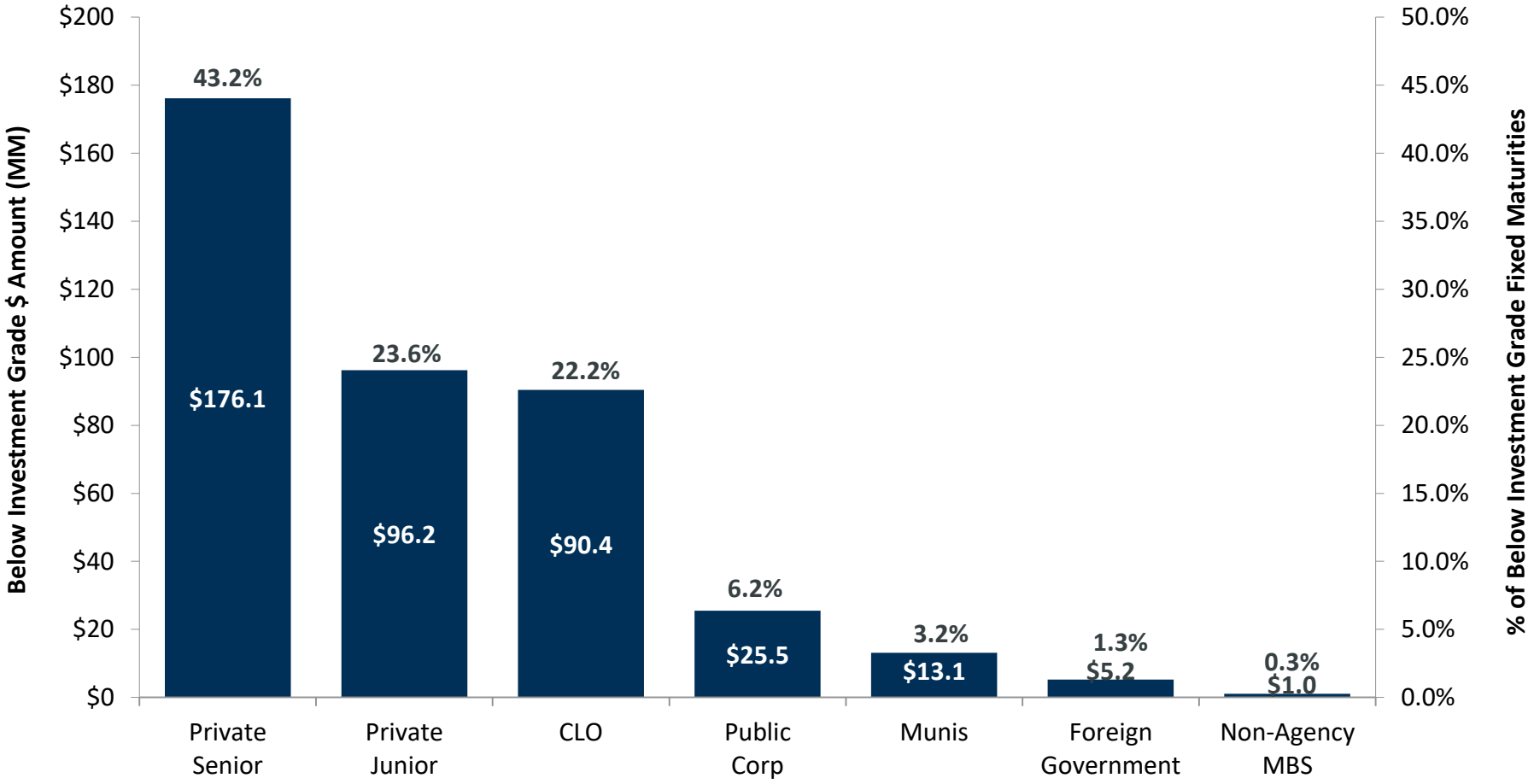
Dedicated to being good stewards of capital

