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

FORM 10-Q

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For Quarterly Period Ended September 30, 2013

OR

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Transition Period from ______ to ______

Commission file number 001-18298

Kemper Corporation
(Exact name of registrant as specified in its charter)

Delaware	**95-4255452**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
One East Wacker Drive, Chicago, Illinois	**60601**
(Address of principal executive offices)	**(Zip Code)**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, non-accelerated filer or a smaller reporting company. See definition of "accelerated filer, large accelerated filer and smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller Reporting Company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

55,682,955 shares of common stock, $0.10 par value, were outstanding as of October 29, 2013.

KEMPER CORPORATION

INDEX

		Page
Caution Regarding Forward-Looking Statements		1
PART I.	FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Condensed Consolidated Statements of Income for the Nine and Three Months Ended September 30, 2013 and 2012 (Unaudited)	3
	Condensed Consolidated Statements of Comprehensive Income (Loss) for the Nine and Three Months Ended September 30, 2013 and 2012 (Unaudited)	4
	Condensed Consolidated Balance Sheets as of September 30, 2013 (Unaudited) and December 31, 2012	5
	Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2013 and 2012 (Unaudited)	6
	Notes to the Condensed Consolidated Financial Statements (Unaudited)	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	34
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	59
Item 4.	Controls and Procedures	61
PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings	61
Item 1A.	Risk Factors	61
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	63
Item 5.	Other Information	63
Item 6.	Exhibits	63
Signatures		64
Exhibit Index		65

Caution Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), Quantitative and Qualitative Disclosures About Market Risk, Risk Factors and the accompanying unaudited Condensed Consolidated Financial Statements (including the notes thereto) of Kemper Corporation ("Kemper") and its subsidiaries (individually and collectively referred to herein as the "Company") 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. The reader can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as "believe(s)," "goal(s)," "target(s)," "estimate(s)," "anticipate(s)," "forecast(s)," "project(s)," "plan(s)," "intend(s)," "expect(s)," "might," "may" and other words and terms of similar meaning in connection with a discussion of future operating, financial performance or financial condition. Forward-looking statements, in particular, include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results.

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 Quarterly Report on Form 10-Q. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance; actual results could differ materially from those expressed or implied in the forward-looking statements. Forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the Company's actual future results and financial condition. The reader should consider the following list of general factors that could affect the Company's future results and financial condition, as well as those discussed under Item 1A., Risk Factors, of Part I of Kemper's Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission (the "SEC"), for the year ended December 31, 2012 (the "2012 Annual Report") as updated by Item 1A. of Part II of subsequently-filed Quarterly Reports on Form 10-Q, including this Quarterly Report on Form 10-Q.

Among the general factors that could cause actual results and financial condition to differ materially from estimated results and financial condition are:

- The incidence, frequency, and severity of catastrophes occurring in any particular reporting period or geographic area, including natural disasters, pandemics and terrorist attacks or other man-made events;
- The number and severity of insurance claims (including those associated with catastrophe losses) and their impact on the adequacy of loss reserves;
- Changes in facts and circumstances affecting assumptions used in determining loss and loss adjustment expenses ("LAE") reserves;
- The impact of inflation on insurance claims, including, but not limited to, the effects attributed to scarcity of resources available to rebuild damaged structures, including labor and materials and the amount of salvage value recovered for damaged property;
- Changes in the pricing or availability of reinsurance, or in the financial condition of reinsurers and amounts recoverable therefrom;
- Orders, interpretations or other actions by regulators that impact the reporting, adjustment and payment of claims;
- The impact of residual market assessments and assessments for insurance industry insolvencies;
- Changes in industry trends and significant industry developments;
- Uncertainties related to regulatory approval of insurance rates, policy forms, license applications and similar matters;
- Developments related to insurance policy claims and coverage issues, including, but not limited to, interpretations or decisions by courts or regulators that may govern or influence losses incurred in connection with hurricanes and other catastrophes;
- Changes in ratings by credit rating agencies;
- Adverse outcomes in litigation or other legal or regulatory proceedings involving Kemper or its subsidiaries or affiliates;
- Developments in, and outcomes of, initiatives by state officials that could result in significant changes to unclaimed property laws and claims handling practices with respect to life insurance contracts, especially to the extent that such initiatives result in retroactive application of new requirements to existing life insurance policies;
- Regulatory, accounting or tax changes that may affect the cost of, or demand for, the Company's products or services;

Caution Regarding Forward-Looking Statements (continued)

- Governmental actions, including, but not limited to, implementation of the provisions of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (the "Health Care Acts") and the Dodd-Frank Act, new laws or regulations or court decisions interpreting existing laws and regulations or policy provisions;
- Changes in distribution channels, methods or costs resulting from changes in laws or regulations, lawsuits or market forces;
- Changes in general economic conditions, including performance of financial markets, interest rates, unemployment rates and fluctuating values of particular investments held by the Company;
- The level of success and costs expended in realizing economies of scale and implementing significant business consolidations and technology initiatives;
- Heightened competition, including, with respect to pricing, entry of new competitors and the development of new products by new and existing competitors;
- Increased costs and risks related to data security;
- Absolute and relative performance of the Company's products or services; and
- Other risks and uncertainties described from time to time in Kemper's filings with the SEC.

No assurances can be given that the results contemplated in any forward-looking statements will be achieved or will be achieved in any particular timetable. The Company 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 Quarterly Report on Form 10-Q. The reader is advised, however, to consult any further disclosures Kemper makes on related subjects in its filings with the SEC.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

KEMPER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Dollars in millions, except per share amounts)
(Unaudited)

	Nine Months Ended		Three Months Ended	
	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Revenues:				
Earned Premiums	$ 1,530.2	$ 1,586.3	$ 507.5	$ 527.3
Net Investment Income	237.8	223.0	82.4	70.4
Other Income	0.5	0.6	0.1	0.2
Net Realized Gains on Sales of Investments	78.3	59.9	49.1	50.9
Other-than-temporary Impairment Losses:				
Total Other-than-temporary Impairment Losses	(8.2)	(4.1)	(3.5)	(3.2)
Portion of Losses Recognized in Other Comprehensive Income	1.9	—	0.1	—
Net Impairment Losses Recognized in Earnings	(6.3)	(4.1)	(3.4)	(3.2)
Total Revenues	1,840.5	1,865.7	635.7	645.6
Expenses:				
Policyholders' Benefits and Incurred Losses and Loss Adjustment Expenses	1,041.7	1,169.1	338.3	368.7
Insurance Expenses	491.5	502.8	170.1	172.7
Interest and Other Expenses	74.3	65.4	25.3	22.7
Total Expenses	1,607.5	1,737.3	533.7	564.1
Income from Continuing Operations before Income Taxes	233.0	128.4	102.0	81.5
Income Tax Expense	(73.3)	(34.9)	(33.4)	(25.9)
Income from Continuing Operations	159.7	93.5	68.6	55.6
Income from Discontinued Operations	2.8	8.0	1.5	—
Net Income	$ 162.5	$ 101.5	$ 70.1	$ 55.6
Income from Continuing Operations Per Unrestricted Share:				
Basic	$ 2.77	$ 1.57	$ 1.21	$ 0.95
Diluted	$ 2.76	$ 1.56	$ 1.21	$ 0.95
Net Income Per Unrestricted Share:				
Basic	$ 2.82	$ 1.71	$ 1.24	$ 0.95
Diluted	$ 2.81	$ 1.70	$ 1.23	$ 0.95
Dividends Paid to Shareholders Per Share	$ 0.72	$ 0.72	$ 0.24	$ 0.24

The Notes to the Condensed Consolidated Financial Statements are an integral part of these financial statements.

KEMPER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollars in millions)
(Unaudited)

	Nine Months Ended		Three Months Ended	
	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Net Income	$ 162.5	$ 101.5	$ 70.1	$ 55.6
Other Comprehensive Income (Loss) Before Income Taxes:				
Unrealized Holding Gains (Losses)	(316.4)	121.6	(33.4)	47.7
Foreign Currency Translation Adjustments	0.1	1.5	0.2	0.2
Amortization of Unrecognized Postretirement Benefit Costs	18.4	12.0	6.3	4.4
Other Comprehensive Income (Loss) Before Income Taxes	(297.9)	135.1	(26.9)	52.3
Other Comprehensive Income Tax Benefit (Expense)	106.3	(48.0)	9.5	(18.7)
Other Comprehensive Income (Loss)	(191.6)	87.1	(17.4)	33.6
Total Comprehensive Income (Loss)	$ (29.1)	$ 188.6	$ 52.7	$ 89.2

The Notes to the Condensed Consolidated Financial Statements are an integral part of these financial statements.

KEMPER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in millions, except per share amounts)

	Sep 30, 2013	Dec 31, 2012
Assets:	(Unaudited)	
Investments:		
Fixed Maturities at Fair Value (Amortized Cost: 2013 - $4,391.4; 2012 - $4,283.8)	$ 4,645.0	$ 4,860.2
Equity Securities at Fair Value (Cost: 2013 - $501.7; 2012 - $462.7)	567.4	521.9
Equity Method Limited Liability Investments at Cost Plus Cumulative Undistributed Earnings	231.4	253.0
Short-term Investments at Cost which Approximates Fair Value	286.8	327.5
Other Investments	446.2	497.5
Total Investments	6,176.8	6,460.1
Cash	76.1	96.3
Receivables from Policyholders	354.2	369.3
Other Receivables	203.9	206.1
Deferred Policy Acquisition Costs	308.5	303.4
Goodwill	311.8	311.8
Current and Deferred Income Tax Assets	61.6	5.4
Other Assets	253.0	256.7
Total Assets	$ 7,745.9	$ 8,009.1
Liabilities and Shareholders' Equity:		
Insurance Reserves:		
Life and Health	$ 3,201.5	$ 3,161.6
Property and Casualty	884.6	970.6
Total Insurance Reserves	4,086.1	4,132.2
Unearned Premiums	635.3	650.9
Liabilities for Income Taxes	6.6	21.5
Notes Payable at Amortized Cost (Fair Value: 2013 - $666.3; 2012 - $675.5)	606.7	611.4
Accrued Expenses and Other Liabilities	402.1	431.4
Total Liabilities	5,736.8	5,847.4
Shareholders' Equity:		
Common Stock, $0.10 Par Value, 100 Million Shares Authorized; 56,025,049 Shares Issued and Outstanding at September 30, 2013 and 58,454,390 Shares Issued and Outstanding at December 31, 2012	5.6	5.8
Paid-in Capital	698.0	725.0
Retained Earnings	1,184.4	1,118.2
Accumulated Other Comprehensive Income	121.1	312.7
Total Shareholders' Equity	2,009.1	2,161.7
Total Liabilities and Shareholders' Equity	$ 7,745.9	$ 8,009.1

The Notes to the Condensed Consolidated Financial Statements are an integral part of these financial statements.

KEMPER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in millions)
(Unaudited)

	Nine Months Ended	
	Sep 30, 2013	Sep 30, 2012
Operating Activities:		
Net Income	$ 162.5	$ 101.5
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Increase in Deferred Policy Acquisition Costs	(5.1)	(12.7)
Amortization of Life Insurance in Force Acquired and Customer Relationships Acquired	6.3	5.9
Equity in Earnings of Equity Method Limited Liability Investments	(19.9)	(7.2)
Distribution of Accumulated Earnings of Equity Method Limited Liability Investments	15.1	10.7
Amortization of Investment Securities and Depreciation of Investment Real Estate	12.4	11.3
Net Realized Gains on Sales of Investments	(78.3)	(59.9)
Net Impairment Losses Recognized in Earnings	6.3	4.1
Net Gain on Sale of Portfolio of Automobile Loan Receivables	—	(12.9)
Benefit for Loan Losses	—	(2.0)
Depreciation of Property and Equipment	12.7	11.1
Decrease in Receivables	13.5	4.6
Decrease in Insurance Reserves	(47.3)	(1.6)
Increase (Decrease) in Unearned Premiums	(15.6)	8.1
Change in Income Taxes	34.3	10.5
Decrease in Accrued Expenses and Other Liabilities	(36.2)	(1.0)
Other, Net	32.2	29.1
Net Cash Provided by Operating Activities	92.9	99.6
Investing Activities:		
Sales, Paydowns and Maturities of Fixed Maturities	578.5	784.7
Purchases of Fixed Maturities	(667.4)	(574.0)
Sales of Equity Securities	107.3	30.8
Purchases of Equity Securities	(136.0)	(118.7)
Sales of and Return of Investment of Equity Method Limited Liability Investments	26.5	31.8
Acquisitions of Equity Method Limited Liability Investments	(8.3)	(18.5)
Decrease (Increase) in Short-term Investments	39.7	(49.9)
Improvements of Investment Real Estate	(4.9)	(3.7)
Sales of Investment Real Estate	102.5	—
Increase in Other Investments	(6.5)	(8.5)
Acquisition of Software	(12.5)	(20.9)
Disposition of Business, Net of Cash Disposed	3.8	—
Net Proceeds from Sale of Portfolio of Automobile Loan Receivables	—	17.7
Receipts from Automobile Loan Receivables	—	2.0
Other, Net	(8.5)	(5.9)
Net Cash Provided by Investing Activities	14.2	66.9
Financing Activities:		
Repayments of Notes Payable	(5.5)	—
Common Stock Repurchases	(82.9)	(57.7)
Cash Dividends Paid to Shareholders	(41.5)	(42.9)
Cash Exercise of Stock Options	0.6	—
Excess Tax Benefits from Share-based Awards	0.9	0.2
Other, Net	1.1	1.4
Net Cash Used by Financing Activities	(127.3)	(99.0)
Increase (Decrease) in Cash	(20.2)	67.5
Cash, Beginning of Year	96.3	251.2
Cash, End of Period	$ 76.1	$ 318.7

The Notes to the Condensed Consolidated Financial Statements are an integral part of these financial statements.

Note 1 - Basis of Presentation

The Condensed Consolidated Financial Statements included herein have been prepared pursuant to the rules and regulations of the SEC and include the accounts of Kemper Corporation ("Kemper") and its subsidiaries (individually and collectively referred to herein as the "Company") and are unaudited. All significant intercompany accounts and transactions have been eliminated.

Certain financial information that is normally included in annual financial statements, including certain financial statement footnote disclosures, prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") is not required by the rules and regulations of the SEC for interim financial reporting and has been condensed or omitted. In the opinion of the Company's management, the Condensed Consolidated Financial Statements include all adjustments necessary for a fair presentation. The preparation of interim financial statements relies heavily on estimates. This factor and other factors, such as the seasonal nature of some portions of the insurance business, as well as market conditions, call for caution in drawing specific conclusions from interim results. The accompanying Condensed Consolidated Financial Statements should be read in conjunction with the Company's Consolidated Financial Statements and related notes included in the 2012 Annual Report.

Accounting Standards Not Yet Adopted

The Financial Accounting Standards Board ("FASB") issues Accounting Standard Updates ("ASUs") to amend the authoritative literature in the FASB Accounting Standards Codification ("ASC"). There have been eleven ASUs issued in 2013 that amend the original text of the ASC. Except as described in the following paragraph and under the caption "*Adoption of New Accounting Standard"* below, the ASUs are not expected to have a material impact on the Company.

In July 2013, the FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. The standard is effective for the first interim or annual period beginning on or after December 15, 2013 with early adoption permitted. The standard amends ASC Topic 740, *Income Taxes*, to provide guidance and reduce diversity in practice on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. Except for the changes, if any, in the Company's presentation, the initial application of the standard will not impact the Company.

Adoption of New Accounting Standard

In February 2013, the FASB issued ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.* The new standard amends and enhances disclosure requirements by requiring an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in a statement of income. The Company adopted the standard in the first quarter of 2013. Except for the additional disclosure requirements, the initial application of the standard did not have an impact on the Company.

Note 2 - Investments

The amortized cost and estimated fair values of the Company's Investments in Fixed Maturities at September 30, 2013 were:

(Dollars in Millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government and Government Agencies and Authorities	$ 357.2	$ 28.4	$ (9.3)	$ 376.3
States and Political Subdivisions	1,334.9	66.9	(17.2)	1,384.6
Corporate Securities:				
Bonds and Notes	2,643.6	223.6	(41.7)	2,825.5
Redeemable Preferred Stocks	7.1	2.1	—	9.2
Mortgage and Asset-backed	48.6	1.4	(0.6)	49.4
Investments in Fixed Maturities	$ 4,391.4	$ 322.4	$ (68.8)	$ 4,645.0

Included in the fair value of Mortgage and Asset-backed investments at September 30, 2013 are $41.3 million of collateralized loan obligations, $6.7 million of collateralized debt obligations, $1.1 million of non-governmental residential mortgage-backed securities and $0.3 million of other asset-backed securities.

The amortized cost and estimated fair values of the Company's Investments in Fixed Maturities at December 31, 2012 were:

(Dollars in Millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government and Government Agencies and Authorities	$ 384.0	$ 45.1	$ (0.2)	$ 428.9
States and Political Subdivisions	1,251.0	150.5	(0.1)	1,401.4
Corporate Securities:				
Bonds and Notes	2,615.5	385.4	(7.5)	2,993.4
Redeemable Preferred Stocks	30.1	2.5	—	32.6
Mortgage and Asset-backed	3.2	1.0	(0.3)	3.9
Investments in Fixed Maturities	$ 4,283.8	$ 584.5	$ (8.1)	$ 4,860.2

Included in the fair value of Mortgage and Asset-backed investments at December 31, 2012 are $2.3 million of collateralized debt obligations, $1.3 million of non-governmental residential mortgage-backed securities and $0.3 million of other asset-backed securities.

The amortized cost and estimated fair values of the Company's Investments in Fixed Maturities at September 30, 2013 by contractual maturity were:

(Dollars in Millions)	Amortized Cost	Fair Value
Due in One Year or Less	$ 104.6	$ 108.7
Due after One Year to Five Years	674.8	713.7
Due after Five Years to Ten Years	1,320.4	1,352.3
Due after Ten Years	2,075.5	2,243.3
Asset-backed Securities Not Due at a Single Maturity Date	216.1	227.0
Investments in Fixed Maturities	$ 4,391.4	$ 4,645.0

The expected maturities of the Company's Investments in Fixed Maturities may differ from the contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Investments in Asset-backed Securities Not Due at a Single Maturity Date at September 30, 2013 consisted of securities issued by the Government National Mortgage Association with a fair value of $165.1 million, securities issued by the Federal National Mortgage Association with a fair value of $12.1 million, securities issued by the Federal Home Loan Mortgage Corporation with a fair value of $0.4 million and securities of other non-governmental issuers with a fair value of $49.4 million.

Note 2 - Investments (continued)

There were no unsettled sales of Investments in Fixed Maturities at either September 30, 2013 or December 31, 2012. There were no unsettled purchases of Investments in Fixed Maturities at September 30, 2013. Accrued Expenses and Other Liabilities at December 31, 2012 includes a payable of $1.5 million for purchases of Investments in Fixed Maturities that settled in January 2013.

Gross unrealized gains and gross unrealized losses on the Company’s Investments in Equity Securities at September 30, 2013 were:

(Dollars in Millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Preferred Stocks:				
Finance, Insurance and Real Estate	$ 85.4	$ 2.8	$ (2.4)	$ 85.8
Other Industries	13.4	4.6	—	18.0
Common Stocks:				
Manufacturing	68.1	29.2	(0.2)	97.1
Other Industries	60.3	17.1	(0.9)	76.5
Other Equity Interests:				
Exchange Traded Funds	137.1	0.8	(1.9)	136.0
Limited Liability Companies and Limited Partnerships	137.4	19.9	(3.3)	154.0
Investments in Equity Securities	$ 501.7	$ 74.4	$ (8.7)	$ 567.4

Gross unrealized gains and gross unrealized losses on the Company’s Investments in Equity Securities at December 31, 2012 were:

(Dollars in Millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Preferred Stocks:				
Finance, Insurance and Real Estate	$ 75.4	$ 3.9	$ (0.1)	$ 79.2
Other Industries	18.4	3.8	(0.9)	21.3
Common Stocks:				
Manufacturing	67.0	20.9	(0.4)	87.5
Other Industries	59.1	8.1	(0.5)	66.7
Other Equity Interests:				
Exchange Traded Funds	119.6	6.3	—	125.9
Limited Liability Companies and Limited Partnerships	123.2	19.5	(1.4)	141.3
Investments in Equity Securities	$ 462.7	$ 62.5	$ (3.3)	$ 521.9

Note 2 - Investments (continued)

An aging of unrealized losses on the Company's Investments in Fixed Maturities and Equity Securities at September 30, 2013 is presented below:

	Less Than 12 Months		12 Months or Longer		Total	
(Dollars in Millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed Maturities:						
U.S. Government and Government Agencies and Authorities	$ 89.4	$ (8.7)	$ 4.6	$ (0.6)	$ 94.0	$ (9.3)
States and Political Subdivisions	217.0	(17.2)	0.3	—	217.3	(17.2)
Corporate Securities:						
Bonds and Notes	704.4	(37.0)	63.0	(4.7)	767.4	(41.7)
Mortgage and Asset-backed	32.9	(0.6)	1.6	—	34.5	(0.6)
Total Fixed Maturities	1,043.7	(63.5)	69.5	(5.3)	1,113.2	(68.8)
Equity Securities:						
Preferred Stocks:						
Finance, Insurance and Real Estate	22.7	(2.3)	2.4	(0.1)	25.1	(2.4)
Other Industries	—	—	0.7	—	0.7	—
Common Stocks:						
Manufacturing	0.4	(0.2)	0.2	—	0.6	(0.2)
Other Industries	11.7	(0.8)	0.5	(0.1)	12.2	(0.9)
Other Equity Interests:						
Exchange Traded Funds	106.8	(1.9)	—	—	106.8	(1.9)
Limited Liability Companies and Limited Partnerships	59.5	(2.4)	5.7	(0.9)	65.2	(3.3)
Total Equity Securities	201.1	(7.6)	9.5	(1.1)	210.6	(8.7)
Total	$ 1,244.8	$ (71.1)	$ 79.0	$ (6.4)	$ 1,323.8	$ (77.5)

The Company regularly reviews its investment portfolio for factors that may indicate that a decline in fair value of an investment is other than temporary. The portions of the declines in the fair values of investments that are determined to be other than temporary are reported as losses in the Condensed Consolidated Statements of Income in the periods when such determinations are made.

Unrealized losses on fixed maturities, which the Company has determined to be temporary at September 30, 2013, were $68.8 million, of which $5.3 million is related to fixed maturities that were in an unrealized loss position for 12 months or longer. Included in the preceding table under the heading "Less Than 12 Months" are unrealized losses of $0.5 million at September 30, 2013 related to securities for which the Company has recognized credit losses in earnings. Included in the preceding table under the heading "12 Months or Longer" are unrealized losses of $0.5 million related to securities for which the Company has recognized credit losses in earnings. Included in the preceding table under the heading "12 Months or Longer" are unrealized losses of $0.1 million at September 30, 2013 related to securities for which the Company has previously recognized foreign currency losses in earnings. Investment-grade fixed maturity investments comprised $63.1 million and below-investment-grade fixed maturity investments comprised $5.7 million of the unrealized losses on investments in fixed maturities at September 30, 2013. Unrealized losses for below-investment-grade fixed maturities included unrealized losses totaling $0.1 million for one issuer that the Company previously recognized foreign currency impairment losses in earnings. For the other remaining below-investment-grade fixed maturity investments in an unrealized loss position, the unrealized loss amount, on average, was less than 5% of the amortized cost basis of the investment. At September 30, 2013, the Company did not have the intent to sell these investments and it was not more likely than not that the Company would be required to sell these investments before recovery of its amortized cost basis, which may be at maturity. Based on the Company's evaluation at September 30, 2013 of the prospects of the issuers, including, but not limited to, the credit ratings of the issuers of the investments in the fixed maturities, and the Company's intention to not sell and its determination that it would not be required to sell before recovery of the amortized cost of such investments, the Company concluded that the declines in the fair values of the Company's investments in fixed maturities presented in the preceding table were temporary at the evaluation date.

Note 2 - Investments (continued)

For equity securities, the Company considers various factors when determining whether a decline in the fair value is other than temporary, including, but not limited to:

- The financial condition and prospects of the issuer;
- The length of time and magnitude of the unrealized loss;
- The volatility of the investment;
- Analyst recommendations and near term price targets;
- Opinions of the Company’s external investment managers;
- Market liquidity;
- Debt-like characteristics of perpetual preferred stocks and issuer ratings; and
- The Company’s intentions to sell or ability to hold the investments until recovery.

The Company concluded that the unrealized losses on its investments in preferred and common stocks at September 30, 2013 were temporary based on various factors, including the relative short length and magnitude of the losses and overall market volatility. The Company’s investments in other equity interests include investments in limited liability companies and limited partnerships that primarily invest in distressed debt, mezzanine debt and secondary transactions. By the nature of their underlying investments, the Company believes that its investments in the limited liability companies and limited partnerships exhibit debt-like characteristics which, among other factors, the Company also considers when evaluating these investments for impairment. Based on evaluations of the factors in the preceding paragraph, the Company concluded that the declines in the fair values of the Company’s investments in equity securities were temporary at September 30, 2013.

Note 2 - Investments (continued)

An aging of unrealized losses on the Company's Investments in Fixed Maturities and Equity Securities at December 31, 2012 is presented below:

	Less Than 12 Months		12 Months or Longer		Total	
(Dollars in Millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed Maturities:						
U.S. Government and Government Agencies and Authorities	$ 40.8	$ (0.2)	$ —	$ —	$ 40.8	$ (0.2)
States and Political Subdivisions	6.3	(0.1)	0.3	—	6.6	(0.1)
Corporate Securities:						
Bonds and Notes	268.5	(5.2)	38.1	(2.3)	306.6	(7.5)
Redeemable Preferred Stocks	—	—	0.4	—	0.4	—
Mortgage and Asset-backed	—	—	1.7	(0.3)	1.7	(0.3)
Total Fixed Maturities	315.6	(5.5)	40.5	(2.6)	356.1	(8.1)
Equity Securities:						
Preferred Stocks:						
Finance, Insurance and Real Estate	—	—	2.4	(0.1)	2.4	(0.1)
Other Industries	2.3	(0.8)	3.7	(0.1)	6.0	(0.9)
Common Stocks:						
Manufacturing	6.3	(0.4)	—	—	6.3	(0.4)
Other Industries	14.2	(0.4)	1.3	(0.1)	15.5	(0.5)
Other Equity Interests:						
Limited Liability Companies and Limited Partnerships	5.5	(0.5)	6.7	(0.9)	12.2	(1.4)
Total Equity Securities	28.3	(2.1)	14.1	(1.2)	42.4	(3.3)
Total	$ 343.9	$ (7.6)	$ 54.6	$ (3.8)	$ 398.5	$ (11.4)

Unrealized losses on fixed maturities, which the Company has determined to be temporary at December 31, 2012, were $8.1 million, of which $2.6 million was related to fixed maturities that were in an unrealized loss position for 12 months or longer. Included in the preceding table under the heading "Less Than 12 Months" were unrealized losses of $0.3 million at December 31, 2012 related to securities for which the Company has recognized credit losses in earnings. There were no unrealized losses at December 31, 2012 related to securities for which the Company has recognized credit losses in earnings in the preceding table under the heading "12 Months or Longer." Included in the preceding table under the heading "12 Months or Longer" are unrealized losses of $0.1 million at December 31, 2012 related to securities for which the Company has previously recognized foreign currency losses in earnings. Investment-grade fixed maturity investments comprised $3.8 million and below-investment-grade fixed maturity investments comprised $4.3 million of the unrealized losses on investments in fixed maturities at December 31, 2012. Unrealized losses for below-investment-grade fixed maturities included unrealized losses totaling $0.1 million for one issuer that the Company previously recognized foreign currency impairment losses in earnings. For the other remaining below-investment-grade fixed maturity investments in an unrealized loss position, the unrealized loss amount, on average, was less than 3% of the amortized cost basis of the investment. At December 31, 2012, the Company did not have the intent to sell these investments and it was not more likely than not that the Company would be required to sell these investments before recovery of its amortized cost basis, which may be at maturity. Based on the Company's evaluation at December 31, 2012 of the prospects of the issuers, including, but not limited to, the credit ratings of the issuers of the investments in the fixed maturities, and the Company's intention to not sell and its determination that it would not be required to sell before recovery of the amortized cost of such investments, the Company concluded that the declines in the fair values of the Company's investments in fixed maturities presented in the preceding table were temporary at the evaluation date.

Note 2 - Investments (continued)

The Company concluded that the unrealized losses on its investments in preferred and common stocks at December 31, 2012 were temporary based on various factors, including the relative short length and magnitude of the losses and overall market volatility. The Company's investments in other equity interests include investments in limited liability companies and limited partnerships that primarily invest in distressed debt, mezzanine debt and secondary transactions. By the nature of their underlying investments, the Company believes that its investments in limited liability companies and limited partnerships also exhibit debt-like characteristics which, among other factors, the Company also considers when evaluating these investments for impairment. Based on evaluations of the factors in the preceding paragraph, the Company concluded that the declines in the fair values of the Company's investments in equity securities were temporary at December 31, 2012.

The following table sets forth the pre-tax amount of other-than-temporary-impairment ("OTTI") credit losses, recognized in Retained Earnings for Investments in Fixed Maturities held by the Company as of the dates indicated, for which a portion of the OTTI loss has been recognized in Accumulated Other Comprehensive Income, and the corresponding changes in such amounts.

	Nine Months Ended		Three Months Ended	
(Dollars in Millions)	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Balance at Beginning of Period	$ 4.6	$ 3.9	$ 4.4	$ 3.6
Additions for Previously Unrecognized OTTI Credit Losses	1.8	—	0.8	—
Increases to Previously Recognized OTTI Credit Losses	1.3	—	1.3	—
Reductions to Previously Recognized OTTI Credit Losses	—	(0.1)	—	—
Reductions for Change in Impairment Status:				
From Status of Credit Loss to Status of Intent-to-sell or Required-to-sell	(3.2)	—	(2.1)	—
Reductions for Investments Sold During Period	(0.1)	(0.2)	—	—
Balance at End of Period	$ 4.4	$ 3.6	$ 4.4	$ 3.6

The carrying values of the Company's Other Investments at September 30, 2013 and December 31, 2012 were:

(Dollars in Millions)	Sep 30, 2013	Dec 31, 2012
Loans to Policyholders at Unpaid Principal	$ 272.8	$ 266.3
Real Estate at Depreciated Cost	168.1	226.2
Trading Securities at Fair Value	4.8	4.5
Other	0.5	0.5
Total	$ 446.2	$ 497.5

In the third quarter of 2013, the Company sold the 41-story office building where Kemper's corporate offices are headquartered for a gain of $43.6 million before income taxes. Proceeds from the sale, net of transaction costs, were $101.5 million.