1. **Investment in the business**
   - Fund profitable organic growth at appropriate risk-adjusted returns
   - Strategic investments and acquisitions that enhance the business and meet or exceed our ROE targets over time
2. **Return capital to shareholders**
   - Repurchase shares opportunistically
   - Maintain competitive dividends

Management and capital deployment priorities focused on maximizing shareholder value

Below Investment Grade Fixed Maturities Portfolio of $408 Million

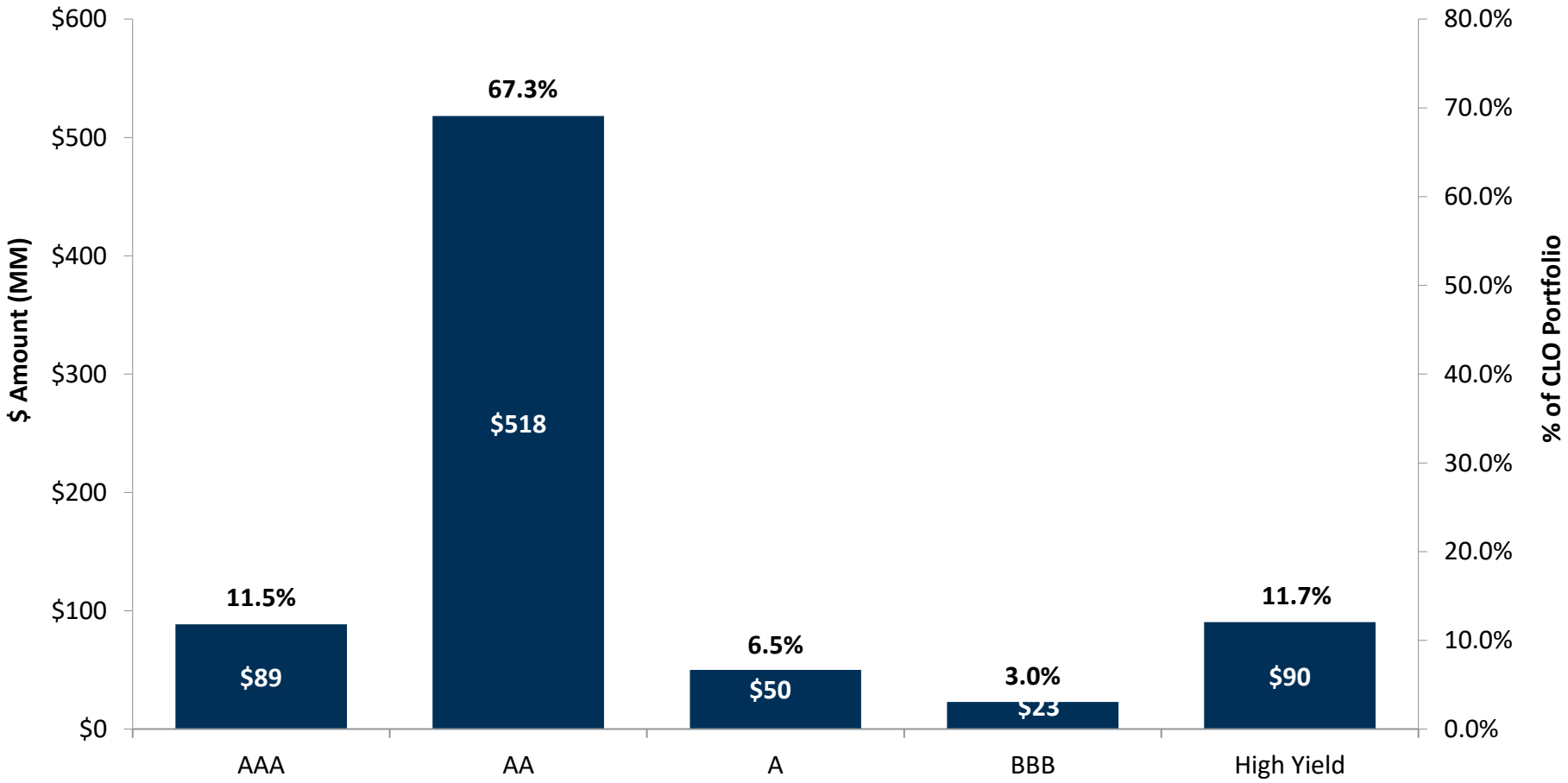
Portfolio is diversified across different asset types



Below investment grade portfolio represents 5% of our fixed maturities portfolio

CLO Composition ($770 Million)

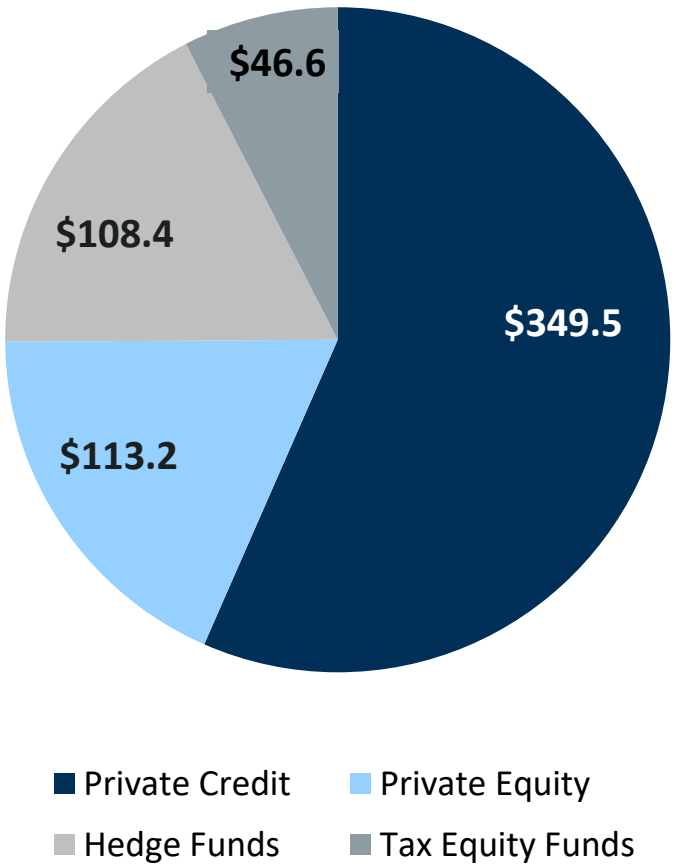
CLOs represent 7.4% of investment portfolio



Well-diversified CLO book with 85% of holdings classified 'A' or higher

Alternative Investment Portfolio of $618 Million

Portfolio is highly diversified with strategies focused on private credit, private equity and hedge funds



Private Credit
~3% of total investments (57% of Alts portfolio)

Diversification across date of investment, industry and geography

Private Equity
~ 1% of total investments (18% of Alts portfolio)

Diversification across date of investment, industry and geography

Hedge Funds
< 1% of total investments (18% of Alts portfolio)

Diversified in strategies with focus on minimum correlation to public markets and additional liquidity relative to Private Credit and Private Equity strategies