Note 3 - Property and Casualty Insurance Reserves

Property and Casualty Insurance Reserve activity for the nine months ended September 30, 2013 and 2012 was:

	Nine Months Ended	
(Dollars in Millions)	Sep 30, 2013	Sep 30, 2012
Property and Casualty Insurance Reserves:		
Gross of Reinsurance at Beginning of Year	$ 970.6	$ 1,029.1
Less Reinsurance Recoverables at Beginning of Year	66.2	74.5
Property and Casualty Insurance Reserves - Net of Reinsurance at Beginning of Year	904.4	954.6
Incurred Losses and LAE Related to:		
Current Year:		
Continuing Operations	811.1	925.0
Prior Years:		
Continuing Operations	(43.2)	(23.2)
Discontinued Operations	(4.5)	(0.5)
Total Incurred Losses and LAE Related to Prior Years	(47.7)	(23.7)
Total Incurred Losses and LAE	763.4	901.3
Paid Losses and LAE Related to:		
Current Year:		
Continuing Operations	485.8	545.0
Prior Years:		
Continuing Operations	354.4	382.0
Discontinued Operations	9.8	14.1
Total Paid Losses and LAE Related to Prior Years	364.2	396.1
Total Paid Losses and LAE	850.0	941.1
Property and Casualty Insurance Reserves - Net of Reinsurance at End of Period	817.8	914.8
Plus Reinsurance Recoverables at End of Period	66.8	67.0
Property and Casualty Insurance Reserves - Gross of Reinsurance at End of Period	$ 884.6	$ 981.8

Property and Casualty Insurance Reserves are estimated based on historical experience patterns and current economic trends. Actual loss experience and loss trends are likely to differ from these historical experience patterns and economic conditions. Loss experience and loss trends emerge over several years from the dates of loss inception. The Company monitors such emerging loss trends on a quarterly basis. Changes in such estimates are included in the Condensed Consolidated Statements of Income in the period of change.

For the nine months ended September 30, 2013, the Company reduced its property and casualty insurance reserves by $47.7 million to recognize favorable development of losses and LAE from prior accident years. Personal lines insurance losses and LAE reserves developed favorably by $41.2 million and commercial lines insurance losses and LAE reserves developed favorably by $6.5 million. The commercial lines insurance losses and LAE reserves included favorable development of $2.0 million from continuing operations and $4.5 million from discontinued operations. Personal automobile insurance losses and LAE reserves developed favorably by $22.6 million, homeowners insurance losses and LAE reserves developed favorably by $13.3 million and other personal lines losses and LAE reserves developed favorably by $5.3 million. The personal lines insurance losses and LAE reserves developed favorably due primarily to the emergence of more favorable loss patterns than expected for the three most recent accident years.

Note 3 - Property and Casualty Insurance Reserves (continued)

For the nine months ended September 30, 2012, the Company reduced its property and casualty insurance reserves by $23.7 million to recognize favorable development of losses and LAE from prior accident years. Personal lines insurance losses and LAE reserves developed favorably by $10.4 million and commercial lines insurance losses and LAE reserves developed favorably by $13.3 million. The commercial lines insurance losses and LAE reserves included favorable development of $12.8 million from continuing operations and $0.5 million from discontinued operations. Personal automobile insurance losses and LAE reserves developed adversely by $3.6 million, homeowners insurance losses and LAE reserves developed favorably by $11.3 million and other personal lines losses and LAE reserves developed favorably by $2.7 million. The commercial lines insurance losses and LAE reserves from continuing operations developed favorably due primarily to the emergence of more favorable loss patterns than expected for the four most recent accident years.

The Company cannot predict whether losses and LAE will develop favorably or unfavorably from the amounts reported in the Company's Condensed Consolidated Financial Statements. The Company believes that any such development will not have a material effect on the Company's consolidated shareholders' equity, but could have a material effect on the Company's consolidated financial results for a given period.

Note 4 - Notes Payable

The amortized cost of debt outstanding at September 30, 2013 and December 31, 2012 was:

(Dollars in Millions)	Sep 30, 2013	Dec 31, 2012
Senior Notes:		
6.00% Senior Notes due May 15, 2017	$ 357.8	$ 357.3
6.00% Senior Notes due November 30, 2015	248.9	248.6
Mortgage Note Payable due September 1, 2013	—	5.5
Total Notes Payable	$ 606.7	$ 611.4

Kemper has a four-year, $325.0 million, unsecured, revolving credit agreement, expiring March 7, 2016 (the "2016 Credit Agreement"), with a group of financial institutions. The 2016 Credit Agreement provides for fixed and floating rate advances for periods up to six months at various interest rates. The 2016 Credit Agreement contains various financial covenants, including limits on total debt to total capitalization, consolidated net worth and minimum risk-based capital ratios for Kemper's largest insurance subsidiaries, United Insurance Company of America ("United") and Trinity Universal Insurance Company ("Trinity"). Proceeds from advances under the 2016 Credit Agreement may be used for general corporate purposes, including repayment of existing indebtedness. There were no outstanding borrowings under the 2016 Credit Agreement at either September 30, 2013 or December 31, 2012, and accordingly, $325.0 million was available for future borrowings at such dates.

Interest Expense, including facility fees, accretion of discount and write-off of unamortized issuance costs from the former credit agreement, for the nine and three months ended September 30, 2013 and 2012 was:

	Nine Months Ended		Three Months Ended	
(Dollars in Millions)	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Notes Payable under Revolving Credit Agreements	$ 0.9	$ 1.6	$ 0.3	$ 0.3
Senior Notes Payable:				
6.00% Senior Notes due May 15, 2017	16.6	16.6	5.5	5.5
6.00% Senior Notes due November 30, 2015	11.6	11.6	3.9	3.9
Mortgage Note Payable due September 1, 2013	0.2	0.3	—	0.1
Interest Expense before Capitalization of Interest	29.3	30.1	9.7	9.8
Capitalization of Interest	(0.7)	(1.6)	(0.2)	(0.2)
Total Interest Expense	$ 28.6	$ 28.5	$ 9.5	$ 9.6

Note 4 - Notes Payable (continued)

Interest paid, including facility fees and credit agreement issuance costs, for the nine and three months ended September 30, 2013 and 2012 was:

(Dollars in Millions)	Nine Months Ended Sep 30, 2013	Nine Months Ended Sep 30, 2012	Three Months Ended Sep 30, 2013	Three Months Ended Sep 30, 2012
Notes Payable under Revolving Credit Agreements	$ 0.6	$ 1.9	$ 0.4	$ 0.2
Senior Notes Payable:				
6.00% Senior Notes due May 15, 2017	10.8	10.8	—	—
6.00% Senior Notes due November 30, 2015	7.5	7.5	—	—
Mortgage Note Payable due September 1, 2013	0.3	0.3	0.1	0.1
Total Interest Paid	$ 19.2	$ 20.5	$ 0.5	$ 0.3

Note 5 - Long-term Equity-based Compensation Plans

As of September 30, 2013, there were 8,722,865 common shares available for future grants under Kemper's long-term equity-based compensation plan, of which 540,000 shares were reserved for future grants based on the achievement of performance goals under the terms of outstanding performance-based restricted stock awards. Equity-based compensation expense was $4.4 million and $4.8 million for the nine months ended September 30, 2013 and 2012, respectively. Total unamortized compensation expense related to nonvested awards at September 30, 2013 was $5.9 million, which is expected to be recognized over a weighted-average period of 1.5 years.

The Company uses the Black-Scholes option pricing model to estimate the fair value of each option on the date of grant. The assumptions used in the Black-Scholes pricing model for options granted during the nine months ended September 30, 2013 and 2012 were as follows:

	Nine Months Ended Sep 30, 2013	Nine Months Ended Sep 30, 2012
Range of Valuation Assumptions		
Expected Volatility	39.10% - 48.23%	29.36% - 53.84%
Risk-free Interest Rate	0.62 - 1.38	0.16 - 1.26
Expected Dividend Yield	2.83 - 3.00	2.92 - 3.26
Weighted-Average Expected Life in Years		
Employee Grants	4 - 7	1 - 7
Director Grants	6	6

Option and stock appreciation right activity for the nine months ended September 30, 2013 is presented below:

	Shares Subject to Options	Weighted-Average Exercise Price Per Share ($)	Weighted-Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value ($ in Millions)
Outstanding at Beginning of the Year	3,192,054	$ 40.53		
Granted	283,750	33.20		
Exercised	(190,000)	24.77		
Forfeited or Expired	(493,756)	42.55		
Outstanding at September 30, 2013	2,792,048	$ 40.50	3.89	$ 4.3
Vested and Expected to Vest at September 30, 2013	2,759,163	$ 40.61	3.84	$ 4.2
Exercisable at September 30, 2013	2,466,795	$ 41.72	3.26	$ 3.5

Note 5 - Long-term Equity-based Compensation Plans (continued)

The weighted-average grant-date fair values of options granted during the nine months ended September 30, 2013 and 2012 were $10.20 per option and $9.40 per option, respectively. Total intrinsic value of stock options exercised was $1.8 million and $0.1 million for the nine months ended September 30, 2013 and 2012, respectively. The total tax benefit realized for tax deductions from option exercises was $0.6 million for the nine months ended September 30, 2013. The total tax benefit realized for tax deductions from option exercises was insignificant for the nine months ended September 30, 2012. Cash received from option exercises was $0.6 million for the nine months ended September 30, 2013. Cash received from option exercises were insignificant for the nine months ended September 30, 2012.

Information pertaining to options and stock appreciation rights outstanding at September 30, 2013 is presented below:

	Outstanding			Exercisable	
Range of Exercise Prices	Shares Subject to Options	Weighted-Average Exercise Price Per Share ($)	Weighted-Average Remaining Contractual Life (in Years)	Shares Subject to Options	Weighted-Average Exercise Price Per Share ($)
$ 10.00 - $ 15.00	26,750	$ 13.55	5.35	26,750	$ 13.55
15.01 - 20.00	8,000	16.48	5.60	8,000	16.48
20.01 - 25.00	116,250	23.58	6.34	111,250	23.63
25.01 - 30.00	475,250	28.74	7.68	322,062	28.61
30.01 - 35.00	262,750	33.17	9.37	95,685	32.67
35.01 - 40.00	326,000	37.22	4.11	326,000	37.22
40.01 - 45.00	360,618	43.58	0.86	360,618	43.58
45.01 - 50.00	979,722	48.64	2.07	979,722	48.64
50.01 - 55.00	236,708	50.51	0.61	236,708	50.51
10.00 - 55.00	2,792,048	40.50	3.89	2,466,795	41.72

The grant-date fair values of time-based restricted stock awards are determined using the closing price of Kemper common stock on the date of grant. Activity related to nonvested time-based restricted stock for the nine months ended September 30, 2013 was as follows:

	Time-Based Restricted Shares	Weighted-Average Grant-Date Fair Value Per Share
Nonvested Balance at Beginning of the Year	126,349	$ 26.19
Granted	71,625	29.95
Vested	(57,990)	25.03
Forfeited	(31,694)	26.88
Nonvested Balance at End of Period	108,290	29.10

Note 5 - Long-term Equity-based Compensation Plans (continued)

The grant-date fair values of the performance-based restricted stock awards are determined using the Monte Carlo simulation method. Activity related to nonvested performance-based restricted stock for the nine months ended September 30, 2013 was as follows:

	Performance-Based Restricted Shares	Weighted-Average Grant-Date Fair Value Per Share
Nonvested Balance at Beginning of the Year	187,075	$ 36.70
Granted	70,675	42.12
Vested	(53,118)	33.14
Forfeited	(24,632)	38.95
Nonvested Balance at End of Period	180,000	39.57

The initial number of shares awarded to each participant of a performance-based restricted stock award represents the shares that would vest if the performance goals were achieved at the “target” performance level. The final payout of these awards will be determined based on Kemper’s total shareholder return over a three-year performance period relative to a peer group comprised of all the companies in the S&P Supercomposite Insurance Index. The number of additional shares that would be granted if the Company were to meet or exceed the maximum performance levels related to the outstanding performance-based shares for the 2013, 2012, and 2011 three-year performance periods was 62,600 common shares, 60,025 common shares and 57,375 common shares, respectively, at September 30, 2013. For the 2010 three-year performance period, the Company exceeded target performance levels with a payout percentage of 114%. Accordingly, an additional 6,996 shares of stock were issued to award recipients on February 2, 2013 (the “2010 Additional Shares”).

The total fair value of the shares of restricted stock that vested during the nine months ended September 30, 2013 and the 2010 Additional Shares that were issued was $4.0 million and the tax benefits for tax deductions realized from such shares was $1.4 million. The total fair value of the shares of restricted stock that vested during the nine months ended September 30, 2012 and the additional shares that were issued in connection with the 2009 performance-based restricted stock awards was $4.0 million and the tax benefits for tax deductions realized from such shares was $1.4 million.

The compensation of each member of the Board of Directors who is not employed by the Company (“Non-employee Director”) includes equity-based compensation awards. Each new Non-employee Director receives an initial option to purchase 4,000 shares of Kemper common stock immediately upon becoming a director at an exercise price equal to the fair market value of Kemper’s common stock on the date of grant. Thereafter, on the date of each annual meeting of Kemper’s shareholders, Non-employee Directors automatically receive annual grants of options to purchase 4,000 shares of common stock. Prior to May 1, 2013, such options granted to Non-employee Directors were exercisable one year from the date of grant at an exercise price equal to the fair market value of Kemper’s common stock on the date of grant and would expire 10 years from the date of grant. Effective May 1, 2013, new grants of such options are fully vested and exercisable on the date of grant at an exercise price equal to the fair market value of Kemper’s common stock on the date of grant. In addition to the option awards, effective May 1, 2013, annual awards to each Non-employee Director include 500 deferred stock units (“DSUs”). DSUs give the recipient the right to receive one share of Kemper common stock for each DSU issued. The DSUs granted to Non-employee Directors are fully vested on the date of grant. Holders of DSUs are entitled to receive dividend equivalents in cash in the amount and at the time that dividends would have been payable if the DSUs were shares of Kemper common stock. Conversion of the DSUs into shares of Kemper’s common stock is deferred until the date a director’s board service terminates. On May 1, 2013, the Company issued 4,000 DSUs at a fair value of $31.50 per DSU.

Note 6 - Income from Continuing Operations Per Unrestricted Share

The Company's awards of restricted stock contain a right to receive non-forfeitable dividends and participate in the undistributed earnings with common shareholders. Accordingly, the Company is required to apply the two-class method of computing basic and diluted earnings per share. A reconciliation of the numerator and denominator used in the calculation of Basic Income from Continuing Operations Per Unrestricted Share and Diluted Income from Continuing Operations Per Unrestricted Share for the nine and three months ended September 30, 2013 and 2012 is as follows:

	Nine Months Ended		Three Months Ended	
	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
(Dollars in Millions)				
Income from Continuing Operations	$ 159.7	$ 93.5	$ 68.6	$ 55.6
Less Income from Continuing Operations Attributed to Restricted Shares	0.8	0.5	0.3	0.3
Income from Continuing Operations Attributed to Unrestricted Shares	158.9	93.0	68.3	55.3
Dilutive Effect on Income of Equity-based Compensation Equivalent Shares	—	—	—	—
Diluted Income from Continuing Operations Attributed to Unrestricted Shares	$ 158.9	$ 93.0	$ 68.3	$ 55.3
(Number of Shares in Thousands)				
Weighted-average Unrestricted Shares Outstanding	57,374.4	59,155.5	56,365.8	58,299.7
Equity-based Compensation Equivalent Shares	118.8	146.6	135.7	171.9
Weighted-average Unrestricted Shares and Equivalent Shares Outstanding Assuming Dilution	57,493.2	59,302.1	56,501.5	58,471.6
(Per Unrestricted Share in Whole Dollars)				
Basic Income from Continuing Operations Per Unrestricted Share	$ 2.77	$ 1.57	$ 1.21	$ 0.95
Diluted Income from Continuing Operations Per Unrestricted Share	$ 2.76	$ 1.56	$ 1.21	$ 0.95

The number of shares of Kemper common stock that were excluded from the calculations of Equity-based Compensation Equivalent Shares and Weighted-average Unrestricted Shares and Equivalent Shares Outstanding Assuming Dilution for the nine and three months ended September 30, 2013 and 2012 because the exercise prices for the options exceeded the average market price is presented below:

	Nine Months Ended		Three Months Ended	
(Number of Shares in Thousands)	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Equity-based Compensation Equivalent Shares	2,194.0	2,835.2	2,125.8	2,529.6
Weighted-average Unrestricted Shares and Equivalent Shares Outstanding Assuming Dilution	2,194.0	2,835.2	2,125.8	2,529.6

Note 7 - Other Comprehensive Income (Loss) and Accumulated Other Comprehensive Income

The components of Other Comprehensive Income (Loss) Before Income Taxes for the nine and three months ended September 30, 2013 and 2012 were:

	Nine Months Ended		Three Months Ended	
(Dollars in Millions)	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Other Comprehensive Income (Loss) Before Income Taxes:				
Unrealized Holding Gains (Losses) Arising During the Period Before Reclassification Adjustment	$ (291.5)	$ 180.2	$ (33.8)	$ 98.3
Reclassification Adjustment for Amounts Included in Net Income	(24.9)	(58.6)	0.4	(50.6)
Unrealized Holding Gains (Losses)	(316.4)	121.6	(33.4)	47.7
Foreign Currency Translation Adjustments	0.1	1.5	0.2	0.2
Amortization of Unrecognized Postretirement Benefit Costs	18.4	12.0	6.3	4.4
Other Comprehensive Income (Loss) Before Income Taxes	$ (297.9)	$ 135.1	$ (26.9)	$ 52.3

The components of Other Comprehensive Income Tax Benefit (Expense) for the nine and three months ended September 30, 2013 and 2012 were:

	Nine Months Ended		Three Months Ended	
(Dollars in Millions)	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Other Comprehensive Income Tax Benefit (Expense):				
Unrealized Holding (Gains) Losses Arising During the Period Before Reclassification Adjustment	$ 104.1	$ (63.8)	$ 11.9	$ (34.8)
Reclassification Adjustment for Amounts Included in Net Income	8.7	20.6	(0.1)	17.8
Unrealized Holding (Gains) Losses	112.8	(43.2)	11.8	(17.0)
Foreign Currency Translation Adjustment	—	(0.5)	—	(0.1)
Amortization of Unrecognized Postretirement Benefit Costs	(6.5)	(4.3)	(2.3)	(1.6)
Other Comprehensive Income Tax Benefit (Expense)	$ 106.3	$ (48.0)	$ 9.5	$ (18.7)

The components of Accumulated Other Comprehensive Income (“AOCI”) at September 30, 2013 and December 31, 2012 were:

(Dollars in Millions)	Sep 30, 2013	Dec 31, 2012
Unrealized Gains on Investments, Net of Income Taxes:		
Available for Sale Fixed Maturities with Portion of OTTI Recognized in Earnings	$ 0.3	$ 1.4
Other Unrealized Gains on Investments	205.6	408.1
Foreign Currency Translation Adjustments, Net of Income Taxes	0.8	0.7
Net Unrecognized Postretirement Benefit Costs, Net of Income Taxes	(85.6)	(97.5)
Accumulated Other Comprehensive Income	$ 121.1	$ 312.7

Note 7 - Other Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (continued)

Components of AOCI were reclassified to the following lines of the Condensed Consolidated Statements of Income for the nine and three months ended September 30, 2013 and 2012:

	Nine Months Ended		Three Months Ended	
(Dollars in Millions)	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Reclassification of AOCI from Unrealized Gains and Losses on Available For Sale Securities to:				
Net Realized Gains on Sales of Investments	$ 31.2	$ 59.6	$ 3.0	$ 50.7
Net Impairment Losses Recognized in Earnings	(6.3)	(1.0)	(3.4)	(0.1)
Total Before Income Taxes	24.9	58.6	(0.4)	50.6
Income Tax Benefit (Expense)	(8.7)	(20.6)	0.1	(17.8)
Reclassification from AOCI, Net of Income Taxes	16.2	38.0	(0.3)	32.8
Reclassification of AOCI from Amortization of Unrecognized Postretirement Benefit Costs to:				
Interest and Other Expenses	(18.4)	(12.0)	(6.3)	(4.4)
Income Tax Benefit	6.5	4.3	2.3	1.6
Reclassification from AOCI, Net of Income Taxes	(11.9)	(7.7)	(4.0)	(2.8)
Total Reclassification from AOCI to Net Income	$ 4.3	$ 30.3	$ (4.3)	$ 30.0

Note 8 - Income Taxes

Current and Deferred Income Tax Assets at September 30, 2013 and December 31, 2012 were:

(Dollars in Millions)	Sep 30, 2013	Dec 31, 2012
Current Income Tax Assets	$ 2.0	$ 5.4
Deferred Income Tax Assets	59.6	6.6
Valuation Allowance for State Income Taxes	—	(6.6)
Current and Deferred Income Tax Assets	$ 61.6	$ 5.4

In 2013, the Company wrote off $6.6 million of deferred state income tax assets that had been previously reserved for in the Valuation Allowance for State Income Taxes at December 31, 2012.

The components of Liabilities for Income Taxes at September 30, 2013 and December 31, 2012 were:

(Dollars in Millions)	Sep 30, 2013	Dec 31, 2012
Deferred Income Tax Liabilities	$ —	$ 15.1
Unrecognized Tax Benefits	6.6	6.4
Liabilities for Income Taxes	$ 6.6	$ 21.5

Income taxes paid were $39.6 million and $29.4 million for the nine months ended September 30, 2013 and 2012, respectively.

During the second quarter of 2013, the Company extended the federal statute of limitations related to its 2007 through 2010 tax years to December 31, 2014. The extension was requested by the Internal Revenue Service ("IRS") to provide additional time for the IRS to finish processing its audit of the Company's 2009 and 2010 federal income tax returns and related refund claims and for the IRS to prepare the necessary documentation for the Joint Committee of Taxation's review required by statute. The Company does not anticipate a material modification to the filed returns or the related refunds that have been received.

Note 9 - Pension Benefits and Postretirement Benefits Other Than Pensions

The components of Pension Expense for the nine and three months ended September 30, 2013 and 2012 were:

	Nine Months Ended		Three Months Ended	
(Dollars in Millions)	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Service Cost Earned	$ 8.1	$ 8.2	$ 2.7	$ 2.6
Interest Cost on Projected Benefit Obligation	16.8	16.8	5.6	5.6
Expected Return on Plan Assets	(22.3)	(22.3)	(7.4)	(7.4)
Amortization of Accumulated Unrecognized Actuarial Loss	19.7	14.1	6.6	4.7
Total Pension Expense Recognized	$ 22.3	$ 16.8	$ 7.5	$ 5.5

On September 3, 2013, the Company made a voluntary cash contribution of $55.0 million to its defined benefit pension plan.

The components of Postretirement Benefits Other than Pensions Expense for the nine and three months ended September 30, 2013 and 2012 were:

	Nine Months Ended		Three Months Ended	
(Dollars in Millions)	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Service Cost on Benefits Earned	$ 0.1	$ 0.2	$ —	$ 0.1
Interest Cost on Projected Benefit Obligation	0.9	1.2	0.3	0.4
Amortization of Accumulated Unrecognized Actuarial Gain	(0.9)	(0.9)	(0.3)	(0.3)
Total Postretirement Benefits Other than Pensions Expense	$ 0.1	$ 0.5	$ —	$ 0.2

Note 10 - Business Segments

The Company is engaged, through its subsidiaries, in the property and casualty insurance and life and health insurance businesses. The Company conducts its operations through four operating segments: Kemper Preferred, Kemper Specialty, Kemper Direct and Life and Health Insurance.

The Kemper Preferred segment provides preferred and standard risk personal automobile insurance, homeowners insurance and other personal insurance through independent agents. The Kemper Specialty segment provides automobile insurance to individuals and businesses in the non-standard and specialty market through independent agents. The non-standard automobile insurance market consists of individuals and companies that have difficulty obtaining standard or preferred risk insurance, usually because of their adverse driving records or claim or credit histories. The Kemper Direct segment distributes personal automobile insurance and homeowners insurance products through employer-sponsored voluntary benefit programs and other affinity relationships. The Life and Health Insurance segment provides individual life, accident, health and property insurance.

Note 10 - Business Segments (continued)

Segment Revenues for the nine and three months ended September 30, 2013 and 2012 were:

(Dollars in Millions)	Nine Months Ended Sep 30, 2013	Nine Months Ended Sep 30, 2012	Three Months Ended Sep 30, 2013	Three Months Ended Sep 30, 2012
Revenues:				
Kemper Preferred:				
Earned Premiums	$ 661.2	$ 655.9	$ 220.5	$ 222.9
Net Investment Income	41.4	33.6	13.2	10.8
Other Income	0.2	0.3	0.1	0.1
Total Kemper Preferred	702.8	689.8	233.8	233.8
Kemper Specialty:				
Earned Premiums	297.9	317.3	98.1	103.9
Net Investment Income	16.4	14.4	5.0	4.5
Other Income	0.2	0.2	—	0.1
Total Kemper Specialty	314.5	331.9	103.1	108.5
Kemper Direct:				
Earned Premiums	95.6	131.2	30.1	40.3
Net Investment Income	10.1	10.7	3.1	3.4
Total Kemper Direct	105.7	141.9	33.2	43.7
Life and Health Insurance:				
Earned Premiums	475.5	481.9	158.8	160.2
Net Investment Income	159.3	153.5	56.5	48.1
Other Income	0.1	0.1	—	—
Total Life and Health Insurance	634.9	635.5	215.3	208.3
Total Segment Revenues	1,757.9	1,799.1	585.4	594.3
Net Realized Gains on Sales of Investments	78.3	59.9	49.1	50.9
Net Impairment Losses Recognized in Earnings	(6.3)	(4.1)	(3.4)	(3.2)
Other	10.6	10.8	4.6	3.6
Total Revenues	$ 1,840.5	$ 1,865.7	$ 635.7	$ 645.6

Segment Operating Profit for the nine and three months ended September 30, 2013 and 2012 was:

(Dollars in Millions)	Nine Months Ended Sep 30, 2013	Nine Months Ended Sep 30, 2012	Three Months Ended Sep 30, 2013	Three Months Ended Sep 30, 2012
Segment Operating Profit (Loss):				
Kemper Preferred	$ 55.0	$ 4.4	$ 14.9	$ 10.4
Kemper Specialty	11.7	2.5	7.2	3.2
Kemper Direct	31.3	(6.9)	10.1	1.6
Life and Health Insurance	98.3	102.7	35.2	29.4
Total Segment Operating Profit	196.3	102.7	67.4	44.6
Corporate and Other Operating Loss	(35.3)	(30.1)	(11.1)	(10.8)
Total Operating Profit	161.0	72.6	56.3	33.8
Net Realized Gains on Sales of Investments	78.3	59.9	49.1	50.9
Net Impairment Losses Recognized in Earnings	(6.3)	(4.1)	(3.4)	(3.2)
Income from Continuing Operations before Income Taxes	$ 233.0	$ 128.4	$ 102.0	$ 81.5

Note 10 - Business Segments (continued)

Segment Net Operating Income for the nine and three months ended September 30, 2013 and 2012 was:

(Dollars in Millions)	Nine Months Ended Sep 30, 2013	Nine Months Ended Sep 30, 2012	Three Months Ended Sep 30, 2013	Three Months Ended Sep 30, 2012
Segment Net Operating Income (Loss):				
Kemper Preferred	$ 40.5	$ 8.5	$ 11.2	$ 8.4
Kemper Specialty	9.5	4.0	5.3	2.7
Kemper Direct	21.5	(2.7)	6.9	1.5
Life and Health Insurance	64.4	66.5	22.9	19.2
Total Segment Net Operating Income	135.9	76.3	46.3	31.8
Corporate and Other Net Operating Loss	(23.0)	(19.1)	(7.4)	(7.2)
Consolidated Net Operating Income	112.9	57.2	38.9	24.6
Unallocated Net Income (Loss) From:				
Net Realized Gains on Sales of Investments	50.9	38.9	31.9	33.0
Net Impairment Losses Recognized in Earnings	(4.1)	(2.6)	(2.2)	(2.0)
Income from Continuing Operations	$ 159.7	$ 93.5	$ 68.6	$ 55.6

Earned Premiums by product line for the nine and three months ended September 30, 2013 and 2012 were:

(Dollars in Millions)	Nine Months Ended Sep 30, 2013	Nine Months Ended Sep 30, 2012	Three Months Ended Sep 30, 2013	Three Months Ended Sep 30, 2012
Life	$ 294.9	$ 296.0	$ 98.4	$ 98.4
Accident and Health	121.2	124.2	40.7	41.3
Property and Casualty:				
Personal Lines:				
Automobile	729.4	794.6	239.1	261.3
Homeowners	244.8	236.6	82.3	80.8
Other Personal	101.2	103.2	33.5	34.5
Total Personal Lines	1,075.4	1,134.4	354.9	376.6
Commercial Automobile	38.7	31.7	13.5	11.0
Total Earned Premiums	$ 1,530.2	$ 1,586.3	$ 507.5	$ 527.3

Note 11 - Discontinued Operations

Summary financial information included in Income from Discontinued Operations for the nine and three months ended September 30, 2013 and 2012 is presented below:

	Nine Months Ended		Three Months Ended	
(Dollars in Millions, Except Per Share Amounts)	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Revenues Included in Discontinued Operations:				
Net Gain on Sale of Loan Portfolio	$ —	$ 12.9	$ —	$ 0.5
Income (Loss) from Discontinued Operations before Income Taxes:				
Results of Operations	$ —	$ (0.2)	$ —	$ —
Net Gain on Sale of Loan Portfolio	—	12.9	—	0.5
Change in Estimate of Retained Liabilities Arising from Discontinued Operations	4.3	0.5	2.2	(0.6)
Income (Loss) from Discontinued Operations before Income Taxes	4.3	13.2	2.2	(0.1)
Income Tax Benefit (Expense)	(1.5)	(5.2)	(0.7)	0.1
Income from Discontinued Operations	$ 2.8	$ 8.0	$ 1.5	$ —
Income from Discontinued Operations Per Unrestricted Share:				
Basic	$ 0.05	$ 0.14	$ 0.03	$ —
Diluted	$ 0.05	$ 0.14	$ 0.02	$ —

Note 12 - Fair Value Measurements

The Company classifies its investments in Fixed Maturities and Equity Securities as available for sale and reports these investments at fair value. The Company classifies certain investments in mutual funds included in Other Investments as trading securities and reports these investments at fair value. The Company has no material liabilities that are measured and reported at fair value.

The valuation of assets measured at fair value in the Company's Condensed Consolidated Balance Sheet at September 30, 2013 is summarized below:

	Fair Value Measurements			
(Dollars in Millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Fixed Maturities:				
U.S. Government and Government Agencies and Authorities	$ 122.9	$ 253.4	$ —	$ 376.3
States and Political Subdivisions	—	1,384.6	—	1,384.6
Corporate Securities:				
Bonds and Notes	—	2,476.1	349.4	2,825.5
Redeemable Preferred Stocks	—	—	9.2	9.2
Mortgage and Asset-backed	—	1.4	48.0	49.4
Total Investments in Fixed Maturities	122.9	4,115.5	406.6	4,645.0
Equity Securities:				
Preferred Stocks:				
Finance, Insurance and Real Estate	—	85.8	—	85.8
Other Industries	—	10.4	7.6	18.0
Common Stocks:				
Manufacturing	88.4	7.0	1.7	97.1
Other Industries	68.3	1.4	6.8	76.5
Other Equity Interests:				
Exchange Traded Funds	136.0	—	—	136.0
Limited Liability Companies and Limited Partnerships	—	—	154.0	154.0
Total Investments in Equity Securities	292.7	104.6	170.1	567.4
Other Investments:				
Trading Securities	4.8	—	—	4.8
Total	$ 420.4	$ 4,220.1	$ 576.7	$ 5,217.2

At September 30, 2013, the Company had unfunded commitments to invest an additional $114.9 million in certain limited liability investment companies and limited partnerships that will be included in Other Equity Interests.

Note 12 - Fair Value Measurements (continued)

The valuation of assets measured at fair value in the Company's Condensed Consolidated Balance Sheet at December 31, 2012 is summarized below:

(Dollars in Millions)	Fair Value Measurements: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Fixed Maturities:				
U.S. Government and Government Agencies and Authorities	$ 135.8	$ 293.1	$ —	$ 428.9
States and Political Subdivisions	—	1,401.4	—	1,401.4
Corporate Securities:				
Bonds and Notes	—	2,632.4	361.0	2,993.4
Redeemable Preferred Stocks	—	27.9	4.7	32.6
Mortgage and Asset-backed	—	3.8	0.1	3.9
Total Investments in Fixed Maturities	135.8	4,358.6	365.8	4,860.2
Equity Securities:				
Preferred Stocks:				
Finance, Insurance and Real Estate	—	79.2	—	79.2
Other Industries	—	15.3	6.0	21.3
Common Stocks:				
Manufacturing	79.6	6.0	1.9	87.5
Other Industries	60.1	1.2	5.4	66.7
Other Equity Interests:				
Exchange Traded Funds	125.9	—	—	125.9
Limited Liability Companies and Limited Partnerships	—	—	141.3	141.3
Total Investments in Equity Securities	265.6	101.7	154.6	521.9
Other Investments:				
Trading Securities	4.5	—	—	4.5
Total	$ 405.9	$ 4,460.3	$ 520.4	$ 5,386.6

The Company's investments in Fixed Maturities that are classified as Level 1 in the two preceding tables primarily consist of U.S. Treasury Bonds and Notes. The Company's investments in Equity Securities that are classified as Level 1 in the two preceding tables consist of either investments in publicly-traded common stocks or exchange traded funds. The Company's investments in Fixed Maturities that are classified as Level 2 in the two preceding tables primarily consist of investments in corporate bonds and redeemable preferred stocks, states and political subdivisions, and bonds and mortgage-backed securities of U.S. government agencies. The Company's investments in Equity Securities that are classified as Level 2 in the two preceding tables primarily consist of investments in preferred stocks. The Company uses a leading, nationally recognized provider of market data and analytics to price the vast majority of the Company's Level 2 measurements. The provider utilizes evaluated pricing models that vary by asset class and incorporate available trade, bid and other market information. Because many fixed maturity securities do not trade on a daily basis, the provider's evaluated pricing applications apply available information through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing to prepare evaluations. In addition, the provider uses model processes to develop prepayment and interest rate scenarios. The pricing provider's models and processes also take into account market convention. For each asset class, teams of its evaluators gather information from market sources and integrate relevant credit information, perceived market movements and sector

Note 12 - Fair Value Measurements (continued)

news into the evaluated pricing applications and models. The Company generally validates the measurements obtained from its primary pricing provider by comparing them with measurements obtained from one additional pricing provider that provides either prices from recent market transactions or quotes in inactive markets or evaluations based on its own proprietary models.

The Company investigates significant differences related to the values provided. On completion of its investigation, management exercises judgment to determine the price selected and whether adjustments, if any, to the price obtained from the Company's primary pricing provider would warrant classification of the price as Level 3. In instances where a measurement cannot be obtained from either pricing provider, the Company generally will evaluate bid prices from one or more binding quotes obtained from market makers to value investments in inactive markets and classified by the Company as Level 2. The Company generally classifies securities when it receives non-binding quotes or indications as Level 3 securities unless the Company can validate the quote or indication against recent transactions in the market. For securities classified as Level 3, the Company either uses valuations provided by third party fund managers, third party appraisers, the Company's own internal valuations or net asset values provided for Limited Liability Companies and Limited Partnerships. These valuations typically employ various valuation techniques, including earnings multiples based on comparable public securities, comparable market yields as well as industry specific non-earnings based multiples or discounted cash flow models. Valuations classified as Level 3 by the Company generally consist of investments in various private placement securities of non-rated entities. In rare cases, if the private placement security has only been outstanding for a short amount of time, the Company, after considering the initial assumptions used in acquiring an investment, considers the original purchase price as representative of the fair value.

The majority of Investments in Fixed Maturities that are classified as Level 3 are priced using a market yield approach. A market yield approach uses a risk-free rate plus a credit spread depending on the underlying credit profile of the security. For floating rate securities, the risk-free rate used in the market yield is the contractual floating rate of the security. For each individual security, the Company or the Company's third party appraiser gathers information from market sources, relevant credit information, perceived market movements and sector news and determines an appropriate market yield for each security. The market yield selected is then used to discount the estimated future cash flows of the security to determine the fair value. The Company separately evaluates market yields based upon asset class to assess the reasonableness of the recorded fair value. For Investments in Fixed Maturities that are classified as Level 3, the two primary asset classes are senior debt and junior debt. Senior debt includes those securities that receive first priority in a liquidation and junior debt includes any fixed maturity security with other than first priority in a liquidation.

The table below presents quantitative information about the significant unobservable inputs utilized by the Company in determining fair values for investments in corporate bonds and notes classified as Level 3 at September 30, 2013.

(Dollars in Millions)	Unobservable Input	Total Fair Value	Range of Unobservable Inputs			Weighted Average Yield
Investment Grade	Market Yield	$ 115.7	1.1%	-	6.3%	4.1%
Non-investment Grade:						
Senior Debt	Market Yield	65.8	4.2	-	13.8	8.4
Junior Debt	Market Yield	146.1	9.1	-	21.5	14.2
Other Debt	Various	21.8				
Bonds and Notes Classified as Level 3		$ 349.4				

For an investment in a fixed maturity security, an increase in the yield used to determine the fair value of the security will decrease the fair value of the security. A decrease in the yield used to determine fair value will increase the fair value of the security, but the fair value increase is generally limited to par if the security is currently callable.

Note 12 - Fair Value Measurements (continued)

Information by security type pertaining to the changes in the fair value of the Company's investments classified as Level 3 for the nine months ended September 30, 2013 is presented below:

	Fixed Maturities			Equity Securities		
(Dollars in Millions)	Corporate Bonds and Notes	Redeemable Preferred Stocks	Mortgage and Asset-backed	Preferred and Common Stocks	Other Equity Interests	Total
Balance at Beginning of Period	$ 361.0	$ 4.7	$ 0.1	$ 13.3	$ 141.3	$ 520.4
Total Gains (Losses):						
Included in Condensed Consolidated Statement of Income	(2.7)	(0.4)	0.1	(1.0)	0.1	(3.9)
Included in Other Comprehensive Income	(7.2)	(0.1)	(0.3)	3.9	(1.6)	(5.3)
Purchases	92.9	5.1	45.8	0.6	34.5	178.9
Settlements	(94.1)	(0.1)	(0.1)	—	(20.3)	(114.6)
Sales	(0.5)	—	—	(0.7)	—	(1.2)
Transfers into Level 3	5.8	—	2.4	—	—	8.2
Transfers out of Level 3	(5.8)	—	—	—	—	(5.8)
Balance at End of Period	$ 349.4	$ 9.2	$ 48.0	$ 16.1	$ 154.0	$ 576.7

Information by security type pertaining to the changes in the fair value of the Company's investments classified as Level 3 for the three months ended September 30, 2013 is presented below:

	Fixed Maturities			Equity Securities		
(Dollars in Millions)	Corporate Bonds and Notes	Redeemable Preferred Stocks	Mortgage and Asset-backed	Preferred and Common Stocks	Other Equity Interests	Total
Balance at Beginning of Period	$ 351.5	$ 4.3	$ 36.5	$ 16.6	$ 147.3	$ 556.2
Total Gains (Losses):						
Included in Condensed Consolidated Statement of Income	(1.8)	—	—	(0.9)	0.3	(2.4)
Included in Other Comprehensive Income	0.9	(0.1)	0.3	0.8	(0.8)	1.1
Purchases	17.3	5.1	11.2	—	16.5	50.1
Settlements	(21.0)	(0.1)	—	—	(9.3)	(30.4)
Sales	(0.5)	—	—	(0.4)	—	(0.9)
Transfers into Level 3	3.0	—	—	—	—	3.0
Balance at End of Period	$ 349.4	$ 9.2	$ 48.0	$ 16.1	$ 154.0	$ 576.7

The Company's policy is to recognize transfers between levels as of the end of the reporting period. There were no transfers between Levels 1 and 2 or Levels 1 and 3 for the nine and three months ended September 30, 2013. The transfers into and out of Level 3 for the nine months ended September 30, 2013 were due to changes in the availability of market observable inputs. The transfers into Level 3 for the three months ended September 30, 2013 were due to changes in the availability of market observable inputs. There were no transfers out of Level 3 for the three months ended September 30, 2013.

Note 12 - Fair Value Measurements (continued)

Information by security type pertaining to the changes in the fair value of the Company's investments classified as Level 3 for the nine months ended September 30, 2012 is presented below:

(Dollars in Millions)	Fixed Maturities: Corporate Bonds and Notes	Fixed Maturities: Redeemable Preferred Stocks	Fixed Maturities: Mortgage and Asset-backed	Equity Securities: Preferred and Common Stocks	Equity Securities: Other Equity Interests	Total
Balance at Beginning of Period	$ 235.1	$ 6.1	$ 0.3	$ 13.5	$ 93.1	$ 348.1
Total Gains (Losses):						
Included in Condensed Consolidated Statement of Income	3.5	—	—	3.2	0.3	7.0
Included in Other Comprehensive Income	2.2	0.3	—	(0.3)	3.1	5.3
Purchases	123.1	—	—	1.3	33.5	157.9
Settlements	(52.2)	(1.6)	(0.1)	—	(10.3)	(64.2)
Sales	(0.5)	—	—	(3.7)	—	(4.2)
Transfers into Level 3	6.0	—	—	—	—	6.0
Transfers out of Level 3	(6.1)	—	—	—	—	(6.1)
Balance at End of Period	$ 311.1	$ 4.8	$ 0.2	$ 14.0	$ 119.7	$ 449.8

Information by security type pertaining to the changes in the fair value of the Company's investments classified as Level 3 for the three months ended September 30, 2012 is presented below:

(Dollars in Millions)	Fixed Maturities: Corporate Bonds and Notes	Fixed Maturities: Redeemable Preferred Stocks	Fixed Maturities: Mortgage and Asset-backed	Equity Securities: Preferred and Common Stocks	Equity Securities: Other Equity Interests	Total
Balance at Beginning of Period	$ 276.3	$ 4.6	$ 0.2	$ 13.4	$ 109.9	$ 404.4
Total Gains:						
Included in Condensed Consolidated Statement of Income	1.4	—	—	—	—	1.4
Included in Other Comprehensive Income	1.5	0.2	—	0.5	6.1	8.3
Purchases	37.6	—	—	0.1	6.5	44.2
Settlements	(10.8)	—	—	—	(2.8)	(13.6)
Transfers into Level 3	5.1	—	—	—	—	5.1
Balance at End of Period	$ 311.1	$ 4.8	$ 0.2	$ 14.0	$ 119.7	$ 449.8

There were no transfers between Levels 1 and 2 or Levels 1 and 3 for the nine and three months ended September 30, 2012. Transfers into and out of Level 3 for the nine months ended September 30, 2012 were due to changes in the availability of market observable inputs. The transfers into Level 3 for the three months ended September 30, 2012 were due to changes in the availability of market observable inputs. There were no transfers out of Level 3 for the three months ended September 30, 2012.

The fair value of Notes Payable is estimated using quoted prices for similar liabilities in markets that are not active. The inputs used in the valuation are considered Level 2 measurements. The fair value of Short-term Investments is estimated using inputs that are considered either Level 1 or Level 2 measurements.

Note 13 - Contingencies

In the ordinary course of its businesses, the Company is involved in legal proceedings, including lawsuits, regulatory examinations and inquiries. Except with regard to the matter discussed below, based on currently available information, the Company does not believe that it is reasonably possible that any of its pending legal proceedings will have a material effect on the Company's financial statements.

Certain state insurance regulators, legislators and treasurers/controllers are involved in an array of initiatives that could result in significant changes to unclaimed property laws and claims handling practices with respect to life insurance policies. These initiatives seek, in various ways, to impose new duties on the part of life insurance companies to proactively search for deaths of their insureds and contact the insureds' beneficiaries prior to the submission of death claims by such beneficiaries as required under standard life insurance policy contracts.

Legislation enacted in Kentucky, Maryland, Montana, Nevada, New York, North Dakota and Vermont, with varying effective dates between January 1, 2013 and July 1, 2014 (the "DMF Statutes"), require life insurance companies to compare on a regular basis their records for all in-force policies (including those policies issued prior to the effective dates of the legislation) against the database of reported deaths maintained by the Social Security Administration or a similar database or resource (a "Death Master File"). In contrast, New Mexico has enacted legislation that also requires such comparisons, but exempts life insurance companies, like Kemper's life insurance subsidiaries (the "Life Companies"), that have not previously utilized a Death Master File, and instead only requires that such companies conduct Death Master File comparisons for life insurance policies issued and delivered in New Mexico after the legislation's July 1, 2013 effective date. Likewise, Alabama, which had previously enacted a statute similar to the DMF Statutes, has amended its statute to limit the policies required to be compared against a Death Master File only to policies issued on or after January 1, 2016. Kemper cannot predict whether or when other states might enact legislation similar to the DMF Statutes, or the exact form or approach that such legislation might take.

In November 2012, certain of the Life Companies filed a declaratory judgment action in state court in Kentucky asking the court to construe the Kentucky DMF Statute to apply only prospectively - i.e., only with respect to those life insurance policies issued in Kentucky on or after the effective date of the Kentucky DMF Statute - consistent with what the Life Companies believe are the requirements of applicable Kentucky statutory law and Kentucky and federal constitutional provisions. On April 1, 2013, the trial court denied the subject Life Companies' motion for summary judgment and held that the requirements of the Kentucky DMF Statute apply to life insurance policies issued before the statute's January 1, 2013 effective date. The subject Life Companies believe that the court did not correctly apply governing law and have appealed the trial court's decision to the Kentucky Court of Appeals, which issued a stay of enforcement of the Kentucky DMF Statute against the subject Life Companies pending the appeal. A decision by the Court of Appeals is unlikely before the second half of 2014.

In July 2013, certain of the Life Companies filed a declaratory judgment action in state court in Maryland, asking the court to construe the Maryland DMF Statute to apply only to policies issued in Maryland after the effective date of the statute for essentially the same reasons asserted in the Kentucky proceeding. The State of Maryland defendants filed a motion to dismiss the action on the grounds that the subject Life Companies did not exhaust their administrative remedies before filing the court action. Kemper cannot predict when the trial court in Maryland might rule on the state's motion to dismiss.

The Life Companies are the subject of an unclaimed property compliance audit (the "Treasurers' Audit") being conducted by a private audit firm retained by the treasurers/controllers of thirty-eight states (the "Audit Firm"). In July 2013, the California State Controller (the "CA Controller") filed a complaint for injunctive relief against the Life Companies in state court in California, seeking an order requiring the Life Companies to produce all of their in-force policy records to the Audit Firm to enable the firm to perform a comparison of such records against a Death Master File and to ascertain whether any of the insureds under such policies may be deceased. As described below, the suit by the CA Controller is the subject of a counterclaim by the Life Companies.

The Life Companies are the subject of a multi-state market conduct examination by six state insurance regulators of their claim settlement and policy administration practices, and specifically regarding compliance with state unclaimed property statutes (the "Multi-state Exam"). The Multi-state Exam was originated in June 2012 as a single-state examination by the Illinois Insurance Director. Insurance regulators from five additional states - California, Florida, Pennsylvania, New Hampshire and North Dakota -- joined the examination in May 2013. In July 2013, the Life Companies received requests from the Illinois Department of Insurance, as the managing lead state for the Multi-state Exam, for a significant volume of additional information, including their records of in-force policies and other information requested by the Audit Firm as part of the Treasurers' Audit and which is the subject of the CA Controller's complaint.

Note 13 - Contingencies (continued)

During September 2013, certain of the Life Companies filed declaratory judgment actions against the insurance regulators in the states of California, Florida, Illinois and Pennsylvania, asking the courts in those states to declare that applicable law does not require life insurers to search a Death Master File to ascertain whether insureds are deceased. The subject Life Companies are also asking the courts to declare that regulators in those states do not have the legal authority to (i) obtain life insurers' policy records for the purpose of comparing those records against a Death Master File, and (ii) impose payment obligations on life insurers before a claim and due proof of death have been submitted. The declaratory judgment action in California was filed as a counterclaim to the CA Controller's complaint, joining the California Insurance Commissioner and the Audit Firm as parties to the action. Responses from the state regulators in the four declaratory judgment actions have not yet been filed.

The results of the Treasurers' Audit, Multi-state Exam and the litigation related to these matters and the DMF Statutes cannot currently be predicted. The Life Companies continue to maintain that states lack the legal authority to establish new requirements that have the effect of changing the terms of existing life insurance contracts with regard to basic claims handling obligations and processes. If these state officials are able to apply such new requirements retroactively to the Life Companies' existing life insurance policies, it will fundamentally alter the nature and timing of their responsibilities under such policies by effectively eliminating contractual terms that condition claim settlement and payment on the receipt of "due proof of death" of an insured. The outcome of the various state initiatives and related litigation could have a significant effect on, including acceleration of, the Life Companies' payment and/or escheatment of policy benefits, and significantly increase their claims handling costs. Kemper cannot reasonably estimate the amount of loss that it would recognize if the Life Companies were subjected to such requirements on a retroactive basis.

Note 14 - Related Parties

Mr. Fayez Sarofim, who served as a director of Kemper until May 1, 2013, is the Chairman of the Board, Chief Executive Officer and the majority shareholder of Fayez Sarofim & Co. ("FS&C"), a registered investment advisory firm. Mr. Christopher B. Sarofim, who was elected as a director of Kemper on May 1, 2013, is Vice Chairman of FS&C. Kemper's subsidiary, Trinity, had $143.2 million in assets managed by FS&C at September 30, 2013 under an agreement with FS&C whereby FS&C provides investment management services with respect to certain assets of Trinity for a fee based on the fair market value of the assets under management. Such agreement is terminable by either party at any time upon 30 days advance written notice. Investment expenses incurred in connection with such agreement were $0.3 million and $0.2 million for the nine months ended September 30, 2013 and 2012, respectively.

FS&C also provides investment management services with respect to certain assets of the Company's defined benefit pension plan. The Company's defined benefit pension plan had $136.0 million in assets managed by FS&C at September 30, 2013 under an agreement with FS&C whereby FS&C provides investment management services for a fee based on the fair market value of the assets under management. Such agreement is terminable by either party at any time upon 30 days advance written notice. Investment expenses incurred in connection with such agreement were $0.2 million and $0.2 million for the nine months ended September 30, 2013 and 2012, respectively.

With respect to the Company's defined contribution plans, one of the alternative investment choices afforded to participating employees is the Dreyfus Appreciation Fund, an open-end, diversified managed investment fund. FS&C provides investment management services to the Dreyfus Appreciation Fund as a sub-investment advisor. According to published reports filed by FS&C with the SEC, the Dreyfus Appreciation Fund pays monthly fees to FS&C according to a graduated schedule computed at an annual rate based on the value of the Dreyfus Appreciation Fund's average daily net assets. The Company does not compensate FS&C for services provided to the Dreyfus Appreciation Fund. Participants in the Company's defined contribution plans had allocated $21.3 million for investment in the Dreyfus Appreciation Fund at September 30, 2013, representing 6.4% of the total amount invested in the Company's defined contribution plans at September 30, 2013.

The Company believes that the services described above have been provided on terms no less favorable to the Company than could have been negotiated with non-affiliated third parties.

Note 15 - Relationships with Mutual Insurance Companies

Trinity and Capitol County Mutual Fire Insurance Company ("Capitol") are parties to a quota share reinsurance agreement whereby Trinity assumes 100% of the business written by Capitol, subject to a cap for ceded losses for dwelling coverage. Capitol is a mutual insurance company and, accordingly, is owned by its policyholders. Trinity and Old Reliable Casualty Company ("ORCC"), a subsidiary of Capitol, are also parties to a quota share reinsurance agreement whereby prior to 2013, Trinity assumed 100% of the business written by ORCC. In the second quarter of 2013, ORCC received regulatory approval to amend its agreement with Trinity, effective January 1, 2013, whereby Trinity continues to assume 100% of the business written by ORCC, subject to a cap for ceded losses for dwelling coverage.

Five employees of the Company serve as directors of Capitol's five member board of directors. Nine employees of the Company also serve as directors of ORCC's nine member board of directors. Kemper's subsidiary, United, provides claims and administrative services to Capitol and ORCC. In addition, agents appointed by Kemper's subsidiary, The Reliable Life Insurance Company, and who are employed by United, are also appointed by Capitol and ORCC to sell property insurance products for the Company's Life and Health Insurance segment. The Company also provides certain investment services to Capitol and ORCC.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Summary of Results

Net Income

Net Income was $162.5 million ($2.82 per unrestricted common share) for the nine months ended September 30, 2013, compared to $101.5 million ($1.71 per unrestricted common share) for the same period in 2012. Net Income was $70.1 million ($1.24 per unrestricted common share) for the three months ended September 30, 2013, compared to $55.6 million ($0.95 per unrestricted common share) for the same period in 2012.

Income from Continuing Operations was $159.7 million ($2.77 per unrestricted common share) for the nine months ended September 30, 2013, compared to $93.5 million ($1.57 per unrestricted common share) for the same period in 2012. Income from Continuing Operations was $68.6 million ($1.21 per unrestricted common share) for the three months ended September 30, 2013, compared to $55.6 million ($0.95 per unrestricted common share) for the same period in 2012.

A reconciliation of Segment Net Operating Income to Net Income for the nine and three months ended September 30, 2013 and 2012 is presented below:

(Dollars in Millions)	Nine Months Ended Sep 30, 2013	Nine Months Ended Sep 30, 2012	Nine Months Ended Increase (Decrease)	Three Months Ended Sep 30, 2013	Three Months Ended Sep 30, 2012	Three Months Ended Increase (Decrease)
Segment Net Operating Income (Loss):						
Kemper Preferred	$ 40.5	$ 8.5	$ 32.0	$ 11.2	$ 8.4	$ 2.8
Kemper Specialty	9.5	4.0	5.5	5.3	2.7	2.6
Kemper Direct	21.5	(2.7)	24.2	6.9	1.5	5.4
Life and Health Insurance	64.4	66.5	(2.1)	22.9	19.2	3.7
Total Segment Net Operating Income	135.9	76.3	59.6	46.3	31.8	14.5
Corporate and Other Net Operating Loss	(23.0)	(19.1)	(3.9)	(7.4)	(7.2)	(0.2)
Consolidated Net Operating Income	112.9	57.2	55.7	38.9	24.6	14.3
Net Income (Loss) From:						
Net Realized Gains on Sales of Investments	50.9	38.9	12.0	31.9	33.0	(1.1)
Net Impairment Losses Recognized in Earnings	(4.1)	(2.6)	(1.5)	(2.2)	(2.0)	(0.2)
Income from Continuing Operations	159.7	93.5	66.2	68.6	55.6	13.0
Income from Discontinued Operations	2.8	8.0	(5.2)	1.5	—	1.5
Net Income	$ 162.5	$ 101.5	$ 61.0	$ 70.1	$ 55.6	$ 14.5

Revenues

Earned Premiums were $1,530.2 million for the nine months ended September 30, 2013, compared to $1,586.3 million for the same period in 2012, a decrease of $56.1 million. Earned Premiums for the nine months ended September 30, 2013 decreased by $35.6 million, $19.4 million and $6.4 million in the Kemper Direct, Kemper Specialty and Life and Health Insurance segments, respectively, and increased by $5.3 million in the Kemper Preferred segment. Earned Premiums were $507.5 million for the three months ended September 30, 2013, compared to $527.3 million for the same period in 2012, a decrease of $19.8 million. Earned Premiums for the three months ended September 30, 2013 decreased by $10.2 million, $5.8 million, $2.4 million and $1.4 million in the Kemper Direct, Kemper Specialty, Kemper Preferred and Life and Health Insurance segments, respectively.

Net Investment Income increased by $14.8 million for the nine months ended September 30, 2013, compared to the same period in 2012, due primarily to higher income from Equity Method Limited Liability Investments and higher dividends on Equity Securities, partially offset by lower interest and dividends on Fixed Maturities. Net Investment Income increased by $12.0 million for the three months ended September 30, 2013, compared to the same period in 2012, due primarily to higher income from Equity Method Limited Liability Investments and higher dividends on Equity Securities.

Summary of Results (continued)

Net Realized Gains on Sales of Investments were $78.3 million for the nine months ended September 30, 2013, compared to $59.9 million for the same period in 2012. Net Realized Gains on Sales of Investments were $49.1 million for the three months ended September 30, 2013, compared to $50.9 million for the same period in 2012. Net Impairment Losses Recognized in Earnings were $6.3 million for the nine months ended September 30, 2013, compared to $4.1 million for the same period in 2012. Net Impairment Losses Recognized in Earnings were $3.4 million for the three months ended September 30, 2013, compared to $3.2 million for the same period in 2012. The Company cannot predict if or when similar investment gains or losses may occur in the future.

Catastrophes

Catastrophe losses and LAE (excluding loss and LAE reserve development from prior accident years) were $48.4 million and $10.3 million for the nine and three months ended September 30, 2013, compared to $79.5 million and $12.3 million for the same periods in 2012. Catastrophe losses and LAE (excluding loss and LAE reserve development) by business segment for the nine and three months ended September 30, 2013 and 2012 are presented below:

	Nine Months Ended		Three Months Ended	
(Dollars in Millions)	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Kemper Preferred	$ 39.0	$ 62.7	$ 9.7	$ 9.4
Kemper Specialty	3.8	4.7	0.3	0.9
Kemper Direct	2.2	4.8	0.4	0.4
Life and Health Insurance	3.4	7.3	(0.1)	1.6
Total Catastrophe Losses and LAE	$ 48.4	$ 79.5	$ 10.3	$ 12.3

The number of catastrophic events and catastrophe losses and LAE (excluding loss and LAE reserve development) by range of loss for the nine months ended September 30, 2013 and 2012 are presented below:

	Nine Months Ended			
	Sep 30, 2013		Sep 30, 2012	
(Dollars in Millions)	Number of Events	Losses and LAE	Number of Events	Losses and LAE
Range of Losses and LAE Per Event:				
Below $5	24	$ 41.9	18	$ 21.5
$5 - $10	1	6.5	6	46.7
$10 - $15	—	—	1	11.3
Total	25	$ 48.4	25	$ 79.5

As shown in the preceding table, catastrophe losses and LAE (excluding loss and LAE reserve development) decreased for the nine months ended September 30, 2013, compared to the same period in 2012, due primarily to lower severity. The six events in the $5 million to $10 million range and the one event in the $10 million to $15 million range for the nine months ended September 30, 2012 were related to hail and/or wind events in either Texas, Colorado or the midwest and mid-Atlantic states.

Loss and LAE Reserve Development

Increases (decreases) in the Company’s property and casualty loss and LAE reserves for the nine and three months ended September 30, 2013 and 2012 to recognize adverse (favorable) loss and LAE reserve development from prior accident years in continuing operations, hereinafter also referred to as “reserve development” in the discussion of segment results, is presented below:

(Dollars in Millions)	Nine Months Ended Sep 30, 2013	Nine Months Ended Sep 30, 2012	Three Months Ended Sep 30, 2013	Three Months Ended Sep 30, 2012
Kemper Preferred:				
Non-catastrophe	$ (13.4)	$ (3.1)	$ (1.5)	$ (0.8)
Catastrophe	(7.9)	(6.0)	(1.6)	(1.6)
Total	(21.3)	(9.1)	(3.1)	(2.4)
Kemper Specialty:				
Non-catastrophe	(1.8)	(2.5)	(3.0)	(2.9)
Catastrophe	—	0.1	(0.1)	—
Total	(1.8)	(2.4)	(3.1)	(2.9)
Kemper Direct:				
Non-catastrophe	(19.2)	(11.3)	(5.7)	(5.3)
Catastrophe	(0.5)	(0.2)	—	(0.1)
Total	(19.7)	(11.5)	(5.7)	(5.4)
Life and Health Insurance:				
Non-catastrophe	—	(0.3)	(0.2)	—
Catastrophe	(0.4)	0.1	—	(0.2)
Total	(0.4)	(0.2)	(0.2)	(0.2)
Decrease in Total Loss and LAE Reserves Related to Prior Years:				
Non-catastrophe	(34.4)	(17.2)	(10.4)	(9.0)
Catastrophe	(8.8)	(6.0)	(1.7)	(1.9)
Decrease in Total Loss and LAE Reserves Related to Prior Years	$ (43.2)	$ (23.2)	$ (12.1)	$ (10.9)

See MD&A, “Critical Accounting Estimates,” of the 2012 Annual Report for additional information pertaining to the Company’s process of estimating property and casualty insurance reserves for losses and LAE, development of property and casualty insurance losses and LAE, estimated variability of property and casualty insurance reserves for losses and LAE, and a discussion of some of the variables that may impact development of property and casualty insurance losses and LAE and the estimated variability of property and casualty insurance reserves for losses and LAE.

Non-GAAP Financial Measures

Underlying Losses and LAE and Underlying Combined Ratio

The following discussions for the Kemper Preferred, Kemper Specialty and Kemper Direct segments use the non-GAAP financial measures of (i) Underlying Losses and LAE and (ii) Underlying Combined Ratio. Underlying Losses and LAE (also referred to in the discussion 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 Incurred Expense Ratio. The most directly comparable GAAP financial measure is the combined ratio, which uses total incurred losses and LAE, including the impact of catastrophe losses, and loss and LAE reserve development from prior years. 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 and Casualty insurance businesses that may be obscured by catastrophe losses and prior year reserve development. These catastrophe losses may cause the Company's loss trends to vary significantly between periods as a result of their incidence of occurrence and magnitude and can have a significant impact on incurred losses and LAE and 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 the Company's 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.

Consolidated Net Operating Income

Consolidated Net Operating Income is an after-tax, non-GAAP financial measure and is computed by excluding from Income from Continuing Operations the after-tax impact of (i) Net Realized Gains on Sales of Investments, (ii) Net Impairment Losses Recognized in Earnings related to investments and (iii) 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 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 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 to Income from Continuing Operations for the nine and three months ended September 30, 2013 and 2012 is presented below:

	Nine Months Ended		Three Months Ended	
(Dollars in Millions)	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Consolidated Net Operating Income	$ 112.9	$ 57.2	$ 38.9	$ 24.6
Net Income (Loss) From:				
Net Realized Gains on Sales of Investments	50.9	38.9	31.9	33.0
Net Impairment Losses Recognized in Earnings	(4.1)	(2.6)	(2.2)	(2.0)
Income from Continuing Operations	$ 159.7	$ 93.5	$ 68.6	$ 55.6

There were no applicable significant non-recurring items that the Company excluded from the calculation of Consolidated Net Operating Income for the nine and three months ended September 30, 2013 and 2012.

The preceding non-GAAP financial measures should not be considered a substitute for the comparable GAAP financial measures, as they do not fully recognize the overall profitability of the Company's businesses.