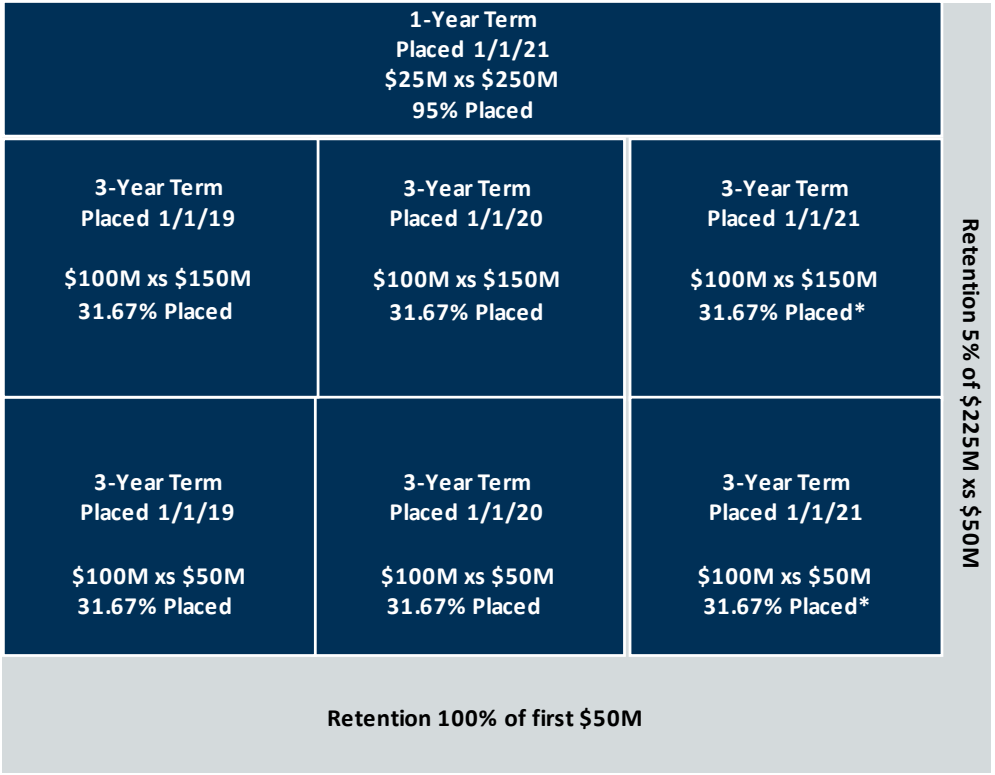
Tax Equity Funds
< 0.5% of total investments (8% of Alts portfolio)

Alternative investment portfolio is ~6% of total investments and diversified across underlying investment strategies with primary focus on current income generation

2021 Reinsurance Program

Both programs were renewed with no significant change

Catastrophe Reinsurance Program (Multi-Year)



- Policy placed at 1/1/21 similar to prior three years
- Total coverage: 95% of $225 million in excess of $50 million

Aggregate Catastrophe Program

- Same coverage as 2020 program
  - Intended to reduce volatility from high-frequency, low severity events
- Coverage
  - $50 million in excess of $60 million
  - $500k deductible per storm
  - Perils: All perils, excluding named storms (e.g., hurricanes) and earthquakes
  - Covered Line: Property, Fire and Dwelling

2021 Aggregate Catastrophe Reinsurance Program



**4% was placed on an annual basis through Reinsurance Facilities*

Non-GAAP Financial Measures

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

Book Value Per Share Excluding Net Unrealized Gains on Fixed Maturities and Goodwill is a calculation that uses a non-GAAP financial measure. It is calculated by dividing shareholders' equity after excluding the after-tax impact of net unrealized gains on fixed income securities and goodwill by total Common Shares Issued and Outstanding. Book value per share is the most directly comparable GAAP financial measure. The Company uses the trends in book value per share excluding the after-tax impact of net unrealized gains on fixed income securities and goodwill in conjunction with book value per share to identify and analyze the change in net worth excluding goodwill 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 not influenced by management. The Company believes it enhances understanding and comparability of performance by highlighting underlying business activity and profitability drivers.