Kemper Preferred

Selected financial information for the Kemper Preferred segment follows:

(Dollars in Millions)	Nine Months Ended Sep 30, 2013	Nine Months Ended Sep 30, 2012	Three Months Ended Sep 30, 2013	Three Months Ended Sep 30, 2012
Net Premiums Written	$ 654.6	$ 677.9	$ 222.5	$ 237.9
Earned Premiums:				
Automobile	$ 381.1	$ 385.1	$ 126.5	$ 130.5
Homeowners	238.4	229.4	80.2	78.4
Other Personal	41.7	41.4	13.8	14.0
Total Earned Premiums	661.2	655.9	220.5	222.9
Net Investment Income	41.4	33.6	13.2	10.8
Other Income	0.2	0.3	0.1	0.1
Total Revenues	702.8	689.8	233.8	233.8
Incurred Losses and LAE related to:				
Current Year:				
Non-catastrophe Losses and LAE	441.4	448.8	148.9	154.0
Catastrophe Losses and LAE	39.0	62.7	9.7	9.4
Prior Years:				
Non-catastrophe Losses and LAE	(13.4)	(3.1)	(1.5)	(0.8)
Catastrophe Losses and LAE	(7.9)	(6.0)	(1.6)	(1.6)
Total Incurred Losses and LAE	459.1	502.4	155.5	161.0
Insurance Expenses	188.7	183.0	63.4	62.4
Operating Profit	55.0	4.4	14.9	10.4
Income Tax Benefit (Expense)	(14.5)	4.1	(3.7)	(2.0)
Segment Net Operating Income	$ 40.5	$ 8.5	$ 11.2	$ 8.4
Ratios Based On Earned Premiums				
Current Year Non-catastrophe Losses and LAE Ratio	66.7%	68.4%	67.5%	69.1%
Current Year Catastrophe Losses and LAE Ratio	5.9	9.6	4.4	4.2
Prior Years Non-catastrophe Losses and LAE Ratio	(2.0)	(0.5)	(0.7)	(0.4)
Prior Years Catastrophe Losses and LAE Ratio	(1.2)	(0.9)	(0.7)	(0.7)
Total Incurred Loss and LAE Ratio	69.4	76.6	70.5	72.2
Incurred Expense Ratio	28.5	27.9	28.8	28.0
Combined Ratio	97.9%	104.5%	99.3%	100.2%
Underlying Combined Ratio				
Current Year Non-catastrophe Losses and LAE Ratio	66.7%	68.4%	67.5%	69.1%
Incurred Expense Ratio	28.5	27.9	28.8	28.0
Underlying Combined Ratio	95.2%	96.3%	96.3%	97.1%
Non-GAAP Measure Reconciliation				
Underlying Combined Ratio	95.2%	96.3%	96.3%	97.1%
Current Year Catastrophe Losses and LAE Ratio	5.9	9.6	4.4	4.2
Prior Years Non-catastrophe Losses and LAE Ratio	(2.0)	(0.5)	(0.7)	(0.4)
Prior Years Catastrophe Losses and LAE Ratio	(1.2)	(0.9)	(0.7)	(0.7)
Combined Ratio as Reported	97.9%	104.5%	99.3%	100.2%

Kemper Preferred (continued)

Catastrophe Frequency and Severity

	Nine Months Ended			
	Sep 30, 2013		Sep 30, 2012	
(Dollars in Millions)	Number of Events	Losses and LAE	Number of Events	Losses and LAE
Range of Losses and LAE Per Event:				
Below $5	25	$ 39.0	20	$ 28.9
$5 - $10	—	—	4	33.8
Total	25	$ 39.0	24	$ 62.7

Insurance Reserves

(Dollars in Millions)	Sep 30, 2013	Dec 31, 2012
Insurance Reserves:		
Automobile	$ 279.2	$ 287.6
Homeowners	115.5	123.7
Other Personal	38.6	41.0
Insurance Reserves	$ 433.3	$ 452.3
Insurance Reserves:		
Loss Reserves:		
Case	$ 270.9	$ 284.7
Incurred but Not Reported	103.8	105.5
Total Loss Reserves	374.7	390.2
LAE Reserves	58.6	62.1
Insurance Reserves	$ 433.3	$ 452.3

Earned Premiums in the Kemper Preferred segment increased by $5.3 million for the nine months ended September 30, 2013, compared to the same period in 2012. Higher average premium contributed $27.8 million to the increase, while lower volume accounted for a decrease of $22.5 million. Earned premiums in homeowners insurance increased by $9.0 million as higher average premium increased earned premiums by $18.4 million, while lower volume of homeowners insurance accounted for a decrease of $9.4 million in earned premiums. Earned premiums in automobile insurance decreased by $4.0 million as lower volume accounted for a decrease of $11.9 million in earned premiums, while higher average premium accounted for an increase of $7.9 million in earned premiums.

Earned Premiums in the Kemper Preferred segment decreased by $2.4 million for the three months ended September 30, 2013, compared to the same period in 2012. Lower volume accounted for a decrease of $14.3 million in earned premiums, while higher average premium accounted for an increase of $11.9 million in earned premiums. Earned premiums in homeowners insurance increased by $1.8 million as higher average premium increased earned premiums by $7.4 million, while lower volume of homeowners insurance accounted for a decrease of $5.6 million in earned premiums. Earned premiums in automobile insurance decreased by $4.0 million as lower volume accounted for a decrease of $8.1 million in earned premiums, while higher average premium accounted for an increase of $4.1 million in earned premiums.

Net Investment Income in the Kemper Preferred segment increased by $7.8 million for the nine months ended September 30, 2013, compared to the same period in 2012, due primarily to higher net investment income from Equity Method Limited Liability Investments, higher dividends on equity securities and higher levels of investments allocated to the Kemper Preferred segment, partially offset by lower yields on investments in fixed maturities. The Kemper Preferred segment reported net investment income from Equity Method Limited Liability Investments of $7.0 million in 2013, compared to $2.7 million in 2012.

Kemper Preferred (continued)

Net Investment Income in the Kemper Preferred segment increased by $2.4 million for the three months ended September 30, 2013, compared to the same period in 2012, due primarily to higher net investment income from Equity Method Limited Liability Investments, higher dividends on equity securities and higher levels of investments allocated to the Kemper Preferred segment, partially offset by lower yields on investments in fixed maturities. The Kemper Preferred segment reported net investment income from Equity Method Limited Liability Investments of $2.1 million in 2013, compared to $0.5 million in 2012.

Operating Profit in the Kemper Preferred segment increased by $50.6 million before taxes for the nine months ended September 30, 2013, compared to the same period in 2012, due primarily to lower incurred catastrophe losses and LAE, higher levels of favorable loss and LAE reserve development, lower underlying losses and LAE as a percentage of earned premiums and higher net investment income, partially offset by higher insurance expenses as a percentage of earned premiums. Catastrophe losses and LAE (excluding development) were $39.0 million in 2013, compared to $62.7 million in 2012. Favorable loss and LAE reserve development (including catastrophe development) was $21.3 million in 2013, compared to $9.1 million in 2012. Underlying incurred losses and LAE exclude the impact of catastrophes and loss and LAE reserve development. Underlying losses and LAE as a percentage of earned premiums improved due to lower underlying losses as a percentage of earned premiums in homeowners insurance and other personal insurance, offset by higher underlying losses and LAE as a percentage of earned premiums in automobile insurance. The Kemper Preferred segment continues to take actions intended to improve profitability, including additional rate increases, enhanced pricing segmentation, higher deductibles, especially for wind or hail events, and other underwriting actions.

Operating Profit in the Kemper Preferred segment increased by $4.5 million before taxes for the three months ended September 30, 2013, compared to the same period in 2012, due primarily to lower underlying losses and LAE as a percentage of earned premiums, higher net investment income and higher levels of favorable loss and LAE reserve development, partially offset by higher insurance expenses as a percentage of earned premiums. Underlying losses and LAE as a percentage of earned premiums improved due primarily to lower underlying losses as a percentage of earned premiums in homeowners insurance and other personal insurance. Favorable loss and LAE reserve development (including catastrophe development) was $3.1 million in 2013, compared to $2.4 million in 2012. Catastrophe losses and LAE (excluding development) were $9.7 million in 2013, compared to $9.4 million in 2012.

Automobile insurance incurred losses and LAE were $287.4 million, or 75.4% of automobile insurance earned premiums, for the nine months ended September 30, 2013, compared to $292.1 million, or 75.9% of automobile insurance earned premiums, for the same period in 2012. Automobile insurance incurred losses and LAE as a percentage of automobile earned premiums decreased due primarily to a favorable impact from the change in the level of loss and LAE reserve development and lower incurred catastrophe losses and LAE (excluding development), partially offset by higher underlying losses and LAE as a percentage of automobile insurance earned premiums. Favorable loss and LAE reserve development was $3.5 million in 2013, compared to adverse loss and LAE reserve development of $2.6 million in 2012. Catastrophe losses and LAE (excluding development) were $3.4 million in 2013, compared to $6.1 million in 2012. Underlying losses and LAE as a percentage of automobile insurance earned premiums were 75.4% in 2013, compared to 73.6% in 2012. Underlying losses and LAE as a percentage of automobile insurance earned premiums increased due primarily to higher severity of bodily injury losses, higher frequency of collision claims and higher severity of collision losses, partially offset by higher average premium, lower frequency of bodily injury claims, lower severity of comprehensive losses and lower frequency of comprehensive claims.

Automobile insurance incurred losses and LAE were $97.4 million, or 77.0% of automobile insurance earned premiums, for the three months ended September 30, 2013, compared to $100.6 million, or 77.1% of automobile insurance earned premiums, for the same period in 2012. Automobile insurance incurred losses and LAE as a percentage of automobile earned premiums decreased due primarily to a favorable impact from the change in the level of loss and LAE reserve development, partially offset by higher underlying losses and LAE as a percentage of automobile insurance earned premiums. Adverse loss and LAE reserve development was $0.1 million in 2013, compared to $1.1 million in 2012. Underlying losses and LAE as a percentage of automobile insurance earned premiums were 76.3% in 2013, compared to 75.7% in 2012. Underlying losses and LAE as a percentage of automobile insurance earned premiums increased due primarily to higher frequency of bodily injury claims and higher severity of bodily injury losses, partially offset by higher average premium, lower frequency of comprehensive claims and lower severity of comprehensive losses.

Homeowners insurance incurred losses and LAE were $157.9 million, or 66.2% of homeowners insurance earned premiums, for the nine months ended September 30, 2013, compared to $187.8 million, or 81.9% of homeowners insurance earned premiums, for the same period in 2012. Homeowners insurance incurred losses and LAE as a percentage of homeowners insurance earned premiums decreased due primarily to lower catastrophe losses and LAE (excluding development), lower underlying losses and LAE as a percentage of homeowners insurance earned premiums and a higher level of favorable loss and

Kemper Preferred (continued)

LAE reserve development. Catastrophe losses and LAE (excluding development) were $34.3 million in 2013, compared to $53.6 million in 2012. Underlying losses and LAE as a percentage of homeowners insurance earned premiums were 57.1% in 2013, compared to 62.6% in 2012. Underlying losses and LAE as a percentage of homeowners insurance earned premiums decreased due primarily to higher average premium and lower frequency of claims. Favorable loss and LAE reserve development was $12.6 million in 2013, compared to $9.3 million in 2012.

Homeowners insurance incurred losses and LAE were $53.1 million, or 66.2% of homeowners insurance earned premiums, for the three months ended September 30, 2013, compared to $53.2 million, or 67.9% of homeowners insurance earned premiums, for the same period in 2012. Homeowners insurance incurred losses and LAE as a percentage of homeowners insurance earned premiums decreased due primarily to lower underlying losses and LAE as a percentage of homeowners insurance earned premiums and lower catastrophe losses and LAE (excluding development), partially offset by a lower level of favorable loss and LAE reserve development. Underlying losses and LAE as a percentage of homeowners insurance earned premiums were 58.7% in 2013, compared to 61.0% in 2012. Underlying losses and LAE as a percentage of homeowners insurance earned premiums decreased due primarily to higher average premium and lower frequency of claims, partially offset by higher severity of losses. Catastrophe losses and LAE (excluding development) were $8.3 million in 2013, compared to $8.7 million in 2012. Favorable loss and LAE reserve development was $2.2 million in 2013, compared to $3.3 million in 2012.

Other personal insurance incurred losses and LAE were $13.8 million, or 33.1% of other personal insurance earned premiums, for the nine months ended September 30, 2013, compared to $22.5 million, or 54.3% of other personal insurance earned premiums, for the same period in 2012. Other personal insurance incurred losses and LAE as a percentage of other personal insurance earned premiums decreased due primarily to lower underlying losses and LAE as a percentage of other personal insurance earned premiums, a higher level of favorable loss and LAE reserve development and lower catastrophe losses and LAE (excluding development). Underlying losses and LAE as a percentage of other personal insurance earned premiums decreased due primarily to lower frequency of claims in umbrella liability insurance and other insurance lines, lower severity of losses in other insurance lines (excluding umbrella liability) and higher average premium, partially offset by higher severity of umbrella liability insurance losses. Favorable loss and LAE reserve development was $5.2 million in 2013, compared to $2.4 million in 2012. Underlying losses and LAE as a percentage of other personal insurance earned premiums were 42.5% in 2013, compared to 52.9% in 2012. Catastrophe losses and LAE (excluding development) were $1.3 million in 2013, compared to $3.0 million in 2012.

Other personal insurance incurred losses and LAE were $5.0 million, or 36.2% of other personal insurance earned premiums, for the three months ended September 30, 2013, compared to $7.2 million, or 51.4% of other personal insurance earned premiums, for the same period in 2012. Other personal insurance incurred losses and LAE as a percentage of other personal insurance earned premiums decreased due primarily to lower underlying losses and LAE as a percentage of other personal insurance earned premiums and a higher level of favorable loss and LAE reserve development, partially offset by higher catastrophe losses and LAE (excluding development). Underlying losses and LAE as a percentage of other personal insurance earned premiums were 38.3% in 2013, compared to 52.1% in 2012. Underlying losses and LAE as a percentage of other personal insurance earned premiums decreased due primarily to lower severity of losses in other insurance lines (excluding umbrella liability), lower frequency of umbrella liability insurance claims and higher average premium, partially offset by higher frequency of claims in other insurance lines (excluding umbrella liability) and higher severity of losses in umbrella liability insurance. Favorable loss and LAE reserve development was $1.0 million in 2013, compared to $0.2 million in 2012. Catastrophe losses and LAE (excluding development) were $0.7 million in 2013, compared to $0.1 million in 2012.

Insurance Expenses increased by $5.7 million and $1.0 million for the nine and three months ended September 30, 2013, respectively, compared to the same periods in 2012, due primarily to higher employee compensation and agent incentives related to improved performance and higher regulatory audit and examination costs.

The Kemper Preferred segment reported Segment Net Operating Income of $40.5 million and $11.2 million for the nine and three months ended September 30, 2013, respectively, compared to $8.5 million and $8.4 million for the same periods in 2012. The Kemper Preferred segment's effective income tax rate differs from the federal statutory income tax rate due primarily to tax-exempt investment income and dividends received deductions. Tax-exempt investment income and dividends received deductions were $12.9 million for the nine months ended September 30, 2013, compared to $16.0 million for the same period in 2012. Tax-exempt investment income and dividends received deductions were $4.0 million for the three months ended September 30, 2013, compared to $4.6 million for the same period in 2012.

Kemper Specialty

Selected financial information for the Kemper Specialty segment follows:

(Dollars in Millions)	Nine Months Ended Sep 30, 2013	Nine Months Ended Sep 30, 2012	Three Months Ended Sep 30, 2013	Three Months Ended Sep 30, 2012
Net Premiums Written	$ 298.5	$ 320.2	$ 95.0	$ 103.9
Earned Premiums:				
Personal Automobile	$ 259.2	$ 285.6	$ 84.6	$ 92.9
Commercial Automobile	38.7	31.7	13.5	11.0
Total Earned Premiums	297.9	317.3	98.1	103.9
Net Investment Income	16.4	14.4	5.0	4.5
Other Income	0.2	0.2	—	0.1
Total Revenues	314.5	331.9	103.1	108.5
Incurred Losses and LAE related to:				
Current Year:				
Non-catastrophe Losses and LAE	235.5	259.4	76.5	84.2
Catastrophe Losses and LAE	3.8	4.7	0.3	0.9
Prior Years:				
Non-catastrophe Losses and LAE	(1.8)	(2.5)	(3.0)	(2.9)
Catastrophe Losses and LAE	—	0.1	(0.1)	—
Total Incurred Losses and LAE	237.5	261.7	73.7	82.2
Insurance Expenses	65.3	67.7	22.2	23.1
Operating Profit	11.7	2.5	7.2	3.2
Income Tax Benefit (Expense)	(2.2)	1.5	(1.9)	(0.5)
Segment Net Operating Income	$ 9.5	$ 4.0	$ 5.3	$ 2.7
Ratios Based On Earned Premiums				
Current Year Non-catastrophe Losses and LAE Ratio	79.0%	81.8%	78.0%	81.0%
Current Year Catastrophe Losses and LAE Ratio	1.3	1.5	0.3	0.9
Prior Years Non-catastrophe Losses and LAE Ratio	(0.6)	(0.8)	(3.1)	(2.8)
Prior Years Catastrophe Losses and LAE Ratio	—	—	(0.1)	—
Total Incurred Loss and LAE Ratio	79.7	82.5	75.1	79.1
Incurred Expense Ratio	21.9	21.3	22.6	22.2
Combined Ratio	101.6%	103.8%	97.7%	101.3%
Underlying Combined Ratio				
Current Year Non-catastrophe Losses and LAE Ratio	79.0%	81.8%	78.0%	81.0%
Incurred Expense Ratio	21.9	21.3	22.6	22.2
Underlying Combined Ratio	100.9%	103.1%	100.6%	103.2%
Non-GAAP Measure Reconciliation				
Underlying Combined Ratio	100.9%	103.1%	100.6%	103.2%
Current Year Catastrophe Losses and LAE Ratio	1.3	1.5	0.3	0.9
Prior Years Non-catastrophe Losses and LAE Ratio	(0.6)	(0.8)	(3.1)	(2.8)
Prior Years Catastrophe Losses and LAE Ratio	—	—	(0.1)	—
Combined Ratio as Reported	101.6%	103.8%	97.7%	101.3%

Kemper Specialty (continued)

Insurance Reserves

(Dollars in Millions)	Sep 30, 2013	Dec 31, 2012
Insurance Reserves:		
Personal Automobile	$ 146.2	$ 164.8
Commercial Automobile	49.3	43.9
Other	6.7	7.2
Insurance Reserves	$ 202.2	$ 215.9
Insurance Reserves:		
Loss Reserves:		
Case	$ 123.4	$ 130.9
Incurred but Not Reported	45.8	48.3
Total Loss Reserves	169.2	179.2
LAE Reserves	33.0	36.7
Insurance Reserves	$ 202.2	$ 215.9

Earned Premiums in the Kemper Specialty segment decreased by $19.4 million for the nine months ended September 30, 2013, compared to the same period in 2012, due primarily to lower earned premiums for personal automobile insurance, partially offset by higher earned premiums for commercial automobile insurance. Earned premiums in personal automobile insurance decreased by $26.4 million in 2013, compared to 2012, as lower volume of personal automobile insurance decreased personal automobile insurance earned premiums by $47.4 million, while higher average premium accounted for a $21.0 million increase in earned premiums. Personal automobile insurance policies in force were approximately 237,000 at September 30, 2013, compared to 260,000 at the beginning of 2013 and 302,000 at the beginning of 2012. Commercial automobile insurance earned premiums increased by $7.0 million in 2013, compared to 2012, due primarily to higher volume from an increase in new business production.

Earned Premiums in the Kemper Specialty segment decreased by $5.8 million for the three months ended September 30, 2013, compared to the same period in 2012, due primarily to lower earned premiums for personal automobile insurance, partially offset by higher earned premiums for commercial automobile insurance. Personal automobile insurance earned premiums decreased by $8.3 million in 2013, compared to 2012, as lower volume of personal automobile insurance decreased earned premiums by $16.5 million, while higher average premium accounted for an $8.2 million increase in earned premiums. Commercial automobile insurance earned premiums increased by $2.5 million in 2013, compared to 2012, due primarily to higher volume of insurance.

Net Investment Income in the Kemper Specialty segment increased by $2.0 million for the nine months ended September 30, 2013, compared to the same period in 2012, due primarily to higher net investment income from Equity Method Limited Liability Investments and higher dividends on equity securities, partially offset by lower yields on investments in fixed maturities. The Kemper Specialty segment reported net investment income of $2.8 million from Equity Method Limited Liability Investments in 2013, compared to $1.2 million for 2012.

Net Investment Income in the Kemper Specialty segment increased by $0.5 million for the three months ended September 30, 2013, compared to the same period in 2012, due primarily to higher net investment income from Equity Method Limited Liability Investments. The Kemper Specialty segment reported net investment income of $0.8 million from Equity Method Limited Liability Investments in 2013, compared to $0.3 million for 2012.

Operating Profit in the Kemper Specialty segment increased by $9.2 million before taxes and $4.0 million before taxes for the nine and three months ended September 30, 2013, respectively, compared to the same periods in 2012, due primarily to higher operating profit in personal automobile insurance, offset by lower operating profit in commercial automobile insurance.

Kemper Specialty (continued)

Personal automobile insurance operating results improved by $24.4 million before taxes for the nine months ended September 30, 2013, compared to the same period in 2012, due primarily to lower underlying losses and LAE as a percentage of personal automobile insurance earned premiums and a lower level of adverse loss and LAE reserve development. Underlying losses and LAE were $202.4 million, or 78.1% of personal automobile insurance earned premiums, for the nine months ended September 30, 2013, compared to $234.9 million, or 82.3% of personal automobile insurance earned premiums, for the same period in 2012. Personal automobile insurance underlying losses and LAE as a percentage of personal automobile insurance earned premiums decreased due primarily to higher average premium. Adverse loss and LAE reserve development (including catastrophe development) was $0.2 million for the nine months ended September 30, 2013, compared to $10.4 million for the same period in 2012.

Personal automobile insurance operating results improved by $4.8 million before taxes for the three months ended September 30, 2013, compared to the same period in 2012, due primarily to lower underlying losses and LAE as a percentage of personal automobile insurance earned premiums. Underlying losses and LAE were $65.6 million, or 77.6% of personal automobile insurance earned premiums, for the three months ended September 30, 2013, compared to $75.6 million, or 81.4% of personal automobile insurance earned premiums, for the same period in 2012. Personal automobile insurance underlying losses and LAE as a percentage of personal automobile insurance earned premiums decreased due primarily to higher average premium.

Commercial automobile insurance operating profit was $1.7 million before taxes for the nine months ended September 30, 2013, compared to $17.1 million for the same period in 2012. Commercial automobile insurance operating profit decreased by $15.4 million due primarily to a lower level of favorable loss and LAE reserve development, higher underlying losses and LAE as a percentage of commercial automobile insurance earned premiums and higher insurance expenses as a percentage of commercial automobile insurance earned premiums. Favorable Loss and LAE reserve development on commercial automobile insurance was $2.0 million for the nine months ended September 30, 2013, compared to $12.8 million in 2012. Underlying losses and LAE as a percentage of commercial automobile insurance earned premiums were 85.6% for the nine months ended September 30, 2013, compared to 77.3% in 2012, and increased due primarily to higher severity associated with bodily injury claims.

Commercial automobile insurance operating profit was $2.3 million before taxes for the three months ended September 30, 2013, compared to $3.3 million for the same period in 2012. Commercial automobile insurance operating profit decreased by $1.0 million due primarily higher insurance expenses as a percentage of commercial automobile insurance earned premiums and higher underlying losses and LAE as a percentage of commercial automobile insurance earned premiums. Underlying losses and LAE as a percentage of commercial automobile insurance earned premiums were 80.8% for the three months ended September 30, 2013, compared to 78.2% in 2012.

Insurance expenses as a percentage of earned premiums increased by 0.6 percentage points and 0.4 percentage points for the for the nine and three months ended September 30, 2013, respectively, compared to the same periods in 2012, as certain fixed costs are spread over declining earned premium volume.

The Kemper Specialty segment reported Segment Net Operating Income of $9.5 million and $5.3 million for the nine and three months ended September 30, 2013, respectively, compared to $4.0 million and $2.7 million for the same periods in 2012. The Kemper Specialty segment's effective income tax rate differs from the federal statutory income tax rate due primarily to tax-exempt investment income and dividends received deductions. Tax-exempt investment income and dividends received deductions were $5.1 million for the nine months ended September 30, 2013, compared to $6.8 million for the same period in 2012. Tax-exempt investment income and dividends received deductions were $1.5 million for the three months ended September 30, 2013, compared to $1.9 million for the same period in 2012.

Kemper Direct

Selected financial information for the Kemper Direct segment follows:

(Dollars in Millions)	Nine Months Ended Sep 30, 2013	Nine Months Ended Sep 30, 2012	Three Months Ended Sep 30, 2013	Three Months Ended Sep 30, 2012
Net Premiums Written	$ 86.2	$ 115.5	$ 27.5	$ 35.9
Earned Premiums:				
Automobile	$ 89.1	$ 123.9	$ 28.0	$ 37.9
Homeowners	6.4	7.2	2.1	2.4
Other Personal	0.1	0.1	—	—
Total Earned Premiums	95.6	131.2	30.1	40.3
Net Investment Income	10.1	10.7	3.1	3.4
Total Revenues	105.7	141.9	33.2	43.7
Incurred Losses and LAE related to:				
Current Year:				
Non-catastrophe Losses and LAE	65.6	111.5	19.7	33.8
Catastrophe Losses and LAE	2.2	4.8	0.4	0.4
Prior Years:				
Non-catastrophe Losses and LAE	(19.2)	(11.3)	(5.7)	(5.3)
Catastrophe Losses and LAE	(0.5)	(0.2)	—	(0.1)
Total Incurred Losses and LAE	48.1	104.8	14.4	28.8
Insurance Expenses	26.3	44.0	8.7	13.3
Operating Profit (Loss)	31.3	(6.9)	10.1	1.6
Income Tax Benefit (Expense)	(9.8)	4.2	(3.2)	(0.1)
Segment Net Operating Income (Loss)	$ 21.5	$ (2.7)	$ 6.9	$ 1.5
Ratios Based On Earned Premiums				
Current Year Non-catastrophe Losses and LAE Ratio	68.6%	85.0%	65.4%	83.9%
Current Year Catastrophe Losses and LAE Ratio	2.3	3.7	1.3	1.0
Prior Years Non-catastrophe Losses and LAE Ratio	(20.1)	(8.6)	(18.9)	(13.2)
Prior Years Catastrophe Losses and LAE Ratio	(0.5)	(0.2)	—	(0.2)
Total Incurred Loss and LAE Ratio	50.3	79.9	47.8	71.5
Incurred Expense Ratio	27.5	33.5	28.9	33.0
Combined Ratio	77.8%	113.4%	76.7%	104.5%
Underlying Combined Ratio				
Current Year Non-catastrophe Losses and LAE Ratio	68.6%	85.0%	65.4%	83.9%
Incurred Expense Ratio	27.5	33.5	28.9	33.0
Underlying Combined Ratio	96.1%	118.5%	94.3%	116.9%
Non-GAAP Measure Reconciliation				
Underlying Combined Ratio	96.1%	118.5%	94.3%	116.9%
Current Year Catastrophe Losses and LAE Ratio	2.3	3.7	1.3	1.0
Prior Years Non-catastrophe Losses and LAE Ratio	(20.1)	(8.6)	(18.9)	(13.2)
Prior Years Catastrophe Losses and LAE Ratio	(0.5)	(0.2)	—	(0.2)
Combined Ratio as Reported	77.8%	113.4%	76.7%	104.5%

Kemper Direct (continued)

Insurance Reserves

(Dollars in Millions)	Sep 30, 2013	Dec 31, 2012
Insurance Reserves:		
Automobile	$ 140.2	$ 173.3
Homeowners	2.7	2.7
Other	1.8	1.8
Insurance Reserves	$ 144.7	$ 177.8
Insurance Reserves:		
Loss Reserves:		
Case	$ 97.5	$ 115.4
Incurred but Not Reported	30.9	39.7
Total Loss Reserves	128.4	155.1
LAE Reserves	16.3	22.7
Insurance Reserves	$ 144.7	$ 177.8

In 2012, the Company announced that the Kemper Direct segment would continue to solicit business for its worksite and affinity programs and would place its direct-to-consumer operations in run-off. The Company expects positive earnings from the run-off as a result of premium rate increases and further optimization of operations. Kemper Direct expects that its policies in-force will decline 25% to 35% in 2013 as a result of this and other actions. In line with this expectation, Earned Premiums in the Kemper Direct segment decreased by $35.6 million and $10.2 million for the nine and three months ended September 30, 2013, respectively, compared to the same periods in 2012, due primarily to lower volume, partially offset by higher average premium rates.

Net Investment Income in the Kemper Direct segment decreased by $0.6 million and $0.3 million for the nine and three months ended September 30, 2013, respectively, compared to the same periods in 2012, due primarily to lower levels of investments allocated to the Kemper Direct segment and lower yields on investments in fixed maturities, partially offset by higher net investment income from Equity Method Limited Liability Investments and higher dividends on equity securities. Net investment income from Equity Method Limited Liability Investments was $1.7 million for the nine months ended September 30, 2013, compared to $0.8 million for the same period in 2012. Net investment income from Equity Method Limited Liability Investments was $0.5 million for the three months ended September 30, 2013, compared to $0.1 million for the same period in 2012.

The Kemper Direct segment reported Operating Profit of $31.3 million before taxes for the nine months ended September 30, 2013, compared to an Operating Loss of $6.9 million before taxes for the same period in 2012. Operating results improved in the Kemper Direct segment for the nine months ended September 30, 2013, compared to 2012, due primarily to lower underlying losses and LAE, higher levels of favorable reserve development, lower insurance expenses and lower catastrophe losses and LAE.

The Kemper Direct segment reported Operating Profit of $10.1 million before taxes for the three months ended September 30, 2013, compared to $1.6 million before taxes for the same period in 2012. Operating results improved in the Kemper Direct segment for the three months ended September 30, 2013, compared to 2012, due primarily to lower underlying losses and LAE, higher levels of favorable reserve development and lower insurance expenses.

Incurred Losses and LAE were $48.1 million, or 50.3% as a percentage of earned premiums, for the nine months ended September 30, 2013, compared to $104.8 million, or 79.9% as a percentage of earned premiums, for the same period in 2012. Incurred Losses and LAE decreased for the nine months ended September 30, 2013, compared to 2012, due primarily to the impact of lower earned premiums, lower underlying losses and LAE as a percentage of earned premiums, higher levels of favorable loss and LAE reserve development and lower incurred catastrophe losses and LAE (excluding development). Underlying losses and LAE as a percentage of earned premiums were 68.6% for the nine months ended September 30, 2013, compared to 85.0% in 2012. Underlying losses and LAE as a percentage of earned premiums decreased for the nine months ended September 30, 2013, compared to 2012, due primarily to lower severity of automobile insurance losses and lower frequency of automobile insurance claims. Favorable loss and LAE reserve development was $19.7 million for the nine months ended September 30, 2013, compared to $11.5 million in 2012. Catastrophe losses and LAE (excluding development) were $2.2 million for the nine months ended September 30, 2013, compared to $4.8 million for the same period in 2012.

Incurred Losses and LAE were $14.4 million, or 47.8% as a percentage of earned premiums, for the three months ended September 30, 2013, compared to $28.8 million, or 71.5% as a percentage of earned premiums, for the same period in 2012. Incurred Losses and LAE decreased for the three months ended September 30, 2013, compared to 2012, due primarily to the impact of lower earned premiums and lower underlying losses and LAE as a percentage of earned premiums. Underlying losses and LAE as a percentage of earned premiums were 65.4% for the three months ended September 30, 2013, compared to 83.9% in 2012. Underlying losses and LAE as a percentage of earned premiums decreased for the three months ended September 30, 2013, compared to 2012, due primarily to lower severity of automobile insurance losses and lower frequency of automobile insurance claims.

Insurance Expenses were $26.3 million, or 27.5% of earned premiums, for the nine months ended September 30, 2013, compared to $44.0 million, or 33.5% of earned premiums, for the same period in 2012. Insurance Expenses were $8.7 million, or 28.9% of earned premiums, for the three months ended September 30, 2013, compared to $13.3 million, or 33.0% of earned premiums, for the same period in 2012. Insurance expenses as a percentage of earned premiums decreased for the nine and three months ended September 30, 2013, compared to the same periods in 2012, due primarily to reduced salaries and marketing related expenses.

Kemper Direct reported Segment Net Operating Income of $21.5 million for the nine months ended September 30, 2013, compared to Segment Net Operating Loss of $2.7 million for the same period in 2012. Kemper Direct reported Segment Net Operating Income of $6.9 million for the three months ended September 30, 2013, compared to $1.5 million for the same period in 2012. The Kemper Direct segment’s effective income tax rate differs from the federal statutory income tax rate due primarily to tax-exempt investment income and dividends received deductions. Tax-exempt investment income and dividends received deductions were $3.2 million for the nine months ended September 30, 2013, compared to $5.1 million for the same period in 2012. Tax-exempt investment income and dividends received deductions were $1.0 million for the three months ended September 30, 2013, compared to $1.4 million for the same period in 2012.

Life and Health Insurance

Selected financial information for the Life and Health Insurance segment follows:

(Dollars in Millions)	Nine Months Ended Sep 30, 2013	Nine Months Ended Sep 30, 2012	Three Months Ended Sep 30, 2013	Three Months Ended Sep 30, 2012
Earned Premiums:				
Life	$ 294.9	$ 296.0	$ 98.4	$ 98.4
Accident and Health	121.2	124.2	40.7	41.3
Property	59.4	61.7	19.7	20.5
Total Earned Premiums	475.5	481.9	158.8	160.2
Net Investment Income	159.3	153.5	56.5	48.1
Other Income	0.1	0.1	—	—
Total Revenues	634.9	635.5	215.3	208.3
Policyholders' Benefits and Incurred Losses and LAE	296.9	300.2	94.6	96.7
Insurance Expenses	239.7	232.6	85.5	82.2
Operating Profit	98.3	102.7	35.2	29.4
Income Tax Expense	(33.9)	(36.2)	(12.3)	(10.2)
Segment Net Operating Income	$ 64.4	$ 66.5	$ 22.9	$ 19.2

Insurance Reserves

(Dollars in Millions)	Sep 30, 2013	Dec 31, 2012
Insurance Reserves:		
Future Policyholder Benefits	$ 3,146.7	$ 3,103.1
Incurred Losses and LAE Reserves:		
Life	33.1	36.8
Accident and Health	21.7	21.7
Property	4.7	7.0
Total Incurred Losses and LAE Reserves	59.5	65.5
Insurance Reserves	$ 3,206.2	$ 3,168.6

Earned Premiums in the Life and Health Insurance segment decreased by $6.4 million and $1.4 million for the nine and three months ended September 30, 2013, respectively, compared to the same periods in 2012. Earned premiums on life insurance decreased by $1.1 million for the nine months ended September 30, 2013, compared to the same period in 2012, due primarily to lower volume of insurance, as a decrease of $4.4 million from life insurance products offered by the Kemper Home Service Companies ("KHSC") was partially offset by an increase of $3.3 million from life insurance products offered by Reserve National Insurance Company ("Reserve National"). In late 2012, Reserve National began offering its life insurance products through an expanded network of brokers and agents. Earned premiums on life insurance products offered by Reserve National increased by $1.8 million for the three months ended September 30, 2013, compared to the same period in 2012, due primarily to higher volume of insurance, while earned premiums on life insurance products offered by KHSC decreased by $1.8 million due primarily to lower volume of insurance. Earned premiums on accident and health insurance decreased by $3.0 million and $0.6 million for the nine and three months ended September 30, 2013, respectively, compared to the same periods in 2012, due primarily to lower volume of insurance resulting from the suspension of sales of certain health insurance products, partially offset by higher volume of supplemental health insurance products and higher average premium. Reserve National has been adapting its business model in response to the Health Care Acts and suspended sales of certain health insurance products at the end of 2011 and began transitioning its sales to supplemental health insurance products that are not expected to be as severely impacted by the Health Care Acts. Earned premiums on property insurance decreased by $2.3 million and $0.8 million for the nine and three months ended September 30, 2013, respectively, compared to the same periods in 2012, due primarily to lower volume of insurance from the run-off and, in certain geographical areas, the non-renewal of dwelling coverage, partially offset by the impact of non-renewing the Life and Health Insurance segment's catastrophe reinsurance program. Given the actions taken by KHSC to reduce its exposures to catastrophes, KHSC did not renew its catastrophe reinsurance program in 2013. Catastrophe reinsurance premiums reduced earned premiums by $1.5 million and $0.5 million for the nine and three months ended September 30, 2012, respectively, with no such reduction in 2013.

Life and Health Insurance (continued)

Net Investment Income increased by $5.8 million for the nine months ended September 30, 2013, compared to the same period in 2012, due primarily to a higher level of investments in fixed maturities, higher investment income from Equity Method Limited Liability Investments and higher dividends on equity securities, partially offset by lower book yields on fixed maturities. Net investment income from Equity Method Limited Liability Investments was $7.2 million for the nine months ended September 30, 2013, compared to $2.1 million for the same period in 2012. Net Investment Income increased by $8.4 million for the three months ended September 30, 2013, compared to the same period in 2012, due primarily to higher investment income from Equity Method Limited Liability Investments, a higher level of investments in fixed maturities and higher dividends on equity securities, partially offset by lower book yields on fixed maturities. Net investment income from Equity Method Limited Liability Investments was $3.8 million for three months ended September 30, 2013, compared to a net investment loss of $1.5 million for the same period in 2012.

Operating Profit in the Life and Health Insurance segment was $98.3 million before taxes for the nine months ended September 30, 2013, compared to $102.7 million for the same period in 2012. Policyholders' Benefits and Incurred Losses and LAE decreased by $3.3 million in 2013 due primarily to lower underlying losses on property insurance and lower catastrophe losses and LAE, partially offset by higher policyholders' benefits on life insurance and higher incurred accident and health insurance losses. Policyholders' benefits on life insurance were $204.2 million in 2013, compared to $200.2 million in 2012, an increase of $4.0 million. Policyholders' benefits on life insurance increased due primarily to slightly higher mortality rates related to insurance policies issued by KHSC and the higher volume of insurance from policies issued by Reserve National. Incurred accident and health insurance losses were $69.6 million, or 57.4% of accident and health insurance earned premiums, in 2013, compared to $67.1 million, or 54.0% of accident and health insurance earned premiums, in 2012. Incurred accident and health insurance losses as a percentage of accident and health insurance earned premiums increased due primarily to higher severity of accident and health insurance losses, partially offset by lower frequency of claims. Incurred losses and LAE on property insurance were $23.1 million, or 38.9% of property insurance earned premiums, in 2013, compared to $32.9 million, or 53.3% of property insurance earned premiums, in 2012. Underlying losses and LAE on property insurance were $20.1 million, or 33.8% of property insurance earned premiums, in 2013, compared to $25.8 million, or 41.8% of property insurance earned premiums, in 2012 and decreased due primarily to lower severity of insurance losses. Catastrophe losses and LAE (excluding development) were $3.4 million in 2013, compared to $7.3 million in 2012. Insurance Expenses in the Life and Health Insurance segment increased by $7.1 million in 2013, compared to 2012, due primarily to higher legal costs and start-up expenses to expand Reserve National's distribution channels, partially offset by lower commissions.

Operating Profit in the Life and Health Insurance segment was $35.2 million before taxes for the three months ended September 30, 2013, compared to $29.4 million for the same period in 2012. Policyholders' Benefits and Incurred Losses and LAE decreased by $2.1 million in 2013 due primarily to lower underlying losses on property insurance and lower catastrophe losses and LAE, partially offset by higher policyholders' benefits on life insurance. Policyholders' benefits on life insurance were $66.8 million in 2013, compared to $64.5 million in 2012, an increase of $2.3 million. Incurred accident and health insurance losses were $21.7 million, or 53.3% of accident and health insurance earned premiums, in 2013, compared to $22.1 million, or 53.5% of accident and health insurance earned premiums, in 2012. Incurred losses and LAE on property insurance were $6.1 million, or 31.0% of property insurance earned premiums, in 2013, compared to $10.1 million, or 49.3% of property insurance earned premiums in 2012. Underlying losses and LAE on property insurance were $6.4 million, or 32.5% of property insurance earned premiums, in 2013, compared to $8.7 million, or 42.4% of property insurance earned premiums, in 2012. Catastrophe losses and LAE (excluding development) were insignificant in 2013, compared to $1.6 million in 2012. Insurance Expenses in the Life and Health Insurance segment increased by $3.3 million in 2013, compared to 2012, due primarily to higher legal costs and start-up expenses to expand Reserve National's distribution channels, partially offset by lower commissions.

Segment Net Operating Income in the Life and Health Insurance segment was $64.4 million for the nine months ended September 30, 2013, compared to $66.5 million in 2012. Segment Net Operating Income in the Life and Health Insurance segment was $22.9 million for the three months ended September 30, 2013, compared to $19.2 million in 2012.

Certain state insurance regulators, legislators and treasurers/controllers are involved in an array of initiatives that could result in significant changes to unclaimed property laws and claims handling practices with respect to life insurance policies. These initiatives seek, in various ways, to impose a new duty on the part of life insurers to proactively search for deaths of their insureds. It is the Company's position that state officials lack the legal authority to impose new requirements that have the effect of changing the terms of existing life insurance contracts. See Item 1A., "Risk Factors," of Part II under the caption "Changes in state enforcement of unclaimed property laws and related insurance claims handling practices could have a significant effect on (including an acceleration of) the payment and/or escheatment of life insurance death benefits relative to what is currently contemplated by Kemper and significantly increase claims handling costs," Note 13, "Contingencies," to the

Life and Health Insurance (continued)

Condensed Consolidated Financial Statements and MD&A, "Liquidity and Capital Resources" for additional information about these matters.

Investment Results

Investment Income

Net Investment Income for the nine and three months ended September 30, 2013 and 2012 was:

(Dollars in Millions)	Nine Months Ended Sep 30, 2013	Nine Months Ended Sep 30, 2012	Three Months Ended Sep 30, 2013	Three Months Ended Sep 30, 2012
Investment Income:				
Interest and Dividends on Fixed Maturities	$ 177.2	$ 185.7	$ 59.5	$ 59.7
Dividends on Equity Securities	29.1	18.7	11.3	7.3
Short-term Investments	—	0.2	—	0.1
Loans to Policyholders	14.7	14.0	5.0	4.7
Real Estate	17.7	20.0	3.7	7.0
Equity Method Limited Liability Investments	19.9	7.2	7.7	(0.6)
Other	—	—	—	(0.1)
Total Investment Income	258.6	245.8	87.2	78.1
Investment Expenses:				
Real Estate	15.3	18.8	3.0	6.4
Other Investment Expenses	5.5	4.0	1.8	1.3
Total Investment Expenses	20.8	22.8	4.8	7.7
Net Investment Income	$ 237.8	$ 223.0	$ 82.4	$ 70.4

Net Investment Income was $237.8 million and $223.0 million for the nine months ended September 30, 2013 and 2012, respectively. Net Investment Income increased by $14.8 million in 2013 due primarily to higher investment income from Equity Method Limited Liability Investments and higher dividends on equity securities, partially offset by lower Interest and Dividends on Fixed Maturities. Investment income from Equity Method Limited Liability Investments increased by $12.7 million due to higher investment returns. Dividends on Equity Securities increased by $10.4 million due primarily to higher distributions from, and higher levels of, investments in limited liability companies and limited partnerships classified as Other Equity Interests and higher levels of investments in exchange traded funds. Interest and Dividends on Fixed Maturities decreased by $8.5 million in 2013 due primarily to lower book yields, partially offset by higher levels of investment in fixed maturities. Net investment income from real estate increased by $1.2 million due primarily to income from the early termination of one tenant's lease.

Net Investment Income was $82.4 million and $70.4 million for the three months ended September 30, 2013 and 2012, respectively. Net Investment Income increased by $12.0 million in 2013 due primarily to higher investment income from Equity Method Limited Liability Investments and higher Dividends on Equity Securities. Investment income from Equity Method Limited Liability Investments increased by $8.3 million due to higher investment returns. Dividends on Equity Securities increased by $4.0 million due primarily to higher distributions from investments in limited liability companies and limited partnerships classified as Other Equity Interests. Interest and Dividends on Fixed Maturities decreased by $0.2 million in 2013 due primarily to lower book yields, partially offset by higher levels of investment in fixed maturities.

Investment Results (continued)

Net Realized Gains on Sales of Investments

The components of Net Realized Gains on Sales of Investments for the nine and three months ended September 30, 2013 and 2012 were:

	Nine Months Ended		Three Months Ended	
(Dollars in Millions)	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Fixed Maturities:				
Gains on Sales	$ 29.6	$ 55.2	$ 2.5	$ 50.7
Losses on Sales	—	(0.1)	—	(0.1)
Equity Securities:				
Gains on Sales	1.9	4.7	0.7	0.1
Losses on Sales	(0.3)	(0.2)	(0.2)	—
Equity Method Limited Liability Investments:				
Gains on Sales	2.5	—	2.3	—
Real Estate:				
Gains on Sales	44.2	—	43.6	—
Other Investments:				
Gains on Sales	0.1	—	—	—
Losses on Sales	(0.1)	—	—	—
Net Gains on Trading Securities	0.4	0.3	0.2	0.2
Net Realized Gains on Sales of Investments	$ 78.3	$ 59.9	$ 49.1	$ 50.9
Gross Gains on Sales	$ 78.3	$ 59.9	$ 49.1	$ 50.8
Gross Losses on Sales	(0.4)	(0.3)	(0.2)	(0.1)
Net Gains on Trading Securities	0.4	0.3	0.2	0.2
Net Realized Gains on Sales of Investments	$ 78.3	$ 59.9	$ 49.1	$ 50.9

In the third quarter of 2013, the Company sold the building where Kemper's corporate offices are headquartered and recognized a realized gain of $43.6 million. In the first quarter of 2013, the Company sold $138.5 million of Corporate Bonds and Notes in conjunction with a comprehensive review of the prospects of each issuer in the Company's publicly-traded corporate bond portfolio. Realized Gains on Sales of Fixed Maturities for the nine months ended September 30, 2013 include realized gains of $24.8 million from such sales. In the third quarter of 2012, the Company sold $320.1 million of municipal securities to take advantage of attractive pricing for such securities and for tax planning and other portfolio management purposes. Realized Gains on Sales of Fixed Maturities for both the nine and three months ended September 30, 2012 include realized gains of $44.9 million from such sales.

Investment Results (continued)

Net Impairment Losses Recognized in Earnings

The components of Net Impairment Losses Recognized in Earnings in the Condensed Consolidated Statements of Income for the nine and three months ended September 30, 2013 and 2012 were:

(Dollars in Millions)	Nine Months Ended Sep 30, 2013	Nine Months Ended Sep 30, 2012	Three Months Ended Sep 30, 2013	Three Months Ended Sep 30, 2012
Fixed Maturities	$ (4.4)	$ (0.4)	$ (2.2)	$ —
Equity Securities	(1.9)	(0.6)	(1.2)	(0.1)
Real Estate	—	(3.1)	—	(3.1)
Net Impairment Losses Recognized in Earnings	$ (6.3)	$ (4.1)	$ (3.4)	$ (3.2)

The Company regularly reviews its investment portfolio for factors that may indicate that a decline in the fair value of an investment is other-than-temporary. Losses arising from other-than-temporary declines in fair values are reported in the Condensed Consolidated Statements of Income in the period that the declines are determined to be other-than-temporary. Net Impairment Losses Recognized in the Condensed Consolidated Statements of Income for the nine months ended September 30, 2013 include losses of $0.8 million due to the Company's intent to sell or requirement to sell bonds of two issuers. Net Impairment Losses Recognized in the Condensed Consolidated Statements of Income for the nine months ended September 30, 2013 include credit losses of $3.6 million from other-than-temporary declines in the fair values of investments in fixed maturities of three issuers. Net Impairment Losses Recognized in the Condensed Consolidated Statements of Income for the nine months ended September 30, 2013 include losses of $1.9 million from other-than-temporary declines in the fair values of investments in equity securities of six issuers.

Net Impairment Losses Recognized in the Condensed Consolidated Statements of Income for the three months ended September 30, 2013 include credit losses of $2.2 million from other-than-temporary declines in the fair values of investments in fixed maturities of two issuers. Net Impairment Losses Recognized in the Condensed Consolidated Statements of Income for the three months ended September 30, 2013 include losses of $1.2 million from other-than-temporary declines in the fair values of investments in equity securities of three issuers.

Net Impairment Losses Recognized in the Condensed Consolidated Statements of Income for the nine months ended September 30, 2012 include losses of $0.4 million due to the Company's intent to sell bonds of one issuer. Net Impairment Losses Recognized in the Condensed Consolidated Statements of Income for the nine months ended September 30, 2012 includes losses of $0.6 million from other-than-temporary declines in the fair values of investments in equity securities of three issuers. The Company classified certain investments in real estate as held for sale in the third quarter of 2012. In connection with such classification, the Company wrote down five properties to their respective estimated net sales prices and recognized impairment losses of $3.1 million in the third quarter of 2012.

Investment Results (continued)

Total Comprehensive Investment Gains (Losses)

Total Comprehensive Investment Gains (Losses) are comprised of Net Realized Gains on Sales of Investments and Net Impairment Losses Recognized in Earnings that are reported in the Condensed Consolidated Statements of Income and unrealized investment gains and losses that are not reported in the Condensed Consolidated Statements of Income, but rather are reported in the Condensed Consolidated Statements of Comprehensive Income. The components of Total Comprehensive Investment Gains (Losses) for the nine and three months ended September 30, 2013 and 2012 were:

	Nine Months Ended		Three Months Ended	
(Dollars in Millions)	Sep 30, 2013	Sep 30, 2012	Sep 30, 2013	Sep 30, 2012
Fixed Maturities:				
Recognized in Condensed Consolidated Statements of Income:				
Gains on Sales	$ 29.6	$ 55.2	$ 2.5	$ 50.7
Losses on Sales	—	(0.1)	—	(0.1)
Net Impairment Losses Recognized in Earnings	(4.4)	(0.4)	(2.2)	—
Total Recognized in Condensed Consolidated Statements of Income	25.2	54.7	0.3	50.6
Recognized in Other Comprehensive Gains (Losses)	(322.8)	88.9	(31.1)	26.9
Total Comprehensive Investment Gains (Losses) on Fixed Maturities	(297.6)	143.6	(30.8)	77.5
Equity Securities:				
Recognized in Condensed Consolidated Statements of Income:				
Gains on Sales	1.9	4.7	0.7	0.1
Losses on Sales	(0.3)	(0.2)	(0.2)	—
Net Impairment Losses Recognized in Earnings	(1.9)	(0.6)	(1.2)	(0.1)
Total Recognized in Condensed Consolidated Statements of Income	(0.3)	3.9	(0.7)	—
Recognized in Other Comprehensive Gains (Losses)	6.5	34.2	(2.1)	21.0
Total Comprehensive Investment Gains (Losses) on Equity Securities	6.2	38.1	(2.8)	21.0
Equity Method Limited Liability Investments:				
Recognized in Condensed Consolidated Statements of Income:				
Gains on Sales	2.5	—	2.3	—
Real Estate:				
Recognized in Condensed Consolidated Statements of Income:				
Gains on Sales	44.2	—	43.6	—
Net Impairment Losses Recognized in Earnings	—	(3.1)	—	(3.1)
Total Recognized in Condensed Consolidated Statements of Income	44.2	(3.1)	43.6	(3.1)
Other Investments:				
Recognized in Condensed Consolidated Statements of Income:				
Gains on Sales	0.1	—	—	—
Losses on Sales	(0.1)	—	—	—
Trading Securities Net Gains	0.4	0.3	0.2	0.2
Total Recognized in Condensed Consolidated Statements of Income	0.4	0.3	0.2	0.2
Total Comprehensive Investment Gains (Losses)	$ (244.3)	$ 178.9	$ 12.5	$ 95.6
Recognized in Condensed Consolidated Statements of Income	$ 72.0	$ 55.8	$ 45.7	$ 47.7
Recognized in Other Comprehensive Income (Loss)	(316.3)	123.1	(33.2)	47.9
Total Comprehensive Investment Gains (Losses)	$ (244.3)	$ 178.9	$ 12.5	$ 95.6

Investment Quality and Concentrations

The Company's fixed maturity investment portfolio is comprised primarily of high-grade municipal, corporate and agency bonds. At September 30, 2013, 93% of the Company's fixed maturity investment portfolio was rated investment grade, which is defined as a security having a rating of AAA, AA, A or BBB from Standard & Poor's ("S&P"); a rating of Aaa, Aa, A or Baa from Moody's Investors Service ("Moody's"); a rating of AAA, AA, A or BBB from Fitch Ratings ("Fitch"); or a rating from the National Association of Insurance Commissioners ("NAIC") of 1 or 2.

The following table summarizes the credit quality of the Company's fixed maturity investment portfolio at September 30, 2013 and December 31, 2012:

		Sep 30, 2013		Dec 31, 2012	
NAIC Rating	S&P Equivalent Rating	Fair Value in Millions	Percentage of Total	Fair Value in Millions	Percentage of Total
1	AAA, AA, A	$ 3,207.1	69.0%	$ 3,319.1	68.3%
2	BBB	1,114.4	24.0	1,199.0	24.7
3-4	BB, B	152.5	3.3	158.9	3.2
5-6	CCC or Lower	171.0	3.7	183.2	3.8
Total Investments in Fixed Maturities		$ 4,645.0	100.0%	$ 4,860.2	100.0%

Gross unrealized losses on the Company's investments in below-investment-grade fixed maturities were $5.7 million and $4.3 million at September 30, 2013 and December 31, 2012, respectively.

At September 30, 2013, the Company had $181.6 million of bonds issued by states and political subdivisions that had been pre-refunded with U.S. Government and Government Agencies and Authorities obligations held in trust for the full payment of principal and interest. At September 30, 2013, the Company had $1,203.0 million of investments in bonds issued by states and political subdivisions, commonly referred to as "municipal bonds," that had not been pre-refunded, of which $81.5 million were enhanced with insurance from monoline bond insurers. The Company's municipal bond investment credit-risk strategy is to focus on the underlying credit rating of the issuer and not to rely on the credit enhancement provided by the monoline bond insurer when making investment decisions. To that end, the underlying rating of over 96% of the Company's entire municipal bond portfolio that has not been pre-refunded is AA or higher.

The following table summarizes the fair value of the Company's investments in governmental fixed maturities at September 30, 2013 and December 31, 2012:

	Sep 30, 2013		Dec 31, 2012	
(Dollars in Millions)	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
U.S. Government and Government Agencies and Authorities	$ 376.3	6.1%	$ 428.9	6.6%
Pre-refunded with U.S. Government and Government Agencies and Authorities Held in Trust	181.6	2.9	288.5	4.5
States	627.8	10.2	545.1	8.4
Political Subdivisions	135.1	2.2	122.9	1.9
Revenue Bonds	440.1	7.1	444.9	6.9
Total Investments in Governmental Fixed Maturities	$ 1,760.9	28.5%	$ 1,830.3	28.3%

The Company's short-term investments primarily consist of overnight repurchase agreements, money market funds and U.S. Treasuries. At September 30, 2013, the Company had $172.8 million invested in overnight repurchase agreements primarily collateralized by securities issued by the U.S. government, $57.1 million invested in money market funds which primarily invest in U.S. Treasury securities and $39.6 million of U.S. Treasury bills. At the time of borrowing, the repurchase agreements generally require the borrower to provide collateral to the Company at least equal to the amount borrowed from the Company. The Company bears some investment risk in the event that a borrower defaults and the value of collateral falls below the amount borrowed.

Investment Quality and Concentrations (continued)

The following table summarizes the fair value of the Company's investments in non-governmental fixed maturities by industry at September 30, 2013 and December 31, 2012:

(Dollars in Millions)	Sep 30, 2013 Fair Value	Sep 30, 2013 Percentage of Total Investments	Dec 31, 2012 Fair Value	Dec 31, 2012 Percentage of Total Investments
Manufacturing	$ 1,250.1	20.2%	$ 1,371.1	21.2%
Finance, Insurance and Real Estate	766.8	12.4	780.8	12.1
Transportation, Communication and Utilities	282.2	4.6	289.2	4.5
Services	278.7	4.5	298.6	4.6
Mining	142.7	2.3	143.4	2.2
Retail Trade	75.1	1.2	66.5	1.0
Wholesale Trade	63.6	1.0	57.8	0.9
Agriculture, Forestry and Fishing	18.9	0.3	19.2	0.3
Other	6.0	0.1	3.3	0.1
Total Investments in Non-governmental Fixed Maturities	$ 2,884.1	46.6%	$ 3,029.9	46.9%

Eighty-one companies comprised more than 75% of the Company's fixed maturity exposure to the Manufacturing industry at September 30, 2013, with the largest single exposure, Merck & Co., comprising 2.6%, or $32.8 million, of the Company's fixed maturity exposure to such industry. Thirty-nine companies comprised more than 75% of the Company's exposure to the Finance, Insurance and Real Estate industry at September 30, 2013, with the largest single exposure, Wells Fargo & Company, comprising 4.4%, or $33.7 million, of the Company's exposure to such industry.

The following table summarizes the fair value of the Company's ten largest investment exposures, excluding investments in U.S. Government and Government Agencies and Authorities and Pre-refunded Municipal Bonds, at September 30, 2013:

(Dollars in Millions)	Fair Value	Percentage of Total Investments
Fixed Maturities:		
States and Political Subdivisions:		
Texas	$ 86.3	1.4%
Ohio	67.5	1.1
Georgia	64.9	1.1
Colorado	60.0	1.0
Wisconsin	55.0	0.9
Maryland	53.6	0.8
Louisiana	50.4	0.8
Equity Method Limited Liability Investments:		
Tennenbaum Opportunities Fund V, LLC	73.7	1.2
Vintage Fund IV, LP	54.2	0.9
Special Value Opportunities Fund, LLC	50.9	0.8
Total	$ 616.5	10.0%

Investments in Limited Liability Investment Companies and Limited Partnerships

The Company owns investments in various limited liability investment companies and limited partnerships that primarily invest in distressed debt, mezzanine debt and secondary transactions. The Company's investments in these limited liability investment companies and limited partnerships are reported either as Equity Method Limited Liability Investments, or Other Equity Interests and included in Equity Securities depending on the accounting method used to report the investment. Additional information pertaining to these investments at September 30, 2013 and December 31, 2012 is presented below:

(Dollars in Millions)	Asset Class	Unfunded Commitment Sep 30, 2013	Reported Value Sep 30, 2013	Reported Value Dec 31, 2012	Stated Fund End Date
Reported as Equity Method Limited Liability Investments at Cost Plus Cumulative Undistributed Earnings:					
Tennenbaum Opportunities Fund V, LLC	Distressed Debt	$ —	$ 73.7	$ 69.9	10/10/2016
Vintage Fund IV, LP	Secondary Transactions	17.4	54.2	58.9	12/31/2016
Special Value Opportunities Fund, LLC	Distressed Debt	—	50.9	59.4	7/13/2016
BNY Mezzanine - Alcentra Partners III, LP	Mezzanine Debt	18.2	16.3	18.9	2021-2022
BNY Mezzanine Partners, LP	Mezzanine Debt	0.2	9.3	9.2	4/17/2016
Ziegler Meditech Equity Partners, LP	Growth Equity	—	7.2	8.9	1/31/2016
Midwest Mezzanine Fund IV, LP	Mezzanine Debt	0.3	6.1	6.3	12/18/2016
NYLIM Mezzanine Partners II, LP	Mezzanine Debt	3.8	5.4	10.3	7/31/2016
Other Funds		13.3	8.3	11.2	Various
Total for Equity Method Limited Liability Investments		53.2	231.4	253.0	
Reported as Other Equity Interests at Fair Value:					
Highbridge Principal Strategies Mezzanine Partners, LP	Mezzanine Debt	2.3	20.4	22.1	1/23/2018
Vintage Fund V, LP	Secondary Transactions	5.6	12.8	13.7	12/31/2018
Highbridge Principal Strategies Credit Opportunities Fund, LP	Hedge Fund	—	11.6	11.0	12/29/2021
GS Mezzanine Partners V, LP	Mezzanine Debt	11.8	7.9	9.3	12/31/2021
Other		95.2	101.3	85.2	Various
Total Reported as Other Equity Interests at Fair Value		114.9	154.0	141.3	
Total		$ 168.1	$ 385.4	$ 394.3	

While the Company's investments in any particular fund may increase over the next several years as the Company funds its commitments, the Company expects that the aggregate amount invested in these funds will remain relatively steady as existing investments held by the funds either mature or are realized and the proceeds distributed to the Company.

Interest and Other Expenses

Interest and Other Expenses was $74.3 million for the nine months ended September 30, 2013, compared to $65.4 million for the same period in 2012. Interest and Other Expenses increased by $8.9 million for the nine months ended September 30, 2013, compared to the same period in 2012, due primarily to higher salary and postretirement benefit costs. Interest and Other Expenses was $25.3 million for the three months ended September 30, 2013, compared to $22.7 million for the same period in 2012. Interest and Other Expenses increased by $2.6 million for the three months ended September 30, 2013, compared to the same period in 2012, due primarily to higher salary and postretirement benefit costs.

Income Taxes

The Company's effective income tax rate from continuing operations differs from the Federal statutory income tax rate due primarily to the effects of tax-exempt investment income and dividends received deductions. Tax-exempt investment income and dividends received deductions were $23.6 million and $7.4 million for the nine and three months ended September 30, 2013, compared to $31.7 million and $8.9 million for the same periods in 2012.

Recently Issued Accounting Pronouncements

In February 2013, the FASB issued ASU 2013-02, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.* The standard is effective for the first interim or annual period beginning on or after December 15, 2012. The new standard amends and enhances disclosure requirements by requiring an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income. The Company adopted the standard in the first quarter of 2013. Except for the additional disclosure requirements, the initial application of the standard did not have an impact on the Company.

In July 2013, the FASB issued ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. The standard is effective for the first interim or annual period beginning on or after December 15, 2013 with early adoption permitted. The standard amends ASC Topic 740, *Income Taxes*, to provide guidance and reduce diversity in practice on the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. Except for the changes, if any, in the Company's presentation, the initial application of the standard will not impact the Company.