	For the Periods Ended								
	2Q'21	1Q'21	4Q'20	3Q'20	2Q'20	2019	2018	2017	2016
Book Value Per Share	$ 67.67	$ 66.74	$ 69.74	$ 66.47	$ 64.15	$ 59.59	$ 47.10	$ 41.11	$ 38.52
Less: Net Unrealized Gains on Fixed Maturities Per Share	(9.28)	(6.74)	(11.07)	(9.84)	(9.02)	(6.51)	(1.70)	(5.54)	(3.52)
Book Value Per Share Excluding Net Unrealized Gains on Fixed Maturities	$ 58.39	$ 60.00	$ 58.67	$ 56.63	$ 55.13	$ 53.08	$ 45.40	$ 35.57	$ 35.00
Less: Goodwill	(20.62)	(17.13)	(17.02)	(17.03)	(17.06)	(16.72)	(17.18)	(6.28)	(6.30)
Book Value Per Share Excluding Net Unrealized Gains on Fixed Maturities and Goodwill	$ 37.77	$ 42.87	$ 41.65	$ 39.60	$ 38.07	$ 36.36	$ 28.22	$ 29.29	$ 28.70

Non-GAAP Financial Measures

Return on Equity

	For the Periods Ended								
	2Q'21	1Q'21	4Q'20	3Q'20	2Q'20	2019	2018	2017	2016
Rolling 12 Month Return on Average Shareholders' Equity (5 Point Avg)	6.4%	11.1%	9.8%	10.8%	11.4%	14.8%	7.7%	5.9%	0.8%
Less: Net Unrealized Gains on Fixed Maturities	1.1%	1.5%	1.5%	1.5%	1.4%	1.5%	0.6%	0.7%	0.1%
Rolling 12 Month Return on Average Shareholders' Equity Excluding Net Unrealized Gains on Fixed Maturities (5 Point Avg)	7.5%	12.6%	11.3%	12.3%	12.8%	16.3%	8.3%	6.6%	0.9%
Less: Goodwill	3.3%	5.5%	5.0%	5.6%	6.0%	8.4%	3.1%	1.4%	0.2%
Rolling 12 Month Return on Average Shareholders' Equity Excluding Net Unrealized Gains on Fixed Maturities and Goodwill (5 Point Avg)	10.8%	18.1%	16.3%	17.9%	18.8%	24.7%	11.4%	8.0%	1.1%

Non-GAAP Financial Measures

All Other Volatility

Dollars per Unrestricted Share - Diluted	Three Months Ended, As Reported					
	Jun. 30, 2021	Mar. 31, 2021	Dec. 31, 2020	Sep. 30, 2020	Jun. 30, 2020	Variance QoQ
All Other Volatility						
Refinement of CEI Estimate	-	-	-	-	0.06	(0.06)
Impact of Purchase Accounting	(0.15)	(0.03)	(0.05)	(0.05)	(0.06)	(0.09)
Total All Other	(0.15)	(0.03)	(0.05)	(0.05)	0.00	(0.15)

Non-GAAP Financial Measures

Kemper believes that **Adjusted Consolidated Net Operating Income** provides investors with a valuable measure of its ongoing performance because it reveals underlying operational performance trends that otherwise might be less apparent if the items were not excluded. Income (Loss) from Change in Fair Value of Equity and Convertible Securities, Net Realized Gains on Sales of Investments and Impairment Losses 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. Acquisition Related Transaction and Integration Costs may vary significantly between periods and are generally driven by the timing of acquisitions and business decisions which are unrelated to the insurance underwriting process. Debt Extinguishment, Pension and Other Charges relate to (i) loss from early extinguishment of debt, which is driven by the Company's financing and refinancing decisions and capital needs, as well as external economic developments such as debt market conditions, the timing of which is unrelated to the insurance underwriting process; (ii) settlement of pension plan obligations which are business decisions are made by the Company, the timing of which is unrelated to the underwriting process; and (iii) other charges that are non-standard, not part of the ordinary course of business, and unrelated to the insurance underwriting process. Significant non-recurring items are excluded because, by their nature, they are not indicative of the Company's business or economic trends.

Non-GAAP Financial Measures

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

Kemper believes that Diluted Adjusted Consolidated Net Operating Income Per Unrestricted Share provides investors with a valuable measure of its ongoing performance because it reveals underlying operational performance trends that otherwise might be less apparent if the items were not excluded. Income from change in fair value of equity and convertible securities, net realized gains on sales of investments, impairment losses related to investments, acquisition related transaction, integration and other costs and loss from early extinguishment of debt included in Kemper's results may vary significantly between periods and are generally driven by business decisions and external economic developments such as capital market conditions that impact the values of the company's investments, the timing of which is unrelated to the insurance underwriting process.

	For the Three Months Ended				
Per Unrestricted Share	2Q21	1Q21	4Q20	3Q20	2Q20
Net Income - Diluted	$ (0.97)	$ 1.85	$ 1.46	$ 1.83	$ 1.91
Net (Income) Loss From:					
Change in Fair Value of Equity & Convertible Securities	(0.50)	(0.62)	(0.86)	(0.53)	(0.86)
Net Realized Gains on Sales of Investments	(0.24)	(0.16)	-	(0.12)	(0.14)
Impairment Losses	0.04	0.05	(0.01)	0.01	0.08
Acquisition Related Transaction, Integration and Other Costs	0.13	0.19	0.24	0.17	0.21
Debt Extinguishment, pension and other charges	-	-	0.76	-	-
Adj. Consolidated Net Operating Income - Diluted	$ (1.54)	$ 1.31	$ 1.59	$ 1.36	$ 1.20

Non-GAAP Financial Measures

Underlying Combined Ratio is a non-GAAP financial measure. It is computed by adding the Current Year Non-catastrophe Losses and LAE Ratio with the Insurance Expense Ratio. The most directly comparable GAAP financial measure is the Combined Ratio, which is computed by adding total incurred losses and LAE, including the impact of catastrophe losses and loss and LAE reserve development from prior years, with the Insurance Expense Ratio.

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.

Non-GAAP Financial Measures

Underlying Combined Ratio – Continued

	For the Three Months Ended				
	2Q21	1Q21	4Q20	3Q20	2Q20
Specialty P&C Insurance					
Combined Ratio as Reported	116.1%	93.5%	91.7%	86.3%	91.0%
Current Year Catastrophe Loss and LAE Ratio	(0.8%)	(0.2%)	(0.6%)	(0.2%)	(0.6%)
Prior Years Non-Catastrophe Losses and LAE	(8.0%)	0.2%	0.2%	(0.2%)	(1.3%)
Prior Years Catastrophe Losses and LAE Ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Underlying Combined Ratio	107.3%	93.5%	91.3%	85.9%	89.1%
Preferred P&C Insurance					
Combined Ratio as Reported	118.9%	105.4%	96.2%	129.9%	102.2%
Current Year Catastrophe Loss and LAE Ratio	(14.8%)	(14.8%)	3.1%	(35.5%)	(12.6%)
Prior Years Non-Catastrophe Losses and LAE	(3.1%)	(0.1%)	(5.6%)	(3.6%)	(5.0%)
Prior Years Catastrophe Losses and LAE Ratio	2.1%	0.2%	(0.1%)	(0.1%)	(0.2%)
Underlying Combined Ratio	103.1%	90.7%	93.6%	90.7%	84.4%
Preferred Auto					
Combined Ratio as Reported	117.3%	99.5%	112.3%	103.5%	100.1%
Current Year Catastrophe Loss and LAE Ratio	(2.7%)	(0.6%)	(0.4%)	(1.6%)	(2.0%)
Prior Years Non-Catastrophe Losses and LAE	(3.5%)	(1.2%)	(9.2%)	(5.3%)	(9.8%)
Prior Years Catastrophe Losses and LAE Ratio	0.2%	(0.1%)	0.4%	0.2%	0.3%
Underlying Combined Ratio	111.3%	97.6%	103.1%	96.8%	88.6%
Preferred Home & Other					
Combined Ratio as Reported	121.8%	115.7%	68.6%	175.6%	105.4%
Current Year Catastrophe Loss and LAE Ratio	(35.8%)	(39.5%)	9.2%	(94.1%)	(28.8%)
Prior Years Non-Catastrophe Losses and LAE	(2.3%)	1.9%	0.6%	(0.6%)	2.3%
Prior Years Catastrophe Losses and LAE Ratio	5.4%	0.7%	(0.8%)	(0.5%)	(1.1%)
Underlying Combined Ratio	89.1%	78.8%	77.6%	80.4%	77.8%