There have been nine other ASUs issued in 2013 that amend the original text of the ASC. The ASUs are not expected to have a material impact on the Company.

Liquidity and Capital Resources

There were no outstanding borrowings at September 30, 2013 under Kemper's 2016 Credit Agreement, a four-year, $325.0 million, unsecured, revolving credit agreement, expiring March 7, 2016. The 2016 Credit Agreement provides for fixed and floating rate advances for periods up to six months at various interest rates. The 2016 Credit Agreement contains various financial covenants, including limits on total debt to total capitalization, consolidated net worth and minimum risk-based capital ratios for Kemper's largest insurance subsidiaries, United and Trinity. Proceeds from advances under the 2016 Credit Agreement may be used for general corporate purposes, including repayment of existing indebtedness.

Various state insurance laws restrict the ability of Kemper's insurance subsidiaries to pay dividends without regulatory approval. Such insurance laws generally restrict the amount of dividends paid in an annual period to the greater of statutory net income from the previous year or 10% of statutory capital and surplus. Kemper's direct insurance subsidiaries paid dividends of $70.0 million to Kemper during the first nine months of 2013. Kemper estimates that its direct insurance subsidiaries would be able to pay $109.7 million in dividends to Kemper during the remainder of 2013 without prior regulatory approval, of which Kemper estimates the insurance subsidiaries will pay $25 million.

On July 25, 2013, Kemper's subsidiary, One East Wacker LLC ("One East"), sold the building where Kemper's corporate offices are headquartered for a gain of $43.6 million before taxes. In connection with the sale, Kemper entered into a long-term operating lease for five floors of the 41-story office building, with naming and signage rights. One East's proceeds from the sale before taxes, net of repayment of a $45 million mortgage held by Trinity and an advance of $4.0 million from Kemper, and payment of other transaction costs and liabilities, were approximately $50 million. In August 2013, One East paid a cash dividend of $45 million to Kemper.

During the first nine months of 2013, Kemper repurchased 2.5 million shares of its common stock at an aggregate cost of $85.2 million in open market transactions. Kemper paid a quarterly dividend to shareholders of $0.24 per common share for each of the first three quarters of 2013. Dividends paid were $41.5 million for the nine months ended September 30, 2013.

Kemper directly held cash and investments totaling $152.6 million at September 30, 2013, compared to $190.2 million at December 31, 2012. The Company made a voluntary contribution of $55.0 million to its defined benefit pension plan in the third quarter of 2013. Sources available for the repayment of indebtedness, repurchases of common stock, future shareholder dividend payments and the payment of interest on Kemper's senior notes include cash and investments directly held by Kemper, receipt of dividends from Kemper's insurance subsidiaries and borrowings under the 2016 Credit Agreement.

The primary sources of funds for Kemper's insurance subsidiaries are premiums, investment income and proceeds from the sales and maturity of investments. The primary uses of funds are the payment of policyholder benefits under life insurance contracts, claims under property and casualty insurance contracts and accident and health insurance contracts, the payment of commissions and general expenses and the purchase of investments. Generally, there is a time lag between when premiums are collected and when policyholder benefits and insurance claims are paid. Changes in the legal environment relative to state enforcement of unclaimed property laws and related insurance claims handling practices could result in changes in the manner in which Kemper's life insurance companies administer life insurance death benefits and escheat unclaimed benefits to the states, and could have a significant effect on the payment and/or escheatment of such benefits, including decreasing such time lag due to an acceleration of such payment and/or escheatment relative to what is currently contemplated by Kemper. See the Company's Risk Factor set forth in Item 1A. of Part II of this Quarterly Report on Form 10-Q, Note 13 "Contingencies," to the Condensed Consolidated Financial Statements and the section of this MD&A entitled "Life and Health Insurance" for additional information on these matters. During periods of growth, insurance companies typically experience positive operating cash flows and are able to invest a portion of their operating cash flows to fund future policyholder benefits and claims. During periods in which premium revenues decline, insurance companies may experience negative cash flows from operations and may need to sell investments to fund payments to policyholders and claimants. In addition, if the Company's property and casualty insurance subsidiaries experience several significant catastrophic events over a relatively short period of time, investments may have to be sold in advance of their maturity dates to fund payments, which could result in either investment gains or losses. Management believes that its property and casualty insurance subsidiaries maintain adequate levels of liquidity in the event that they experience several future catastrophic events over a relatively short period of time.

Net Cash Provided by Operating Activities was $92.9 million for the nine months ended September 30, 2013, compared to Net Cash Provided by Operating Activities of $99.6 million for the same period in 2012.

Net Cash Used by Financing Activities increased by $28.3 million for the nine months ended September 30, 2013, compared to the same period in 2012. Kemper used $82.9 million of cash during the first nine months of 2013 to repurchase shares of its common stock, compared to $57.7 million of cash used to repurchase shares of its common stock in the same period of 2012. Kemper used $41.5 million of cash to pay dividends for the nine months ended September 30, 2013, compared to $42.9 million of cash used to pay dividends in the same period of 2012. The quarterly dividend rate was $0.24 per common share for each of the first three quarters of 2013 and 2012.

Cash available for investment activities in total is dependent on cash flow from Operating Activities and Financing Activities and the level of cash the Company elects to maintain. Net Cash Provided by Investing Activities decreased by $52.7 million for the nine months ended September 30, 2013, compared to the same period of 2012. Purchases of Fixed Maturities exceeded Sales of Fixed Maturities by $88.9 million for the nine months ended September 30, 2013. Sales of Fixed Maturities exceeded Purchases of Fixed Maturities by $210.7 million for the same period in 2012. Purchases of Equity Securities exceeded Sales of Equity Securities by $28.7 million for the nine months ended September 30, 2013, compared to $87.9 million for the same period in 2012. Net cash provided by dispositions of short-term investments was $39.7 million for the nine months ended September 30, 2013, compared to net cash of $49.9 million used by acquisitions of short-term investments for the same period in 2012. Cash provided from the sales of investment real estate was $102.5 million for the nine months ended September 30, 2013. Net proceeds from the sale of Fireside Auto Finance, Inc.'s inactive loan portfolio provided $17.7 million of cash for the nine months ended September 30, 2012.

Critical Accounting Estimates

Kemper's subsidiaries conduct their continuing operations in two industries: property and casualty insurance and life and health insurance. Accordingly, the Company is subject to several industry-specific accounting principles under GAAP. The preparation of financial statements in accordance with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The process of estimation is inherently uncertain. Accordingly, actual results could ultimately differ materially from the estimated amounts reported in a company's financial statements. Different assumptions are likely to result in different estimates of reported amounts.

The Company's critical accounting policies most sensitive to estimates include the valuation of investments, the valuation of reserves for property and casualty insurance incurred losses and LAE, the assessment of recoverability of goodwill, the valuation of pension benefit obligations and the valuation of postretirement benefit obligations other than pensions. The Company's critical accounting policies are described in the MD&A included in the 2012 Annual Report. There has been no material change, subsequent to December 31, 2012, to the information previously disclosed in the 2012 Annual Report with respect to these critical accounting estimates and the Company's critical accounting policies.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Pursuant to the rules and regulations of the SEC, the Company is required to provide the following disclosures about Market Risk.

Quantitative Information About Market Risk

The Company's Condensed Consolidated Balance Sheets at both September 30, 2013 and December 31, 2012 included three types of financial instruments subject to material market risk disclosures required by the SEC:

1) Investments in Fixed Maturities;
2) Investments in Equity Securities; and
3) Notes Payable.

Investments in Fixed Maturities and Notes Payable are subject to material interest rate risk. The Company's Investments in Equity Securities include common and preferred stocks and, accordingly, are subject to material equity price risk and interest rate risk, respectively.

For purposes of this disclosure, market risk sensitive financial instruments are divided into two categories: financial instruments acquired for trading purposes and financial instruments acquired for purposes other than trading. The Company's market risk sensitive financial instruments are generally classified as held for purposes other than trading. The Company has no significant holdings of financial instruments acquired for trading purposes. The Company has no significant holdings of derivatives.

The Company measures its sensitivity to market risk by evaluating the change in its financial assets and liabilities relative to fluctuations in interest rates and equity prices. The evaluation is made using instantaneous changes in interest rates and equity prices on a static balance sheet to determine the effect such changes would have on the Company's market value at risk and the resulting pre-tax effect on Shareholders' Equity. The changes chosen represent the Company's view of adverse changes which are reasonably possible over a one-year period. The selection of the changes chosen should not be construed as the Company's prediction of future market events, but rather an illustration of the impact of such possible events.

For the interest rate sensitivity analysis presented below, the Company assumed an adverse and instantaneous increase of 100 basis points in the yield curve at both September 30, 2013 and December 31, 2012 for Investments in Fixed Maturities. Such 100 basis point increase in the yield curve may not necessarily result in a corresponding 100 basis point increase in the interest rate for all investments in fixed maturities. For example, a 100 basis point increase in the yield curve for risk-free, taxable investments in fixed maturities may not result in a 100 basis point increase for tax-exempt investments in fixed maturities. For Investments in Fixed Maturities, the Company also anticipated changes in cash flows due to changes in the likelihood that investments would be called or pre-paid prior to their contractual maturity. All other variables were held constant. For preferred stock equity securities, the Company assumed an adverse and instantaneous increase of 100 basis points in market interest rates from their levels at both September 30, 2013 and December 31, 2012. All other variables were held constant. For Notes Payable, the Company assumed an adverse and instantaneous decrease of 100 basis points in market interest rates from their levels at both September 30, 2013 and December 31, 2012. All other variables were held constant. The Company measured equity price sensitivity assuming an adverse and instantaneous 30% decrease in the Standard and Poor's Stock Index (the "S&P 500") from its levels at September 30, 2013 and December 31, 2012, respectively, with all other variables held constant. The Company's investments in common stock equity securities were correlated with the S&P 500 using the portfolio's weighted-average beta of 0.93 and 0.91 at September 30, 2013 and December 31, 2012, respectively. The portfolio's weighted-average beta was calculated using each security's beta for the five-year periods ended September 30, 2013 and December 31, 2012, respectively, and weighted on the fair value of such securities at September 30, 2013 and December 31, 2012, respectively. For equity securities without observable market inputs, the Company assumed a beta of 1.00 at September 30, 2013 and December 31, 2012. Beta measures a stock's relative volatility in relation to the rest of the stock market, with the S&P 500 having a beta coefficient of 1.00.

Quantitative Information About Market Risk (continued)

The estimated adverse effects on the fair values of the Company's financial instruments using these assumptions were:

		Pro Forma Increase (Decrease)		
(Dollars in Millions)	Fair Value	Interest Rate Risk	Equity Price Risk	Total Market Risk
September 30, 2013				
Assets:				
Investments in Fixed Maturities	$ 4,645.0	$ (311.7)	$ —	$ (311.7)
Investments in Equity Securities	567.4	(14.3)	(105.6)	(119.9)
Liabilities:				
Notes Payable	666.3	18.9	—	18.9
December 31, 2012				
Assets:				
Investments in Fixed Maturities	$ 4,860.2	$ (334.0)	$ —	$ (334.0)
Investments in Equity Securities	521.9	(19.0)	(82.3)	(101.3)
Liabilities:				
Notes Payable	675.5	23.1	—	23.1

The market risk sensitivity analysis assumes that the composition of the Company's interest rate sensitive assets and liabilities, including, but not limited to, credit quality, and the equity price sensitive assets existing at the beginning of the period remains constant over the period being measured. It also assumes that a particular change in interest rates is uniform across the yield curve regardless of the time to maturity. Interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market interest rates. Also, any future correlation, either in the near term or the long term, between the Company's common stock equity securities portfolio and the S&P 500 may differ from the historical correlation as represented by the weighted-average historical beta of the common stock equity securities portfolio. Accordingly, the market risk sensitivity analysis may not be indicative of, is not intended to provide, and does not provide, a precise forecast of the effect of changes in market rates on the Company's income or shareholders' equity. Further, the computations do not contemplate any actions the Company may undertake in response to changes in interest rates or equity prices.

To the extent that any adverse 100 basis point change occurs in increments over a period of time instead of instantaneously, the adverse impact on fair values would be partially mitigated because some of the underlying financial instruments would have matured. For example, proceeds from any maturing assets could be reinvested and any new liabilities would be incurred at the then current interest rates.

Qualitative Information About Market Risk

Market risk is a broad term related to economic losses due to adverse changes in the fair value of a financial instrument and is inherent to all financial instruments. SEC disclosure rules focus on only one element of market risk - price risk. Price risk relates to changes in the level of prices due to changes in interest rates, equity prices, foreign exchange rates or other factors that relate to market volatility of the rate, index, or price underlying the financial instrument. The Company's primary market risk exposures are to changes in interest rates and equity prices.

The Company manages its interest rate exposures with respect to Investments in Fixed Maturities by investing primarily in investment-grade securities of moderate effective duration.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

The Company's management, with the participation of Kemper's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this report. Based on such evaluation, Kemper's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed by Kemper in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the SEC's rules and forms, and accumulated and communicated to the Company's management, including Kemper's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in internal controls.

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Items not listed here have been omitted because they are inapplicable or the answer is negative.

Item 1. Legal Proceedings

Information concerning pending legal proceedings is incorporated herein by reference to Note 13, "Contingencies," to the Condensed Consolidated Financial Statements (Unaudited) in Part I of this Form 10-Q.

Item 1A. Risk Factors

There were no significant changes in the risk factors included in Item 1A. of Part I of the 2012 Annual Report, except for the following risk factor, which is amended and restated in its entirety as follows:

Changes in state enforcement of unclaimed property laws and related insurance claims handling practices could have a significant effect on (including an acceleration of) the payment and/or escheatment of life insurance death benefits relative to what is currently contemplated by Kemper and significantly increase claims handling costs.

In recent years, many states have begun to aggressively enforce compliance with their respective unclaimed property laws to assure that companies are properly reporting and remitting such property. The treasurers or controllers (collectively, "Treasurers") of a large majority of states have engaged private firms to examine the practices and procedures of life insurance companies for the handling of unclaimed insurance benefits under life insurance policies, annuity contracts and retained asset accounts.

Certain other measures are also being taken or considered by state insurance regulators, both individually and collectively, through the auspices of the National Association of Insurance Commissioners. Some state insurance regulators have held administrative hearings and/or have initiated market conduct examinations focused on claims handling and escheatment practices of life insurance companies. Based on published reports, at least nine life insurance companies have entered into settlement agreements with state insurance regulators in which they have committed to change their historic claims practices by periodically searching for deceased insureds, prior to the receipt of a death claim, by comparing their in-force policy records against a database of reported deaths maintained by the Social Security Administration or a comparable database (collectively, a"Death Master File"). Separately, based on published reports, at least eighteen life insurance companies have entered into settlement agreements with Treasurers regarding the escheatment of unclaimed life insurance benefits based on the comparison of existing life insurance policy records against a Death Master File.

Additionally, the National Council of Insurance Legislators, has adopted model legislation which, if enacted by states as proposed, would require life insurance companies to compare their in-force life insurance policy records against a Death Master File for the purpose of proactively identifying potentially deceased insureds for whom the subject life insurance company has not yet received a death claim. Seven states have enacted legislation of this type, with varying effective dates (the "DMF Statutes"). Such statutes, if construed to apply to life insurance policies in force on the statute's effective date, could have a significant effect on, including an acceleration of, the payment of life insurance benefits to beneficiaries or, in instances where beneficiaries could not be located, the escheatment of such benefits to the states. In contrast, New Mexico has enacted a version of the model legislation that applies only prospectively to life insurance companies, like Kemper's life insurance companies (the "Life Companies"), that have not previously used a Death Master File. Likewise, Alabama, which had previously enacted a statute similar to the DMF Statutes, recently amended its statute to limit the life insurance policies required to be compared against a Death Master File only to policies issued on or after January 1, 2016. Kemper cannot predict whether or when other states might enact legislation similar to the DMF Statutes, or the exact form or approach that such legislation might take.

Certain of the Life Companies have challenged the validity of the Kentucky DMF Statute insofar as it purports to impose new requirements with respect to existing life insurance policies previously issued by them. The trial court in that case denied the subject Life Companies' motion for summary judgment and held that the requirements of the Kentucky Act apply to life insurance policies issued before the Kentucky DMF Statute's January 1, 2013 effective date. The case is on appeal by the subject Life Companies and a decision by the Court of Appeals is unlikely before the second half of 2014. In July 2013, certain of the Life Companies filed a declaratory judgment action, similar to the Kentucky proceeding, in state court in Maryland, asking the court to construe the Maryland DMF Statute as only applying to policies issued on and after the statute's October 1, 2013 effective date. The State of Maryland defendants filed a motion to dismiss the action on procedural grounds. Kemper cannot predict when the trial court in Maryland might rule on the state's motion to dismiss.

The Life Companies are the subject of an unclaimed property compliance audit (the "Treasurers' Audit") by a private audit firm retained by the Treasurers of thirty-eight states (the "Audit Firm"). In July 2013, the California State Controller (the "CA Controller") filed a complaint for injunctive relief against the Life Companies in state court in California, seeking an order requiring the Life Companies to produce all of their in-force insurance policy records to the Audit Firm to enable the firm to perform a comparison of such records against a Death Master File and to ascertain whether any of the insureds under such policies may be dead. As described below, the suit by the CA Controller is the subject of a counterclaim by the Life Companies.

The Life Companies are the subject of a multi-state market conduct examination by six state insurance regulators of their claim settlement and policy administration practices, and specifically regarding compliance with state unclaimed property statutes (the "Multi-State Exam"). In July 2013, the Life Companies received requests from the Illinois Department of Insurance, as the managing lead state for the Multi-State Exam, for a significant volume of additional information, including the subject Life Companies' records of in-force policies and other information requested by the Audit Firm as part of the Treasurers' Audit and which is the subject of the CA Controller's complaint.

During September 2013, certain of the Life Companies filed declaratory judgment actions against the insurance regulators in four states, asking the courts in those states to declare that applicable law does not require life insurers to search a Death Master File to ascertain whether insureds are deceased. The subject Life Companies are also asking the courts to declare that regulators in those states do not have legal authority to (i) obtain life insurers' policy records for the purpose of comparing data from those records against a Death Master File, and (ii) impose payment obligations on life insurers before a claim and due proof of death have been submitted. Responses from the state regulators in the four declaratory judgment actions have not yet been filed.

Should these various efforts by state officials succeed in retroactively imposing new claims handling and escheatment requirements with regard to existing life insurance contracts, they could have a material adverse effect on the Company's profitability and financial position.

See Note 13, "Contingencies," to the Condensed Consolidated Financial Statements and the sections of the MD&A entitled "Life and Health Insurance" and "Liquidity and Capital Resources" for additional information on the litigation and regulatory proceedings and other matters described above.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Information pertaining to purchases of Kemper common stock for the three months ended September 30, 2013 follows.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (Dollars in Millions)
July 1 - July 31	154,283	$ 34.86	154,283	$ 157.7
August 1 - August 31..	479,835	$ 34.96	466,684	$ 141.4
September 1 - September 30	426,324	$ 34.30	426,324	$ 126.8

(1) On February 2, 2011, Kemper's Board of Directors authorized the repurchase of up to $300 million of Kemper's common stock. The repurchase program does not have an expiration date.

During the quarter ended September 30, 2013, 12,455 shares were withheld to satisfy tax withholding obligations relating to the exercise of stock appreciation rights under Kemper's long-term equity-based compensation plans. During the quarter ended September 30, 2013, 13,151 shares were withheld to satisfy tax withholding obligations on the vesting of restricted stock awards under Kemper's long-term equity-based compensation plans.

Item 5. Other Information.

On October 29, 2013, the Compensation Committee of Kemper's Board of Directors approved two substantive amendments to Kemper's 2009 Performance Incentive Plan. These amendments: (i) change the maximum amount that may be paid in any plan year to a "covered employee," as defined in Section 162(m) of the Internal Revenue Code of 1986, as amended ("Section 162 (m)"), under an annual incentive award or under a multi-year incentive award to $4,000,000; and (ii) provide that the Compensation Committee need not approve performance goals for awards, or portions thereof, that are not intended to qualify as performance-based compensation under Section 162(m).

Item 6. Exhibits

Exhibit numbers correspond to the numbering system in Item 601 of Regulation S-K.

3.1	Restated Certificate of Incorporation.
10.1	Kemper 2011 Omnibus Equity Plan, as amended and restated effective October 30, 2013.
10.2	Kemper 2009 Performance Incentive Plan, as amended and restated effective October 29, 2013.
31.1	Certification of Chief Executive Officer Pursuant to SEC Rule 13a-14(a).
31.2	Certification of Chief Financial Officer Pursuant to SEC Rule 13a-14(a).
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished pursuant to Item 601(b)(32) of Regulation S-K).
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished pursuant to Item 601(b)(32) of Regulation S-K).
101.1	XBRL Instance
101.2	XBRL Taxonomy Extension Schema Document
101.3	XBRL Taxonomy Extension Calculation Linkbase Document
101.4	XBRL Taxonomy Extension Label Linkbase Document
101.5	XBRL Taxonomy Extension Presentation Linkbase Document

Signatures

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

Kemper Corporation

Date: October 31, 2013	/S/ DONALD G. SOUTHWELL **Donald G. Southwell** **Chairman, President and** **Chief Executive Officer** **(Principal Executive Officer)**
Date: October 31, 2013	/S/ FRANK J. SODARO **Frank J. Sodaro** **Senior Vice President and Chief Financial Officer** **(Principal Financial Officer)**
Date: October 31, 2013	/S/ RICHARD ROESKE **Richard Roeske** **Vice President and Chief Accounting Officer** **(Principal Accounting Officer)**

Exhibit Index

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RESTATED CERTIFICATE OF INCORPORATION
OF
KEMPER CORPORATION

Kemper Corporation, a Delaware corporation, does hereby certify as follows:

A. The name of this corporation is Kemper Corporation. The date of the filing of its original Certificate of Incorporation with the Secretary of State of the State of Delaware was February 14, 1990, and the name under which it was originally incorporated was Unitrin, Inc.

B. This Restated Certificate of Incorporation only restates and integrates and does not further amend the provisions of the Certificate of Incorporation as heretofore amended or supplemented, and there is no discrepancy between those provisions and the provisions of this Restated Certificate of Incorporation. This Restated Certificate of Incorporation has been duly adopted in accordance with Section 245 of the Delaware General Corporation Law of the State of Delaware by the Board of Directors of Kemper Corporation.

C. The text of the Certificate of Incorporation of Kemper Corporation is restated to read as hereinafter set forth in full, and all references hereinafter to "Certificate of Incorporation" shall refer to this Restated Certificate of Incorporation:

<u>ONE</u>: The name of this corporation is: Kemper Corporation (the "Corporation").

<u>TWO</u>: The address of its registered office in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle. The name of its registered agent at such address is The Corporation Trust Company. Zip code is 19801.

<u>THREE</u>: The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law ("DGCL").

<u>FOUR</u>: A. This Corporation is authorized to issue two classes of shares of capital stock to be designated respectively "Preferred Stock" and "Common Stock." The total number of shares of capital stock which the Corporation shall have authority to issue is 120,000,000, of which 20,000,000 shares shall be Preferred Stock at the par value of $.10 per share and 100,000,000 shares shall be Common Stock at the par value of $.10 per share. The term "Voting Stock" shall hereinafter refer to all shares of capital stock entitled to vote in elections of Directors.

B. The Preferred Stock may be divided into and issued in one or more series. The Board of Directors is hereby vested with the authority from time to time to establish and designate such series and, within the limitations prescribed by law, to fix and determine the designations, powers, preferences, and relative, participating, optional or other special rights, and qualifications, limitations and restrictions of any series so established.

C. Subject to all of the rights of the Preferred Stock of any series, dividends may be paid on the Common Stock, as and when declared by the Board of Directors, out of any funds of this Corporation legally available for the payment of such dividends. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the corporation, the holders of Common Stock shall share ratably in the assets of the Corporation remaining after payment of the preferential amounts required to be paid to holders of Preferred Stock.

FIVE: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and its Directors and shareholders:

A. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon them by the DGCL or by this Certificate of Incorporation or the Bylaws of the Corporation, the Directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation. At all meetings of the Board, except as otherwise provided by law, this Certificate of Incorporation or the Bylaws of the Corporation, each Director shall have one vote, and all questions, shall be decided by a majority of the Directors present at each such meeting; provided, however, that certain matters, as provided herein below or in the Bylaws or as determined in accordance with a resolution adopted by a majority of the Directors then in office, shall be decided by the "Continuing Directors" or "Continuing Disinterested Directors," as such terms hereafter may be defined.

B. The number of Directors shall be as from time to time fixed by, or in the manner provided in, the Bylaws of the Corporation.

C. Subject to the rights of the holders of any class or series of Preferred Stock and to the requirements of law, unless the Board of Directors otherwise determines, newly created Directorships resulting from any increase in the authorized number of Directors or any vacancies resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled only by a majority vote of the Directors then in office, though less than a quorum, and Directors so chosen shall hold office for a term expiring at the next annual meeting of shareholders and until such Director's successor shall have been duly elected and qualified.

D. The Board of Directors may adopt amend or repeal the Bylaws of this Corporation. Any adoption, amendment or repeal of the Bylaws of the Corporation by the Board of Directors shall require the approval of a majority of the Directors then in office. The shareholders shall also have power to adopt, amend or repeal the Bylaws of the Corporation. In addition to any vote of the holders of any class or series of stock of this Corporation required by law or by this Certificate of Incorporation, the affirmative vote of the holders of at least a majority of the voting power of all of the then-outstanding shares of Voting Stock (hereinafter the "Voting Power"), voting together as a single class, shall be required to adopt, amend or repeal any provision of the Bylaws of the Corporation.

E. Election of Directors need not be by written ballot, but shall be either by written ballot or voice vote in accordance with the Bylaws of the Corporation.

SIX: Any action required or permitted to be taken by the shareholders of the Corporation may be effected only at an annual or special meeting of shareholders of the Corporation and may not be effected by consent in writing of such shareholders. Special meetings of the shareholders of the Corporation may be called only by the Chairman of the Board or by the Board of Directors pursuant to a resolution adopted by a majority of the Directors then in office. The Chairman of the Board may be removed only by the Board of Directors in accordance with a resolution adopted by a majority of the Directors then in office. Notwithstanding any other provisions of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the capital stock of the Corporation required by law or this Certificate of Incorporation, the affirmative vote of the holders of at least seventy-five percent (75%) of the Voting Power, voting together as a single class, shall be required to alter, amend or repeal this Article SIX.

SEVEN: A. The Corporation shall not enter into any Business Combination (as hereinafter defined) unless the requirements of the following Paragraph (1) or the requirements of the following Paragraphs (2) and (3) have been satisfied. However, the Corporation shall not enter into a Business Combination that does not involve any cash or other consideration being received by the shareholders of the Corporation, solely in their respective capacities as shareholders of the Corporation, unless the requirements of Paragraph (1) have been satisfied.

(1) The Business Combination shall have been approved by a majority of the Continuing Directors (as hereinafter defined); provided however, that this condition shall not be capable of satisfaction unless there are at least three Continuing Directors.

(2) The Business Combination shall have been approved by the affirmative vote in person or by proxy of the holders of not less than 75% of the Voting Power, voting together as a single class.

(3) All of the following conditions have been met:

(i) The consideration to be received by holders of shares of a particular class or series of outstanding capital stock shall be in cash or in the same form as the Interested Shareholder or any of its Affiliates has previously paid for shares of such class or series of capital stock. If the Interested Shareholder or any of its Affiliates has paid for shares of any class or series of capital stock with varying forms of consideration, the form of consideration to be received per share by holders of shares of such class or series of capital stock shall be either cash or the form used to acquire the largest number of shares of such class or series previously acquired by the Interested Shareholder.

(ii) The cash or fair market value of other consideration to be received per share by the holders of each class or series of capital stock of the Corporation in a Business Combination with an Interested Shareholder is not less than the highest per share price (including brokerage commissions and/or soliciting dealers' fees) paid by such Interested Shareholder in acquiring any shares of such class or series, respectively, within the twenty-four months preceding the date of consummation of any such Business Combination (appropriately adjusted for any stock split, stock dividend, combination of shares or similar event).

(iii) After such Interested Shareholder has become an Interested Shareholder and prior to the consummation of such Business Combination: (a) except as approved by a majority of the Continuing Directors, there shall have been no failure to declare and pay at the regular date therefor any full quarterly dividends (whether or not cumulative) on any outstanding Preferred Stock; (b) there shall have been (I) no reduction in the annual rate of dividends paid on the Common Stock (except as necessary to reflect any subdivision of the Common Stock), except as approved by a majority of the Continuing Directors, and (II) an increase in such annual rate of dividends as necessary to reflect any reclassification (including any reverse stock split, reorganization, recapitalization or any similar transaction which has the effect of reducing the number of outstanding shares of the Common Stock), unless the failure so to increase such annual rate is approved by a majority of the Continuing Directors; and (c) neither such Interested Shareholder nor any of its Affiliates shall have become the beneficial owner of any additional shares of Voting Stock except as part of the transaction which results in such Interested Shareholder becoming an Interested Shareholder. No approval by Continuing Directors shall satisfy the requirements of this Subparagraph unless at the time of such approval there are at least three Continuing Directors.

(iv) After such Interested Shareholder has become an Interested Shareholder, such Interested Shareholder and any of its Affiliates (as hereinafter defined) shall not have received the benefit, directly or indirectly (except proportionately, solely in such Interested Shareholder's or Affiliate's capacity as a shareholder of the Corporation), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or tax advantages provided by the Corporation, whether in anticipation of or in connection with such Business Combination or otherwise.

(v) A proxy or information statement describing the proposed Business Combination and complying with the requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (or any subsequent provisions replacing such Act, rules or regulations) shall be mailed to all shareholders of the Corporation at least 30 days prior to the consummation of such Business Combination (whether or not such proxy or information statement is required to be mailed pursuant to such Act or subsequent provisions).

(vi) Such Interested Shareholder shall have supplied the Corporation with such information as shall have been requested pursuant to Section D of this Article SEVEN.

B. For the purposes of this Article SEVEN:

1. “Affiliate” or “Associate” shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934 (the “Exchange Act”), as in effect on March 31, 1990.

2. A person shall be a “beneficial owner” of any Voting Stock:

(i) which such person or any of its Affiliates or Associates beneficially owns, directly or indirectly, within the meaning of Rule 13d-3 under the Exchange Act; or

(ii) which such person or any of its Affiliates or Associates has (a) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding, or upon the exercise of conversion rights, exchange rights, warrants or options or otherwise, or (b) the right to vote pursuant to any agreement, arrangement or understanding (but neither such person nor any such Affiliate or Associate shall be deemed to be the beneficial owner of such Voting Stock solely by reason of a revocable proxy granted for a particular meeting of shareholders, pursuant to a public solicitation of proxies for such meeting and with respect to which neither such person nor such Affiliate or Associate is otherwise deemed the beneficial owner; or

(iii) which are beneficially owned, directly or indirectly, within the meaning of Rule 13d-3 under the Exchange Act, by any other person with which such person or any of its Affiliates or Associates has any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of Voting Stock; provided, however, that in the case of any employee stock ownership or similar plan of the Corporation or any Subsidiary in which the beneficiaries thereof possess the right to vote any shares of Voting Stock held by such plan, no such plan or any trustee with respect thereto (nor any affiliate of such trustee) solely by reason of such capacity of such trustee shall be deemed for any purposes hereof beneficially to own any shares of Voting Stock held under any such plan.