Non-GAAP Financial Measures

As Adjusted for Acquisition amounts are non-GAAP financial measures. Subsequent to the applicable acquisitions, the As Adjusted for Acquisitions amounts are computed by subtracting the impact of purchase accounting adjustments from the comparable consolidated GAAP financial measure reported by Kemper. The Company believes computing and presenting results on an adjusted basis are useful to investors and are used by management to provide meaningful and comparable year-over-year comparisons.

Non-GAAP Financial Measures

As Adjusted for Acquisition – Continued

	Three Months Ended				
	30-Jun-21	**31-Mar-21**	**31-Dec-20**	**30-Sep-20**	**30-Jun-20**
Earned Premiums					
Kemper - GAAP As Reported	$ 1,337.7	$ 1,200.8	$ 1,214.0	$ 1,206.5	$ 1,085.3
AAC - Prior to Acquisition	-	87.9	91.2	92.6	92.0
As Adjusted [1]	$ 1,337.7	$ 1,288.7	$ 1,305.2	$ 1,299.1	$ 1,177.3
Net Income (Loss)					
Kemper - GAAP As Reported	$ (62.6)	$ 123.2	$ 97.5	$ 122.3	$ 126.1
AAC - Prior to Acquisition	-	6.1	16.9	14.4	18.8
Less: Impact of Purchase Accounting	(10.1)	(1.8)	(3.2)	(3.2)	(4.4)
As Adjusted [1]	$ (52.5)	$ 131.1	$ 117.6	$ 139.9	$ 149.3
As Adjusted [1] - Per Diluted Share	*$ (0.82)*	*$ 1.97*	*$ 1.77*	*$ 2.10*	*$ 2.25*
Adjusted Consolidated Net Operating Income (Loss)					
Kemper - GAAP As Reported	$ (99.4)	$ 87.2	$ 105.8	$ 90.9	$ 79.2
AAC - Prior to Acquisition	-	12.3	9.5	12.4	13.3
Less: Impact of Purchase Accounting	(10.1)	(1.8)	(3.2)	(3.2)	(4.4)
As Adjusted [1]	$ (89.3)	$ 101.3	$ 118.5	$ 106.5	$ 96.9
As Adjusted [1] - Per Diluted Share	*$ (1.39)*	*$ 1.52*	*$ 1.78*	*$ 1.60*	*$ 1.47*

[1] *As Adjusted is a non-GAAP measure, which is comprised by excluding impact of purchase accounting in 2020 and 2021 and including historical results of Kemper and AAC in periods prior to acquisition date of April 1, 2021.*