3. Business Combination shall mean any of the transactions referred to in the following Subparagraphs (i) through (v):

(i) Any merger or consolidation of the Corporation or any Subsidiary (as hereafter defined) with (a) any Interested Shareholder (as hereafter defined) or (b) any other person (whether or not itself an Interested Shareholder) which is or after such merger or consolidation would be an Affiliate (as hereafter defined) of an Interested Shareholder; or

(ii) Any sale, lease, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Shareholder or any Affiliate of any Interested Shareholder of any assets of the Corporation or any Subsidiary having an aggregate Fair Market Value (as hereafter defined) of $10,000,000.00 or more; or

(iii) the issuance or transfer by the Corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the Corporation or any Subsidiary to any Interested Shareholder or any Affiliate of any Interested Shareholder in exchange for cash, securities or other property (or a combination thereof) having an aggregate Fair Market Value of $10,000,000.00 or more; or

(iv) the adoption of any plan or proposal for the liquidation or dissolution of the Corporation proposed by or on behalf of any Interested Shareholder or any Affiliate of any Interested Shareholder; or

(v) any reclassification of securities (including any reverse stock split or recapitalization of the Corporation) or any merger or consolidation of the Corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving any Interested Shareholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the Corporation or any Subsidiary beneficially owned (as hereafter defined) by any Interested Shareholder or any Affiliate of any Interested Shareholder.

4. “Continuing Director” means (i) any person who is a member of the Corporation's original Board of Directors, (ii) any member of the Board of Directors who is unaffiliated with the Interested Shareholder and was a member of the Board prior to the time that such Interested Shareholder became an Interested Shareholder, and any successor of a Continuing Director who is recommended to succeed a Continuing Director by a majority of Continuing Directors then on the Board.

5. “Fair Market Value” means: (i) in the case of stock, the highest closing sale price during the 30-day period immediately preceding the date in question of a share of such stock on the Composite Tape for New York Stock Exchange-Listed Stocks, or, if such stock is not quoted on the Composite Tape, on the New York Stock Exchange, or, if such stock is not listed on such Exchange, on the principal United States securities exchange registered under the Exchange Act on which such stock is listed, or, if such stock is not listed on any such exchange, the highest closing bid quotation with respect to a share of such stock during the 30-day period preceding the date in question on the National Association of Securities Dealers, Inc. Automated Quotations System or any system then in use, or if no such quotations are available, the fair market value on the date in question of a share of such stock as determined by the Board in good faith; and (ii) in the case of property other than cash or stock, the fair market value of such property on the date in question as determined by the Board in good faith.

6. “Interested Shareholder” shall mean any person who or which:

(i) is the beneficial owner, directly or indirectly, of more than 15 percent of the Voting Power; or

(ii) is an Affiliate or Associate of the Corporation and at any time within the two-year period immediately prior to the date in question was the beneficial owner, directly or indirectly, of 15 percent or more of the Voting Power; or

(iii) is an assignee of or has otherwise succeeded to any shares of Voting Stock which were at any time within the two-year period immediately prior to the date in question beneficially owned by any Interested Shareholder, if such assignment or succession shall have occurred in the course of a transaction or series of transactions not involving a public offering within the meaning of the Securities Act of 1933, as amended;

provided, however, that Interested Shareholder shall not mean: (i) the Corporation or any Subsidiary or (ii) any Person whose beneficial ownership or expected beneficial ownership of 15 percent or more of the Voting Power has been disclosed to the Board of Directors of the Corporation prior to February 19, 1990. Furthermore, in no event shall a person who or which is the beneficial owner of less than 15 percent of the Voting Power become an Interested Shareholder solely as a result of either of the following: (1) a reduction in the number of shares of outstanding Voting Stock, including without limitation a reduction caused by repurchases by the Corporation of outstanding shares of Voting Stock, or (2) an increase of two percent or less in the beneficial ownership of Voting Stock of such person during any 12-month period, provided that such person shall not have become the beneficial owner of more than two percent of the Voting Stock of the Corporation in any prior 12-month period except as a result of the original distribution of the Common Stock of the Corporation to the holders of Teledyne, Inc. Common Stock or pursuant to Clause (1) of this sentence; provided, however, that if any person becomes the Beneficial Owner of 15 percent or more of the Voting Power by reason of share repurchases by the Corporation and thereafter becomes the beneficial owner of any additional Voting Power, except in accordance with Clause (2) of this sentence, such Person shall be deemed to be an Interested Shareholder. For the purposes of determining whether a person is an Interested Shareholder pursuant to this Paragraph 6, the number of shares of Voting Stock deemed to be outstanding shall include shares deemed owned by such person through application of Paragraph (2) of this Section B but shall not include any other shares of Voting Stock which may be issuable pursuant to any agreement, arrangement or understanding or upon exercise of conversion rights, warrants or options or otherwise.

7. A "person" shall mean any individual, partnership, firm, corporation or other entity, as well as any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act.

8. "Subsidiary" means any corporation of which a majority of any class of equity security is owned, directly or indirectly, by the Corporation; provided, however, that for the purposes of the definition of Interested Shareholder set forth in Paragraph (6) of this section B, the term "Subsidiary" shall mean only a corporation of which a majority of each class of equity security is owned, directly or indirectly, by the Corporation.

C. In the event of any Business Combination in which the Corporation survives, the phrase "other consideration to be received" as used in Paragraph (3) (ii) of section A of this Article SEVEN shall include any shares of capital stock of the Corporation retained by the holders of such shares.

D. A majority of the Directors then in office shall have the right to demand, but only if a majority of the Directors then in office shall then consist of Continuing Directors, or, if a majority of the Directors then in office shall not then consist of Continuing Directors, a majority of the then Continuing Directors shall have the right to demand, that any person who is reasonably believed to be an Interested Shareholder (or holds of record shares of Voting Stock beneficially owned by any Interested Shareholder) supply the Corporation with complete information as to the (i) record owner(s) of all shares beneficially owned by such person who is reasonably believed to be an Interested Shareholder, (ii) number of and class and series of shares beneficially owned by such person who is reasonably believed to be an Interested Shareholder and held of record by each such record owner and the numbers of the stock certificates evidencing such shares, and (iii) any other factual matter relating to the applicability or effect of this Article SEVEN as may be reasonably requested of such person, and such person shall furnish such information within ten (10) days after receipt of such demand.

E. Nothing contained in this Article SEVEN shall be construed to relieve any Interested Shareholder from any fiduciary obligation imposed by law.

F. Notwithstanding any other provisions of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of Voting Stock required by law or this Certificate of Incorporation, the affirmative vote of the holders of at least 75% of the Voting Power, voting together as a single class, shall be required to alter, amend or repeal this Article SEVEN; provided, however, that no amendment of this Article SEVEN shall apply to any person who is an Interested Shareholder at the time of the adoption of such amendment.

EIGHT: In addition to any other considerations which the Board of Directors lawfully may take into account in determining whether to take or refrain from taking corporate action on any matter, including making or declining to make any recommendations to the shareholders of the Corporation, the Board of Directors may in its discretion consider the long term as well as short term best interests of the Corporation (including the possibility that these interests may be best served by the continued independence of the Corporation), taking into account and weighing as the Directors deem appropriate the effects of such action on employees, suppliers and customers of the Corporation and its Subsidiaries and the effect upon communities in which the offices or other facilities of the Corporation are located and any other factors the Directors consider pertinent.

NINE: No Director of the Corporation shall be personally liable to the Corporation or its shareholders for monetary damages for any breach of fiduciary duty by such Director as a Director. Notwithstanding the foregoing sentence, a Director shall be liable to the extent provided by applicable law (i) for any breach of the Director's duty of loyalty to the Corporation or its shareholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the DGCL or (iv) for any transaction from which such Director derived an improper personal benefit. No amendment to or repeal of this Article NINE shall apply to or have any effect on the liability or alleged liability of any Director of the Corporation for or with respect to any acts or omissions of such Director occurring prior to such amendment or repeal. If the DGCL is amended hereafter further to eliminate or limit the personal liability of Directors, the liability of a Director of this Corporation shall be limited or eliminated to the fullest extent permitted by the DGCL, as amended.

TEN: A. Right to Indemnification. Each person who was or is made a party to or is threatened to be made a party to or is involuntarily involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he or she is or was a Director or officer of the Corporation, or is or was serving (during his or her tenure as Director and/or officer) at the request of the Corporation as a Director, officer, employee or agent of another Corporation or of a partnership, joint venture, trust or other enterprise, whether the basis of such Proceeding is an alleged action or inaction in an official capacity as a Director or officer or in any other capacity while serving as a Director or officer, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the DGCL (or other applicable law), as the same exists or may hereafter be amended, against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection with such Proceeding. Such Director or officer shall have the right to be paid by the Corporation for expenses incurred in defending any such Proceeding in advance of its final disposition; provided, however, that, if the DGCL (or other applicable law) requires, the payment of such expenses in advance of the final disposition of any such Proceeding shall be made only upon receipt by the Corporation of an undertaking by or on behalf of such Director or officer to repay all amounts so advanced if it should be determined ultimately that he or she is not entitled to be indemnified under this Article TEN or otherwise.

B. Right of Claimant to Bring Suit. If a claim under Paragraph A of this Article TEN is not paid in full by the Corporation within ninety (90) days after a written claim has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim, together with interest thereon, and, if successful in whole or in part, the claimant shall also be entitled to be paid the expense of prosecuting such claim, including reasonable attorneys' fees incurred in connection therewith. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any Proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standards of conduct which make it permissible under the DGCL (or other applicable law) for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (or of its Board of Directors, its Directors who are not parties to the Proceeding with respect to which indemnification is claimed, its shareholders, or independent legal counsel) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the DGCL (or other applicable law), nor an actual determination by any such person or persons that such claimant has not met such applicable standard of conduct, shall be a defense to such action or create a presumption that the claimant has not met the applicable standard of conduct.

C. Non-Exclusivity of Rights. The rights conferred by this Article TEN shall not be exclusive of any other right which any Director, officer, representative, employee or other agent may have or hereafter acquire under the DGCL or any other statute, or any provision contained in the Corporation's Certificate of Incorporation or Bylaws, or any agreement, or pursuant to a vote of shareholders or disinterested Directors, or otherwise.

D. Insurance and Trust Fund. In furtherance and not in limitation of the powers conferred by statute:

(1) the Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Corporation, or is serving at the request of the Corporation as a Director, officer, employee or agent of another Corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of law; and

(2) the Corporation may create a trust fund, grant a security interest and/or use other means (including, without limitation, letters of credit, surety bonds and/or other similar arrangements), as well as enter into contracts providing indemnification to the fullest extent permitted by law and including as part thereof provisions with respect to any or all of the foregoing, to ensure the payment of such amount as may become necessary to effect indemnification as provided therein, or elsewhere.

E. Indemnification of Employees and Agents of the Corporation. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification, including the right to be paid by the Corporation the expenses incurred in defending any Proceeding in advance of its final disposition, to any employee or agent of the Corporation to the fullest extent permitted by law.

F. Effect of Repeal or Modification. Any repeal or modification of this Article TEN shall not change the rights of an officer or Director to indemnification with respect to any action or omission occurring prior to such repeal or modification.

ELEVEN: The Corporation reserves the right to repeal, alter, amend, or rescind any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred on shareholders herein are granted subject to this reservation.

IN WITNESS WHEREOF, the Corporation has caused this Restated Certificate of Incorporation to be executed by its duly authorized officer as of this 25th day of August, 2011.

KEMPER CORPORATION

By: /s/ Scott Renwick
Name: Scott Renwick
Title: Senior Vice President and General Counsel

CERTIFICATE OF CORRECTION

TO

RESTATED CERTIFICATE OF INCORPORATION

OF

KEMPER CORPORATION

Pursuant to Section 103(f) of the General
Corporation Law of the State of Delaware

Kemper Corporation (the “Corporation”), a corporation organized and existing under the laws of the State of Delaware, hereby certifies as follows:

FIRST: The Corporation filed with the Secretary of State of the State of Delaware on August 25, 2011 a Restated Certificate of Incorporation (the “Restated Certificate of Incorporation”) that incorrectly omitted reference to and the attachment of the certificate of designations for the Corporation’s Series A Junior Participating Preferred Stock, which was filed with the Secretary of State of the State of Delaware on August 13, 2004 and is attached hereto as Exhibit A (the “Certificate of Designations”).

SECOND: The Restated Certificate of Incorporation is hereby corrected to attach the Certificate of Designations as Exhibit A thereto and to add Subsection D to Article FOUR to read as follows:

D. The certificate of designations for the Corporation’s series of Preferred Stock designated as Series A Junior Participating Preferred Stock is attached hereto as Exhibit A.

IN WITNESS WHEREOF, this Certificate of Correction was prepared in accordance with the provisions of Section 103(f) of the General Corporation Law of the State of Delaware and has been duly executed this 28th day of August, 2013.

KEMPER CORPORATION

By: /s/ C. Thomas Evans
Name: C. Thomas Evans
Title: Secretary

EXHIBIT A

CERTIFICATE OF DESIGNATION, PREFERENCES AND

RIGHTS OF SERIES A JUNIOR PARTICIPATING PREFERRED STOCK

of

UNITRIN, INC.

Pursuant to Section 151 of the General Corporation Law

of the State of Delaware

We, Scott Renwick, Senior Vice President, and Samuel L. Fitzpatrick, Assistant Secretary, of Unitrin, Inc., a corporation organized and existing under the General Corporation Law of the State of Delaware, in accordance with the provisions of Section 103 thereof, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Certificate of Incorporation of the said Corporation, the said Board of Directors on August 4, 2004, adopted the following resolution amending and restating the terms of said Corporation's Series A Junior Participating Preferred Stock:

RESOLVED, that pursuant to the authority vested in the Board of Directors of this Corporation in accordance with the provisions of its Certificate of Incorporation, the terms of the Corporation's Series A Junior Participating Preferred Stock be and hereby are amended and restated in their entirety, and that the designation and amount thereof and the voting powers, preferences and relative, participating, optional and other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

Section 1. Designation, Par Value and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock," the shares of such series shall be with par value of $0.10 per share, and the number of shares constituting such series shall be 100,000.

Section 2. Dividends and Distributions.

(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Junior Participating Preferred Stock with respect to dividends, the holders of shares of Series A Junior Participating Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the 15th day of February, May, August and November in each year (each such date being referred to herein as a "Quarterly Dividend Payment

Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Junior Participating Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $1.00 or (b) subject to the provision for adjustment hereinafter set forth, 1000 times the aggregate per share amount of all cash dividends, and 1000 times the aggregate per share amount (payable in kind) of all non cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, par value $0.10 per share, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Junior Participating Preferred Stock. In the event the Corporation shall at any time after August 4, 2004 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Junior Participating Preferred Stock as provided in Paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $10.00 per share on the Series A Junior Participating Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Junior Participating Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Junior Participating Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Junior Participating Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share by share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Junior Participating Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Junior Participating Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Junior Participating Preferred Stock shall entitle the holder thereof to 1000 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series A Junior Participating Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series A Junior Participating Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) (i) If at any time dividends on any Series A Junior Participating Preferred Stock shall be in arrears in an amount equal to six (6) quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Series A Junior Participating Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preferred Stock (including holders of the Series A Junior Participating Preferred Stock) with dividends in arrears in an amount equal to six (6) quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect two (2) directors.

(ii) During any default period, such voting right of the holders of Series A Junior Participating Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 3(C) or at any annual meeting of stockholders, and thereafter at annual meetings of stockholders, provided that such voting right shall not be exercised unless the holders of ten percent (10%) in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right. At any meeting at which the holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) directors or, if such right is exercised at an annual meeting, to elect two (2) directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right to make such increase in the number of directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect directors in any default period and during the continuance of such period, the number of directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or pari passu with the Series A Junior Participating Preferred Stock.

(iii)Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect directors, the Board of Directors may order, or any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding, irrespective of series, may request, the calling of a special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the Chief Executive Officer, the President, a Vice President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this Paragraph (C)(iii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any stockholder or stockholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding. Notwithstanding the provisions of this Paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the stockholders.

(iv)In any default period, the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of directors until the holders of Preferred Stock shall have exercised their right to elect two (2) directors voting as a class, after the exercise of which right (x) the directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in Paragraph (C)(ii) of this

Section 3) be filled by vote of a majority of the remaining directors theretofore elected by the holders of the class of stock which elected the director whose office shall have become vacant. References in this Paragraph (C) to directors elected by the holders of a particular class of stock shall include directors elected by such directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect directors shall cease, (y) the term of any directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of directors shall be such number as may be provided for in the certificate of incorporation or by laws irrespective of any increase made pursuant to the provisions of Paragraph (C)(ii) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the certificate of incorporation or by laws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining directors.

(D) Except as set forth herein, holders of Series A Junior Participating Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Junior Participating Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Junior Participating Preferred Stock outstanding shall have been paid in full, the Corporation shall not

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series Preferred Stock, except dividends paid ratably on the Series A Junior Participating Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii)redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Junior Participating Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Junior Participating Preferred Stock; or

(iv)purchase or otherwise acquire for consideration any shares of Series A Junior Participating Preferred Stock, or any shares of stock ranking on a parity with the Series A Junior Participating Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under Paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Junior Participating Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up. (A) Upon any liquidation (voluntary or otherwise), dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Series A Junior Participating Preferred Stock shall have received an amount equal to $1,000 per share of Series A Junior Participating Preferred Stock, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Junior Participating Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 1000 (as appropriately adjusted as set forth in subparagraph (C) below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Junior Participating Preferred Stock and Common Stock, respectively, holders of Series A Junior Participating Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Preferred Stock and Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of preferred stock, if any, which rank on a parity with the Series A Junior Participating Preferred Stock, then such remaining assets shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Junior Participating Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 1000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Junior Participating Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Junior Participating Preferred Stock shall not be redeemable.

Section 9. Ranking. The Series A Junior Participating Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 10. Amendment. At any time when any shares of Series A Junior Participating Preferred Stock are outstanding, neither the Certificate of Incorporation of the Corporation nor this Certificate of Designation shall be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Junior Participating Preferred Stock so as to affect them adversely without the affirmative vote of the holders of a majority or more of the outstanding shares of Series A Junior Participating Preferred Stock, voting separately as a class.

Section 11. Fractional Shares. Series A Junior Participating Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Junior Participating Preferred Stock.

IN WITNESS WHEREOF, we have executed and subscribed this Certificate and do affirm the foregoing as true under the penalties of perjury this 6th day of August, 2004.

/s/ Scott Renwick
Senior Vice President

Attest:

/s/ Samuel L. Fitzpatrick
Assistant Secretary

KEMPER CORPORATION

2011 Omnibus Equity Plan

Amended and Restated as of October 30, 2013

Article 1 Establishment, Purpose, and Duration 1
1.1 Establishment 1
1.2 Purpose of the Plan 1
1.3 Duration of the Plan 1

Article 2 Definitions 1
2.1 "Affiliate" 1
2.2 "Annual Award Limit" or "Annual Award Limits" 1
2.3 "Award" 1
2.4 "Award Agreement" 1
2.5 "Beneficial Owner" or "Beneficial Ownership" 2
2.6 "Board" or "Board of Directors" 2
2.7 "Code" 2
2.8 "Committee" 2
2.9 "Company" 2
2.10 "Constructive or Actual Delivery" 2
2.11 "Covered Employee" 2
2.12 "Director" 2
2.13 "Disability or Disabled" 2
2.14 "Effective Date" 2
2.15 "Eligible Director" 2
2.16 "Employee" 2
2.17 "Employment" 2
2.18 "Exchange Act" 3
2.19 "Exercise Price" 3
2.20 "Fair Market Value" or "FMV" 3
2.21 "Full Value Award" 3
2.22 "Insider" 3
2.23 "Incentive Stock Option" or "ISO" 3
2.24 "Leave of Absence" 3
2.25 "Mature Shares" 3
2.26 "Nonqualified Stock Option" 3
2.27 "Option" 3
2.28 "Other Stock-Based Award" 3
2.29 "Participant" 3
2.30 "Performance-Based Compensation" 4
2.31 "Performance Measures" 4
2.32 "Performance Period" 4
2.33 "Performance Share" 4
2.34 "Performance Unit" 4
2.35 "Period of Restriction" 4
2.36 "Plan" 4
2.37 "Plan Year" 4

	2.38	"Prior Plans"	4
	2.39	"Representative"	4
	2.40	"Restricted Stock"	4
	2.41	"Restricted Stock Unit"	4
	2.42	"Retirement" or "Retires"	4
	2.43	"Section 162(m)"	5
	2.44	"Section 409A"	5
	2.45	"Share"	5
	2.46	"Stock Appreciation Right" or "SAR"	5
	2.47	"Substantial Cause"	5
	2.48	"Third Party Service Provider"	5
Article	3	Administration	5
	3.1	General	5
	3.2	Authority of the Committee	6
	3.3	Delegation	
Article	4	Shares Subject to the Plan and Maximum Awards	6
	4.1	Number of Shares Available for Awards	6
	4.2	Share Counting	7
	4.3	Annual Award Limits	7
	4.4	Adjustments in Authorized Shares	8
Article	5	Eligibility	8
Article	6	Restricted Stock and Restricted Stock Units	8
	6.1	Restricted Stock or Restricted Stock Unit Award Agreement	8
	6.2	Other Restrictions	9
	6.3	Certificate Retention or Legend	9
	6.4	Voting Rights	9
	6.5	Dividends and Dividend Equivalents	9
	6.6	Section 83(b) Election	10
Article	7	Stock Appreciation Rights	10
	7.1	Grant of Stock Appreciation Rights	10
	7.2	SAR Award Agreement	10
Article	8	Stock Options	10
	8.1	Grant of Stock Options	10
	8.2	Stock Option and SAR Award Agreements	11
	8.3	Exercise of Options and SARs	11

Article 9		Performance Shares and Performance Units	12
	9.1	Grant of Performance Shares and Performance Units	12
	9.2	Value of Performance Shares and Performance Units	12
	9.3	Earning of Performance Shares and Performance Units	12
	9.4	Form and Timing of Payment of Performance Shares and Performance Units	13
	9.5	No Dividends Payable	13
Article 10		Other Stock-Based Awards	13
Article 11		Awards to Eligible Directors	13
	11.1	Initial Award Grants	13
	11.2	Annual Award Grants	13
	11.3	Other Forms of Awards to Eligible Directors	14
Article 12		Forfeiture and Termination of Employment or Service as a Director or Consultant	14
	12.1	Terms Provided in Award Agreements	14
	12.2	Termination of Services as an Employee	14
	12.3	Termination of Services as a Director	16
	12.4	Termination of Services as Third Party Service Provider	16
	12.5	Forfeiture Provisions and Clawbacks	17
	12.6	Leaves of Absence	17
Article 13		Transferability of Awards	17
	13.1	Transferability	17
	13.2	Domestic Relations Orders	17
Article 14		Performance Measures	17
	14.1	Performance Measures	17
	14.2	Evaluation of Performance	19
	14.3	Adjustment of Performance-Based Compensation	19
	14.4	Committee Discretion	19
Article 15		Arbitration	19
Article 16		Compliance with Section 409A	19
	16.1	409A Compliance	19
	16.2	Deferrals	20
Article 17		Rights of Participants	20
	17.1	Employment; Services	20
	17.2	Participation	20
	17.3	Form of Stock; Rights as a Shareholder	20

Article	18	Change in Control	21
	18.1	Definition of Change in Control	21
	18.2	Other Definitions	22
	18.3	Occurrence of Change in Control	22
Article	19	Amendment, Modification, Suspension, and Termination	23
	19.1	Amendment, Modification, Suspension, and Termination	23
	19.2	Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events	23
	19.3	Awards Previously Granted	24
Article	20	Withholding	24
	20.1	Tax Withholding	24
	20.2	Share Withholding	24
	20.3	Option or SAR Withholding	24
Article	21	Successors	24
Article	22	General Provisions	25
	22.1	Gender and Number	25
	22.2	Severability	25
	22.3	Requirements of Law	25
	22.4	Delivery of Title	25
	22.5	Inability to Obtain Authority	25
	22.6	Investment Representations	25
	22.7	Unfunded Plan	25
	22.8	No Fractional Shares	26
	22.9	Non-Exclusivity of the Plan	26
	22.10	No Constraint on Corporate Action	26
	22.11	Non-Uniform Treatment	26
	22.12	Governing Law	26

Kemper Corporation
2011 Omnibus Equity Plan

Article 1 Establishment, Purpose, and Duration

1.1 Establishment. Kemper Corporation, a Delaware corporation (the "Company"), established the 2011 Omnibus Equity Plan (the "Plan"), effective May 4, 2011 (the "Effective Date"). The Plan permits the grant of Awards to eligible Participants, as defined below.

1.2 Purpose of the Plan. The purpose of the Plan is to provide a means whereby employees and directors of the Company and its Affiliates and key advisors develop a sense of proprietorship and personal involvement in the development and financial success of the Company, and to encourage them to devote their best efforts to the business of the Company, thereby advancing the interests of the Company and its shareholders. A further purpose of the Plan is to provide a means through which the Company may attract able individuals to become employees and to provide a means whereby those individuals on whom the responsibilities for the successful administration and management of the Company depend can acquire and maintain ownership of the Company's common stock, thereby strengthening their concern for the welfare of the Company.

1.3 Duration of the Plan. Unless sooner terminated as provided herein, the Plan shall terminate ten (10) years from the Effective Date. After the Plan is terminated, no Awards may be granted, but Awards previously granted shall remain outstanding in accordance with the applicable terms and conditions of the Plan and the respective Award Agreements.

Article 2 Definitions

Whenever used in the Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized.

2.1 "Affiliate" means any person or entity controlled directly or indirectly by the Company, whether by equity ownership, contract or otherwise and shall include direct or indirect subsidiaries of the Company and mutual companies the management of which is controlled by the Company and its subsidiaries.

2.2 "**Annual Award Limit**" or "**Annual Award Limits**" have the meaning set forth in Section 4.3.

2.3 "Award" means, individually or collectively, a grant under the Plan of Restricted Stock, Restricted Stock Units, Stock Appreciation Rights, Options, Performance Shares, Performance Units or Other Stock-Based Awards, in each case subject to the terms of the Plan.

2.4 "Award Agreement" means either one of the following, in such form as the Committee shall from time to time approve: (i) an agreement entered into by the Company and a Participant setting forth the terms and provisions applicable to an Award, or (ii) a written or electronic statement issued by the Company to a Participant describing the terms and provisions of an Award. The Committee may provide for the use of non-paper Award Agreement(s) and acceptance and other actions related thereto that involve the use of electronic, internet, intranet or other non-paper means.

2.5 **"Beneficial Owner"** or **"Beneficial Ownership"** shall have the meaning ascribed to such term in Rule 13d-3 of the General Rules and Regulations under the Exchange Act.

2.6 **"Board"** or **"Board of Directors"** means the board of directors of the Company.

2.7 **"Code"** means the U.S. Internal Revenue Code of 1986, as amended from time to time, or any successor statute.

2.8 **"Committee"** means the Compensation Committee of the Board or any subcommittee thereof, or any other committee designated by the Board to administer the Plan.

2.9 **"Company"** has the meaning set forth in Section 1.1.

2.10 **"Constructive or Actual Delivery"** means either of the following: (a) presentation to the Company of a recent brokerage account statement or other written evidence satisfactory to the Committee evidencing beneficial ownership by the Participant of Shares other than Shares held in 401(k), pension, individual retirement or similar accounts; or (b) physical delivery of certificates evidencing Shares, properly indorsed for transfer to the Company or with an appropriately executed stock power.

2.11 **"Covered Employee"** means any Employee who is or may become a "Covered Employee," as defined in Section 162(m).

2.12 **"Director"** means a member of the Board of Directors.

2.13 **"Disability or Disabled"** when used with respect to a particular Participant**,** means a physical or mental condition that: (i) is of a type that would generally trigger benefits under the Company's or an applicable Affiliate's long-term disability plan (as in effect from time to time), whether or not such Participant is actually enrolled in such plan; or (ii) in the absence of any such plan, would cause such Participant to be unable to substantially perform his or her duties as an Employee, as determined in the sole discretion of the Committee. Notwithstanding the foregoing, if an Award of Restricted Stock Units becomes subject to the requirements of Article 15, the term "disabled" shall be defined as required under Section 409A.

2.14 **"Effective Date"** has the meaning set forth in Section 1.1.

2.15 **"Eligible Director"** means a Director who is not also an Employee (including any Director who has retired as an Employee).

2.16 **"Employee"** means any employee of the Company or any of its Affiliates.

2.17 **"Employment"** and related terms means the provision of services to the Company or its Affiliates as an Employee.

2.18 "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, or any successor act thereto.

2.19 "Exercise Price" means the price at which the Shares underlying an Option or SAR may be purchased upon exercise of thereof.

2.20 "Fair Market Value" or **"FMV"** as used to refer to the price of a Share on a particular day, means the closing price for a Share for that day as subsequently reported by the New York Stock Exchange (or such other exchange on which the Shares are primarily traded), or if no prices are reported for that day, the last preceding day on which such prices are reported (or, if for any reason no such price is available, in such other manner as the Committee in its sole discretion may deem appropriate to determine the fair market value of a Share).

2.21 "Full Value Award" means an Award that is not an Option or SAR and that consists of or is settled by the issuance of Shares.

2.22 "Insider" means an individual who is, on the relevant date, a Director, an executive officer of the Company, as determined by the Board for purposes of Section 16 of the Exchange Act, or a more than ten percent (10%) Beneficial Owner of any class of the Company's equity securities that is registered pursuant to Section 12 of the Exchange Act.

2.23 "Incentive Stock Option" or **"ISO"** means an Option that satisfies the requirements of Code Section 422(b) and any regulations promulgated thereunder from time to time, or any successor provisions thereto.

2.24 "Leave of Absence" means an approved leave of absence from a Participant's Employment (other than short-term disability) determined in accordance with the applicable policies of the Participant's employer.

2.25 "Mature Shares" means Shares that: (i) have been owned by a Participant free of any encumbrances, vesting requirements or similar restrictions for at least six (6) months; and (ii) have not been exchanged or surrendered by Constructive or Actual Delivery in full or partial payment of the Exercise Price and/or the related tax withholding obligations arising out of an Option exercise within the previous six months.

2.26 "Non-Qualified Option" means an Option that does not satisfy the requirements for an ISO.

2.27 "Option" means an option to purchase a designated number of Shares granted to a Participant pursuant to Article 8.

2.28 "Other Stock-Based Award" means an equity-based or equity-related Award of a type other than those described in Articles 6 – 9 of the Plan, and which is granted pursuant to Article 10.

2.29 "Participant" means any eligible individual as set forth in Article 5 to whom an Award is granted.

2.30 "Performance-Based Compensation" means compensation under an Award that satisfies the requirements of Section 162(m) and the applicable regulations thereunder for certain performance-based compensation, if any, paid to Covered Employees.

2.31 "Performance Measures" means measures described in Article 14 on which performance goals are based and which are approved by the Company's shareholders pursuant to the Plan in order to qualify Awards as Performance-Based Compensation.

2.32 "Performance Period" means the period of time during which performance goals must be met in order to determine the degree of payout and/or vesting with respect to an Award.