Non-GAAP Financial Measures

As Adjusted for Acquisition – Continued

Specialty P&C Insurance Segment

	Three Months Ended					
	30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20	30-Jun-20	31-Mar-20
Earned Premiums						
Kemper Specialty P&C - GAAP As Reported	$ 1,010.3	$ 877.6	$ 882.4	$ 871.4	$ 759.0	$ 822.5
AAC - Prior to Acquisition	-	87.9	91.2	92.6	92.0	90.3
As Adjusted [1]	$ 1,010.3	$ 965.5	$ 973.6	$ 964.0	$ 851.0	$ 912.8
Current Year Non-CAT Losses and LAE						
Kemper Specialty P&C - GAAP As Reported	$ 877.4	$ 650.0	$ 626.2	$ 589.0	$ 515.8	$ 619.8
AAC - Prior to Acquisition	-	62.0	62.4	62.6	62.2	62.6
Less: Impact of Purchase Accounting						
Amortization of Fair Value Adjustment to Unpaid Loss and LAE	0.3	0.4	0.4	0.3	0.8	0.7
As Adjusted [1]	$ 877.1	$ 711.6	$ 688.2	$ 651.3	$ 577.2	$ 681.7
Insurance Expenses						
Kemper Specialty P&C - GAAP As Reported	$ 205.6	$ 170.3	$ 179.1	$ 159.5	$ 161.2	$ 152.1
AAC - Prior to Acquisition	-	13.1	17.2	18.3	19.7	15.4
Less: Impact of Purchase Accounting	12.9	2.3	4.1	4.2	4.5	5.2
As Adjusted [1]	$ 192.7	$ 181.1	$ 192.2	$ 173.6	$ 176.4	$ 162.3
As Adjusted [1] Underlying Combined Ratio						
As Adjusted [1] Underlying Loss & LAE Ratio	86.8%	73.7%	70.7%	67.6%	67.8%	74.7%
As Adjusted [1] Expense Ratio	19.2%	18.8%	19.7%	18.0%	20.7%	17.8%
As Adjusted [1] Underlying Combined Ratio	105.9%	92.5%	90.4%	85.6%	88.6%	92.5%

[1] *As Adjusted is a non-GAAP measure, which is comprised by excluding impact of purchase accounting in 2020 and 2021 and including historical results of Kemper and AAC in periods prior to acquisition date of April 1, 2021.*

Non-GAAP Financial Measures

As Adjusted for Acquisition – Continued

Specialty Personal Automobile Insurance

	Three Months Ended				
	30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20	30-Jun-20
Earned Premiums					
Kemper Specialty P&C - GAAP As Reported	$ 909.6	$ 785.4	$ 796.1	$ 792.2	$ 689.8
AAC - Prior to Acquisition	-	87.9	91.2	92.6	92.0
As Adjusted [1]	$ 909.6	$ 873.3	$ 887.3	$ 884.8	$ 781.8
Current Year Non-CAT Losses and LAE					
Kemper Specialty P&C - GAAP As Reported	$ 805.1	$ 586.4	$ 569.1	$ 543.4	$ 472.4
AAC - Prior to Acquisition	-	62.0	62.4	62.6	62.2
Less: Impact of Purchase Accounting					
Amortization of Fair Value Adjustment to Unpaid Loss and LAE	0.2	0.3	0.3	0.2	0.6
As Adjusted [1]	$ 804.9	$ 648.1	$ 631.2	$ 605.8	$ 534.0
Insurance Expenses					
Kemper Specialty P&C - GAAP As Reported	$ 187.7	$ 155.3	$ 162.8	$ 145.6	$ 146.7
AAC - Prior to Acquisition	-	13.1	17.2	18.3	19.7
Less: Impact of Purchase Accounting	12.4	1.8	3.3	3.2	3.5
As Adjusted [1]	$ 175.3	$ 166.6	$ 176.7	$ 160.7	$ 162.9
As Adjusted [1] Underlying Combined Ratio					
As Adjusted [1] Underlying Loss & LAE Ratio	88.5%	74.2%	71.1%	68.5%	68.3%
As Adjusted [1] Expense Ratio	19.3%	19.1%	19.9%	18.2%	20.8%
As Adjusted [1] Underlying Combined Ratio	107.8%	93.3%	91.1%	86.6%	89.1%

[1] *As Adjusted is a non-GAAP measure, which is comprised by excluding impact of purchase accounting in 2020 and 2021 and including historical results of Kemper and AAC in periods prior to acquisition date of April 1, 2021.*