2.33 "Performance Share" means an Award granted to a Participant pursuant to Article 9, denominated in Shares, the value of which at the time it is payable is determined based on actual results of the corresponding performance criteria.

2.34 "Performance Unit" means an Award granted to a Participant pursuant to Article 9, denominated in units, the value of which at the time it is payable is determined based on actual results of the corresponding performance criteria.

2.35 "Period of Restriction" means the period when Restricted Stock or Restricted Stock Units (or other types of Awards as may be applicable) are subject to a substantial risk of forfeiture (based on the passage of time, the achievement of performance goals, or on the occurrence of other events as determined by the Committee, in its discretion), as provided in the Plan and/or the applicable Award Agreement.

2.36 "Plan" means the 2011 Omnibus Incentive Plan.

2.37 "Plan Year" means the calendar year.

2.38 "Prior Plans" means the Company's 1995 Non-Employee Director Stock Option Plan, 1997 Stock Option Plan, 2002 Stock Option Plan and 2005 Restricted Stock and Restricted Stock Unit Plan, as amended through the Effective Date.

2.39 "Representative" means an executor, administrator, guardian, trustee or other representative of a Participant who has legal authority to exercise such Participant's Options or Stock Appreciation Rights or rights under other types of Awards on behalf of such Participant or such Participant's estate.

2.40 "Restricted Stock" means an Award granted to a Participant pursuant to Article 6, and includes (but is not limited to) performance-based Restricted Stock and time-vested Restricted Stock.

2.41 "Restricted Stock Unit" means an Award granted to a Participant pursuant to Article 6, except that no Shares are actually awarded to the Participant on the date of grant.

2.42 "Retirement" or "Retires" means, for Employees: (a) for Awards granted prior to February 2013, the termination of Employment of a Participant who is eligible to either make an election to begin receiving early or regular retirement benefits under the Company's defined benefit pension plan or to begin receiving tax penalty-free early distributions (other than a rollover to another retirement plan) from the Company's defined contribution retirement plan; (b) for Awards granted beginning in February 2013 through January 2014, the termination of employment by a Participant who has attained age 65 and completed at least five years of service with the Company and/or one or more of its Affiliates; and (c) for Awards granted beginning in February 2014, the definition set forth in the applicable Award Agreement.

2.43 "Section 162(m)" means Section 162(m) of the Code, or any successor provision, and the regulations, rulings and other guidance issued thereunder.

2.44 "Section 409A" means Section 409A of the Code, or any successor provision, and the regulations, rulings and other guidance issued thereunder.

2.45 "Share" means a share of common stock of the Company.

2.46 "Stock Appreciation Right" or **"SAR"** means a right of the type described in Article 7 of the Plan.

2.47 "Substantial Cause" means the (a) commission of a criminal act against, an action in derogation of the interests of, or misconduct which results in a financial loss to, the Company or an Affiliate; (b) misconduct which obligates the Company to prepare an accounting restatement due to material noncompliance with applicable financial reporting requirements; (c) knowing disclosure of confidential information about the Company or an Affiliate in breach of the Company's Essential Standards of Conduct or an applicable contractual or other obligation, or using such information for personal gain, including, without limitation, by trading in Company securities on the basis of material, non-public information; or (d) performance of any other action that the Committee, in its sole discretion, may deem to be sufficiently injurious to the interests or reputation of the Company or an Affiliate to constitute substantial cause for the termination of services by a Participant as an Employee, Director or Third Party Service Provider. Nothing in the Plan shall be construed to imply that a Participant's employment or other relationship with the Company or its Affiliates may only be terminated for Substantial Cause.

2.48 "Third Party Service Provider" means any consultant, agent, advisor, or independent contractor who provides services to the Company or an Affiliate pursuant to a written contract that (a) are not in connection with the offer and sale of the Company's securities in a capital-raising transaction, and (b) do not, directly or indirectly, promote or maintain a market for the Company's securities.

Article 3 Administration

3.1 General. The Committee shall be responsible for administering the Plan, subject to this Article 3 and the other provisions of the Plan. The Committee may retain attorneys, consultants, accountants, or other advisors. The Committee, the Company, and its officers and Directors shall be entitled to rely upon the advice, opinions, or valuations of any such advisors. The fees of any such advisors shall be paid by the Company. All actions taken and all interpretations and determinations made by the Committee shall be final and binding on the Participants, beneficiaries, the Company, and all other interested individuals.

3.2 Authority of the Committee. The Committee shall have full and, except as otherwise expressly provided in the Plan, exclusive, power and discretion: (a) to interpret the terms and the intent of the Plan and any Award Agreement or other agreement or document ancillary to or in connection with the Plan, and to adopt such rules, regulations, forms, instruments, and guidelines for administering the Plan as the Committee may deem necessary or proper; (b) to select Award recipients; (c) to establish the terms and conditions of all Awards, including the terms and conditions to be set forth in Award Agreements; (d) to grant Awards as an alternative to or as the form of payment for grants or rights earned or due under other compensation plans or arrangements of the Company; and (e) subject to Article 19, to adopt modifications and amendments to the Plan or any Award Agreement, including without limitation, any that are necessary to comply with the laws of the jurisdictions in which the Company and/or its Affiliates operate or may operate.

3.3 Delegation. The Committee may delegate to one or more of its members or to one or more officers of the Company or its Affiliates or to one or more agents or advisors such administrative duties or powers as it may deem advisable, and the Committee or any individuals to whom it has delegated duties or powers as aforesaid may retain such legal, financial or other advisors as they deem appropriate to assist them with respect to any responsibility the Committee or such individuals may have under the Plan. To the extent consistent with the Company's bylaws and applicable law, the Board may, by resolution, authorize one or more officers of the Company or committees of the Board (in addition to the Committee) to do one or both of the following on the same basis as can the Committee: (a) designate Employees to be recipients of Awards; and (b) determine the size of any such Awards and the terms and conditions of such Awards; provided, however, (i) the Board shall not authorize any such officer to grant Awards to himself or herself, nor authorize any such officer or committee to grant Awards to any individual who is considered an Insider; (ii) the resolution providing such authorization must place a limit on the total number of Shares that may be covered by all such Awards; and (iii) such officer(s) or committee(s) shall report periodically to the Committee regarding the nature and scope of the Awards granted pursuant to the authority delegated.

Article 4 Shares Subject to the Plan and Maximum Awards

4.1 Number of Shares Available for Awards.

(a) **Share Authorization.** Subject to adjustment as provided in Section 4.4, the maximum number of Shares available for issuance to Participants under the Plan on or after the Effective Date (the "Share Authorization") shall be ten million (10,000,000) Shares. The Shares available for issuance under the Plan may be authorized and unissued Shares or treasury Shares.

(b) **Fungible Conversion Factor.** Notwithstanding any other provision of the Plan, each Share granted to a Participant as part of a Full Value Award shall reduce the Share Authorization by three (3) Shares. Each Share granted to a Participant as part an Award that is not a Full Value Award shall reduce the Share Authorization by one (1) Share.

(c) **Limit on Grants to Eligible Directors.** The maximum aggregate number of Shares that may be granted under the Plan to Eligible Directors shall be limited to one million (1,000,000).

(d) **Prior Plans**. All awards granted pursuant to the Prior Plans and outstanding on the Effective Date shall remain subject to the terms of the applicable Prior Plans and award agreements issued thereunder, except that any Shares to be issued after the Effective Date pursuant to the terms of performance-based restricted stock awards granted under one of the Prior Plans in connection with above-target performance results shall be issued under this Plan. Beginning on the Effective Date, no additional awards shall be granted under any Prior Plan, except for restorative options automatically granted pursuant to the terms of any option awards outstanding under a Prior Plan.

4.2 Share Counting. Shares covered by an Award shall only be counted against the Share Authorization to the extent they are actually issued, provided that:

(a) **Shares Available for Future Grant**. Any Shares related to Awards which terminate by expiration, forfeiture, cancellation, or otherwise, without the issuance of such Shares (other than surrender of an Option at the time of exercise of a related Stock Appreciation Right), or are settled in cash in lieu of Shares, shall be available again for grant under the Plan, consistent with the fungible conversion factor methodology set forth in Section 4.1(b).

(b) **Shares That Will Reduce Share Authorization**. The Share Authorization will be reduced by the full number of Shares that: (i) are subject to the exercise or vesting of an Award, regardless of whether fewer Shares are actually issued because of Shares tendered to the Company (by either Constructive or Actual Delivery) or withheld by the Company to satisfy tax withholding requirements or to pay the exercise price with respect to such exercise or vesting; or (ii) may be issued in connection with an Award of a SAR, regardless of whether fewer Shares are actually issued upon exercise of such SAR.

4.3 Annual Award Limits. The following limits ("Annual Award Limits") shall apply to grants of such Awards under the Plan, subject to any adjustments pursuant to Section 4.4 or 19.2, unless and until the Committee determines that an Award to a Covered Employee shall not be designed to qualify as Performance-Based Compensation.

(a) **Restricted Stock or Restricted Stock Units.** The aggregate maximum number of Shares that may be subject to Awards of Restricted Stock or Restricted Stock Units granted in any one Plan Year to any one Participant shall be five hundred thousand (500,000).

(b) **Options and SARs.** The aggregate maximum number of Shares that may be subject to Awards of Options and SARs, including ISOs, granted in any one Plan Year to any one Participant shall be one million five hundred thousand (1,500,000).

(c) **Performance Shares and Performance Units.** The aggregate maximum number of Shares that may be subject to Awards of Performance Shares or Performance Units granted in any one Plan Year to any one Participant shall be five hundred thousand (500,000).

(d) **Other Stock-Based Awards.** The aggregate maximum number of Shares that may be subject to Other Stock-Based Awards granted in any one Plan Year to any one Participant shall be five hundred thousand (500,000).

(e) **Awards to Eligible Directors.** Notwithstanding the foregoing provisions of Sections 4.3 (a) – (d), the maximum number of Shares that may be granted in any one Plan Year to any Eligible Director shall be twenty thousand (20,000).

4.4 Adjustments in Authorized Shares. If the number of outstanding Shares is increased or decreased through a reorganization, recapitalization, reclassification, special cash dividend, stock dividend, stock split, reverse stock split or other similar transaction, an appropriate and proportionate adjustment shall be made in: (a) the number of Shares included in the Share Authorization in Section 4.1 (a) and the Share limitation in Section 4.1 (c), (b) the number of Shares that may be issued under outstanding Awards, and (c) the Award limits specified in Section 4.3. In the event that the Shares are changed into or exchanged for a different kind of shares or other securities of the Company through transactions of the type referenced above, the Committee, in its sole discretion, in order to prevent dilution or enlargement of Participants' rights under the Plan, may substitute or adjust, as applicable, the number and kind of securities that may be issued under the Plan or under particular forms of Awards, the number and kind of securities subject to outstanding Awards, the Annual Award Limits, and other value determinations applicable to outstanding Awards.

The Committee, in its sole discretion, may also make appropriate adjustments in the terms of any Awards under the Plan to reflect such changes or distributions and to modify any other terms of outstanding Awards, including modifications of performance goals and changes in the length of Performance Periods. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under the Plan. No amendment, modification, suspension or termination may impact the distribution of any Award that is subject to Section 409A or is intended to qualify as Performance-Based Compensation under Section 162(m), except as permitted by such applicable Section.

Subject to the provisions of Article 19.1, without affecting the number of Shares reserved or available hereunder, the Committee may authorize the issuance or assumption of benefits under the Plan in connection with any merger, consolidation, acquisition of property or stock, or reorganization on such terms and conditions as it may deem appropriate.

Article 5 Eligibility

All Employees and Eligible Directors shall be eligible for selection to receive Awards. In addition, any key person selected by the Committee in its sole discretion who provides bona fide services to the Company or an Affiliate as a Third Party Service Provider shall be eligible for selection to receive Awards.

Article 6 Restricted Stock and Restricted Stock Units

6.1 Restricted Stock or Restricted Stock Unit Award Agreement. Each Award of Restricted Stock and/or Restricted Stock Units shall be evidenced by an Award Agreement that specifies the material terms of the Award, including, without limitation, the Period(s) of Restriction, the number of Shares of Restricted Stock or the number of Restricted Stock Units granted, vesting terms (which can include, without limitation, time-vested or performance-based terms) and such other provisions as the Committee shall determine in its discretion.

6.2 Other Restrictions. The Committee may impose such other conditions and/or restrictions on any Shares of Restricted Stock or Restricted Stock Units granted pursuant to the Plan as it may deem advisable including, without limitation, time-based restrictions, and/or restrictions under applicable laws, rules and regulations or under the requirements of any stock exchange or market upon which such Shares are listed or traded, holding requirements or sale restrictions placed on the Shares by the Company upon vesting of such Restricted Stock or Restricted Stock Units, a requirement that Participants pay a stipulated purchase price for each Share of Restricted Stock or each Restricted Stock Unit, restrictions based upon the achievement of specific performance goals, or time-based restrictions on vesting following the attainment of the performance goals.

Except as otherwise provided in this Article 6, and subject in all cases to the requirements of applicable laws, rules and regulations, Shares of Restricted Stock covered by each Restricted Stock Award shall become freely transferable by the Participant after all conditions and restrictions applicable to such Shares have been satisfied or lapse (including satisfaction of any applicable tax withholding obligations), and Restricted Stock Units shall be paid in cash, Shares, or a combination of cash and Shares as the Committee, in its sole discretion shall determine.

6.3 Certificate Retention or Legend. To the extent that a certificate is issued to evidence Shares of Restricted Stock, the Committee may determine in its sole discretion that such certificate shall: (a) be retained by the Company until such time as all conditions and/or restrictions applicable to such Shares have been satisfied or lapse; and/or (b) bear a legend such as the following or as otherwise determined by the Committee in its discretion:

> The sale or transfer of Shares represented by this certificate, whether voluntary, involuntary, or by operation of law, is subject to certain restrictions on transfer as set forth in the Kemper Corporation 2011 Omnibus Incentive Plan, and in the associated Award Agreement. A copy of such Plan and Award Agreement may be obtained from Kemper Corporation.

6.4 Voting Rights. Issued and outstanding Shares of Restricted Stock shall at all times possess the same voting rights as all other issued and outstanding Shares. A Participant shall have no voting rights with respect to any Restricted Stock Units granted hereunder.

6.5 Dividends and Dividend Equivalents. Except as the Committee determines otherwise with respect to a particular Award and as set forth in the applicable Award Agreement, issued and outstanding Shares of Restricted Stock shall be entitled to dividends if, as and when declared by the Board with respect to the Company's Shares on the same basis and on the same payment dates as all other issued and outstanding Shares. The Committee may, in its discretion, grant dividend equivalents with respect to any Restricted Stock Units. The terms and conditions of such dividend equivalents, including the rate per Unit, timing of payment and other requirements, shall be established by the Committee in its discretion, subject to the requirements of Article 16 of the Plan.

6.6 Section 83(b) Election. The Committee may provide in an Award Agreement that the Award of Restricted Stock is conditioned on the Participant making or refraining from making an election with respect to the Award under Section 83(b) of the Code. If a Participant makes an election pursuant to Section 83(b) of the Code concerning a Restricted Stock Award, the Participant shall be required to file promptly a copy of such election with the Company.

Article 7 Stock Appreciation Rights

7.1 Grant of Stock Appreciation Rights. The Committee may grant an Award of Stock Appreciation Rights in connection with an Option Award ("Tandem SAR") or independently of any Option Award ("Freestanding SAR").

7.2 SAR Award Agreement. Each SAR Award shall be evidenced by an Award Agreement that specifies the material terms of the Award, including, without limitation, exercise terms consistent with Section 8.2 below and the following provisions, and such other provisions as the Committee shall determine in its discretion:

(a) A SAR shall be exercised in accordance with the provisions of this Article 7 and Section 8.3.

(b) A Tandem SAR shall be exercisable to the extent, and only to the extent, the associated Option is exercisable and shall be exercisable only for such period as the Committee may determine. Upon exercise of a Tandem SAR, the Participant shall be required to surrender to the Company unexercised the Option to which it relates, or any portion thereof (subject to Section 8.3(c));

(c) A Freestanding SAR may be exercised in accordance with the terms of the applicable Award Agreement;

(d) Upon exercise of a SAR, the Participant shall receive that number of Shares (rounded down to the nearest whole number) having an aggregate value equal to the excess of the Fair Market Value of one Share over the Exercise Price per Share specified in the applicable Award Agreement, multiplied by the number of Shares subject to the SAR, or portion thereof, which is exercised. However, the Committee may elect to settle, or the Award Agreement may permit the Participant to elect to receive (subject to approval by the Committee), any part or all of the Company's obligation arising out of the exercise of the SAR by the payment of cash equal to the aggregate Fair Market Value of that part or all of the Shares it would otherwise be obligated to deliver.

Article 8 Stock Options

8.1 Grant of Stock Options. The Committee may grant Option Awards and determine whether an Option will be an ISO or a Non-Qualified Option, whether to couple a SAR with an

Option, the number of Shares to be subject to each Option, the Exercise Price, the number of installments, if any, in which each Option may vest, the expiration date of each Option and all other terms and conditions of each Option. ISO Awards may be granted only to Participants who are Employees.

8.2 Stock Option and SAR Award Agreements. Each Option Award and SAR Award granted pursuant to the Plan shall be evidenced by an Award Agreement that specifies the material terms of the Award, including, without limitation, terms consistent with the following provisions, and such other provisions as the Committee shall determine in its discretion:

(a) **Duration.** Each Option and SAR and all rights associated therewith, shall expire on such date as the Committee may determine, but in no event later than the ten-year anniversary of the grant date, subject to a limited extension if so provided in the Award Agreement in the event that the expiration date of an Award held by a Participant falls within a trading "blackout" period imposed by the Company and applicable to the Participant, or earlier termination as provided in the Plan.

(b) **Exercise Price**. The Exercise Price for each Share that is the subject of an Option or SAR shall be determined by the Committee and shall not be less than the Fair Market Value of a Share on the date of grant, subject to adjustment pursuant to Section 19.2.

(c) **Vesting.** Each Option and SAR granted under the Plan shall vest and be exercisable in such installments, if any, during the period prior to its expiration date as the Committee shall determine, and, unless otherwise specified in an Award Agreement, no Option or SAR shall be exercisable for at least six months after grant except in the case of the death or Disability of the Participant.

(d) **No Repricing.** Except as otherwise permitted as an adjustment pursuant to Section 19.2 or as approved by the Company's shareholders, the exercise price of an Option or SAR outstanding under the Plan may not be reduced, whether through amendment, exchange, cancellation and re-grant, repurchase or other method.

8.3 Exercise of Options and SARs.

(a) **Notice by Participant.** Each Participant (or such Participant's Representative) who desires to exercise an Option or SAR shall give advance written notice of such exercise to the Company in such form as may be prescribed from time to time by the Committee or the management of the Company.

(b) **Payment for Exercises of Options.** Before shares will be issued in connection with an exercise, the Exercise Price of an Option shall be paid in full by: (i) check payable to the order of the Company; (ii) Constructive or Actual Delivery of Shares, subject to any terms and conditions that may be imposed the Committee in its discretion, including the requirement that such Shares be Mature Shares; (iii) electronic transfer of funds to an account of the Company;

or (iv) any combination of the foregoing. Shares used by Constructive or Actual Delivery to satisfy the Exercise Price of an Option shall be valued at their Fair Market Value on the date of exercise.

(c) **Partial Exercises.** No Option or SAR may be exercised for a fraction of a share and no partial exercise of any Option or SAR Right may be made for less than 50 shares unless the total number of Shares remaining under the Award Agreement is less than 50 at the time of exercise.

(d) **Exercise by Participant's Spouse.** Unless otherwise provided in an Award Agreement, an Option or SAR shall be exercisable during the Participant's lifetime only by the Participant (or, in the case of the incapacity of the Participant, by the Participant's Representative) regardless of any community property interest therein of the spouse of the Participant, or such spouse's successors in interest. If the spouse of the Participant shall have acquired a community property interest in such Option or SAR, the Participant, or the Participant's Representative, may exercise the Option or SAR on behalf of the spouse of the Participant or such spouse's successors in interest.

(e) **Special Provisions for Incentive Stock Options.** In addition to the limitation applicable to ISOs in Section 4.3 (b), to the extent that the aggregate Fair Market Value (determined as of the grant date) of Shares underlying an ISO granted to a Participant under this Plan (and any other option plans of the Company) that become exercisable for the first time by the Participant during any Plan Year exceeds $100,000 (or, if different, the maximum limitation in effect at the time of grant under Code Section 422, or any successor provision), the portion of such ISO in excess of $100,000 (or, if different, such maximum limitation) will be treated as Non-Qualified Options. The portion of any ISO not exercised within 90 days after termination of Employment will be treated as a Non-Qualified Option.

Article 9 Performance Shares and Performance Units

9.1 Grant of Performance Shares and Performance Units and Award Agreement. Each Award of Performance Shares or Performance Units shall be evidenced by an Award Agreement that specifies the material terms of the Award, including, without limitation, any performance criteria, vesting provisions and expiration date, and such other provisions as the Committee shall determine in its discretion.

9.2 Value of Performance Shares and Performance Units. Each Performance Share shall have an initial value based on one Share on the date of grant. Each Performance Unit shall have an initial value that is established by the Committee at the time of grant. The Committee shall set performance criteria in its discretion that, depending on the actual performance results, will determine the number and/or value of the Performance Shares and Performance Units that will be paid out to the Participant.

9.3. Earning of Performance Shares and Performance Units. After the applicable Performance Period has ended, the holder of Performance Shares or Performance Units shall be entitled to receive a payout on the value and number of Performance Shares or Performance Units earned by the Participant over the Performance Period, if such payout is due as determined based on the actual results of the corresponding performance criteria.

9.4. Form and Timing of Payment of Performance Shares and Performance Units. Payment of earned Performance Shares and Performance Units shall be made as determined by the Committee as set forth in the applicable Award Agreements. Subject to the terms of the Plan, the Committee, in its sole discretion, may pay earned Performance Shares and Performance Units in the form of Shares or in cash (or a combination thereof) equal to their value, if any, at the end of the applicable Performance Period or as soon as practicable thereafter. Shares may be granted subject to any restrictions deemed appropriate by the Committee, as set forth in the applicable Award Agreements.

9.5. No Dividends Payable. Awards of Performance Shares or Performance Units shall not be entitled to dividends with respect to the Company's Shares, but, in the discretion of the Committee, may be entitled to dividend equivalents earned and payable to the extent, and at the time, of any payout of such Award.

Article 10 Other Stock-Based Awards

The Committee may grant Other Stock-Based Awards (which may include unrestricted Shares) in such amounts and subject to such terms and conditions as the Committee determines appropriate, and may include, without limitation, Awards that upon grant are fully vested and non-forfeitable. Such Other Stock-Based Awards may entail the issue or transfer of actual Shares or payment in cash or otherwise of amounts based on the value of Shares. Each Other Stock-Based Award shall be evidenced by an Award Agreement that specifies the material terms and conditions of the Award, including, without limitation, any restrictions or vesting provisions and whether such Award is entitled to dividends or dividend equivalents, and such other provisions as the Committee shall determine in its discretion.

Article 11 Awards to Eligible Directors

11.1 Initial Award Grants. An Award shall be granted to each Eligible Director who was not previously an Employee on the date that he or she first becomes a Director ("Initial Award Grant"), in an amount and subject to such terms as shall be determined from time to time by the Board of Directors in its sole discretion, after considering any recommendation by the Committee.

11.2 Annual Award Grants. An Award shall be granted to each Eligible Director automatically on the date of each Annual Meeting of the Company's Shareholders following such meeting ("Annual Award Grant"), in an amount and subject to such terms as shall be determined from time to time by the Board of Directors in its sole discretion, after considering any recommendation by the Committee, subject to the limitations of Section 4.3(e). For the avoidance of doubt, each Eligible Director who was not previously an Employee and who first becomes a Director on the date of an Annual Meeting of the Company's Shareholders shall be entitled to receive both an Initial Award Grant and an Annual Award Grant on such Annual Meeting date.

11.3 Other Forms of Awards to Eligible Directors. In addition to Initial and Annual Award Grants, Eligible Directors may be entitled to receive other forms of Awards under the Plan, in such forms and amounts, and subject to such terms, as shall be determined from time to time by the Board of Directors in its sole discretion, after considering any recommendation by the Committee. In no event shall an Incentive Stock Option be granted to an Eligible Director.

Article 12 Forfeiture and Termination of Employment or Service as a Director or Consultant.

12.1 Terms Provided in Award Agreements. Except as determined otherwise by the Committee in connection with particular Awards and set forth in the applicable Award Agreements, the provisions of Sections 12.2, 12.3, and 12.4 shall apply to outstanding Awards held by a Participant at the time of termination of the Participant's Employment (or termination of the Participant's employer's affiliation with the Company, as described in Section 12.4 below), or the termination or a Participant's service as a Director or Third Party Service Provider, respectively.

12.2 Termination of Services as an Employee.

(a) **Options and SARs.** The vesting, forfeiture and other terms of payout for Awards of Options and SARs that apply in the event that a Participant ceases to be an Employee of the Company or any of its Affiliates shall be determined as set forth in the applicable Award Agreement for Awards granted beginning in February 2013, and as follows for Awards granted prior to February 2013:

(i) Death or Disability. If a Participant dies or becomes Disabled while employed by the Company or any of its Affiliates, then all Awards granted to such Participant that were outstanding but not vested on such date shall immediately vest and remain outstanding and exercisable until the earlier of their original expiration date or one year from the date of death or the date the Participant first became Disabled, and all Awards that are not exercised within such period shall be forfeited to the Company.

(ii) Retirement.

(A) If a Participant Retires but continues to provide services to the Company or any of its Affiliates as a director or as a Third Party Service Provider, then all Awards held by such Participant shall continue in full force and effect in accordance with their terms or until the Participant ceases to provide such services. If such services cease as a result of death or Disability, then Section 12.2(a)(i) above shall apply. If such services cease for any other reason, then Section 12.2(a)(ii)(B) below shall apply as if the Participant were Retiring on the date of such cessation of services.

(B) If a Participant Retires but does not continue to provide services as provided in subsection (ii)(A) above, then such Participant may exercise all vested Awards until the earlier of one year from the date of Retirement or the original expiration date of such Awards and all vested Awards that are not exercised within such period shall be forfeited to the Company, and all Awards that were not vested on the date of Retirement shall be forfeited to the Company.

(iii) Sale or Divestiture of Employer. If the Company sells or divests its controlling interest in any Affiliate which employs a Participant, or if its control of such Affiliate otherwise ceases, then all unvested Awards held by such Participant on the date of such sale, divestiture, cessation of control or termination shall be forfeited to the Company, and the Participants shall have until the earlier of 90 days from such date (or one year in the case of a Participant who is eligible for Retirement on such date), or the original expiration date of such Awards, in which to exercise Awards that were vested on such date, and all vested Awards that are not exercised within such period shall be forfeited to the Company.

(iv) Other Termination of Employment. If a Participant ceases to be an Employee of the Company or any of its Affiliates under circumstances other than those set forth in the foregoing subsections (i) – (iii), then:

(A) If the termination of Employment was not for Substantial Cause, then all Awards held by such Participant that were not vested on the date of termination shall immediately be forfeited to the Company, and the Participant shall have until the earlier of 90 days from the date of termination or the original expiration date of such Awards in which to exercise Awards that were vested on such date, and all such Awards that are not exercised within such period shall be forfeited to the Company.

(B) If the termination of Employment was for Substantial Cause, then all of the Participant's outstanding Awards then held by such Participant shall be forfeited to the Company (including vested Options and SARs) on the date of such termination, notwithstanding any otherwise applicable vesting or performance conditions related to any such Awards.

(b) **Time-Vested Restricted Stock.** The vesting, forfeiture and other terms of payout for Awards of Time-Vested Restricted Stock that apply in the event that a Participant ceases to be an Employee of the Company or any of its Affiliates shall be determined as set forth in the applicable Award Agreement for Awards granted beginning in February 2013, and as follows for Awards granted prior to February 2013:

(i) Death or Disability. If a Participant dies or becomes Disabled while employed by the Company or any of its Affiliates, then all restrictions on such Participant's outstanding Awards shall lapse and such Awards shall vest on the date of such death or Disability.

(ii) Retirement.

(A) If a Participant Retires but continues to provide services to the Company or any of its Affiliates as a director or as a Third Party Service Provider, then all Awards held by such Participant shall continue in full force and effect in accordance with their terms or until the Participant ceases to provide such services. If such services cease as a result of death or Disability, then subsection (i) above shall apply. If such services cease for any other reason, all of Participant's Awards that are then unvested shall be forfeited to the Company on the date of such cessation of services.

(B) If a Participant Retires but does not continue to provide services as provided in subsection (ii)(A) above, then all unvested Awards then held by such Participant shall be forfeited to the Company on the date of Retirement.

(iii) Sale or Divestiture of Employer. If the Company sells or divests its controlling interest in any Affiliate which employs a Participant, or if its control of such Affiliate otherwise ceases, then all unvested Awards then held by such Participant shall be forfeited to the Company on the date of such sale, divestiture, cessation of control or termination.

(iv) Other Termination of Employment. If a Participant ceases to be an Employee of the Company or any of its Affiliates under circumstances other than those set forth in the foregoing subsections (i) – (iii), all of the unvested Awards such Participant then holds shall be forfeited to the Company on the date of such cessation of Employment.

(c) **Performance-Based Restricted Stock, Performance Shares, Performance Units or Other Stock-Based Awards.** If a Participant ceases to be an Employee of the Company or any of its Affiliates under any circumstance, the vesting, forfeiture and other terms of payout of any outstanding Award of a type other than those covered by Sections 12.2(a) or (b) above shall be determined as set forth in the applicable Award Agreement.

12.3 Termination of Services as a Director.

(a) **Options and SARs.** The vesting, forfeiture and other terms of payout for Awards of Options and SARs that apply in the event that a Director's services cease shall be determined as set forth in the applicable Award Agreement for Awards granted beginning in February 2013, and as follows for Awards granted prior to February 2013: All rights of a Director under an outstanding Award, to the extent it has not been exercised, shall terminate 90 days after the date of the termination of his or her services as a Director for any reason other than: (i) the death of the Director; (ii) cessation of services as a Director because the individual, although nominated by the Board of Directors, is not elected by the shareholders to the Board of Directors; or (iii) cessation of services as a Director because of total and permanent disability as defined in Section 22(e)(3) of the Code (collectively, "Termination Events"). If a Director's services as such cease because of a Termination Event, his or her unvested Options and SARs shall vest immediately. All vested Options and SARs shall expire one year after the date of a Termination Event.

(b) **Other Types of Awards.** If a Director's services as such cease under any circumstance, the vesting, forfeiture and other terms of payout of any outstanding Award other than Options and SARs shall be determined as set forth in the applicable Award Agreement.

12.4. Termination of Services as Third Party Service Provider. Except as provided otherwise in Sections 12.2 or 12.3, if applicable, the vesting, forfeiture and other terms of payout of any outstanding Award to a Participant whose agreement to provide services as a Third Party

Service Provider ceases under any circumstance shall be determined as set forth in the applicable Award Agreement.

12.5 Forfeiture Provisions and Clawbacks. The Committee may, as required by applicable laws, rules and regulations or otherwise in its discretion, approve forfeiture and/or "clawback" provisions in connection with particular Awards or Participants that specify that the Participant's rights, payments, and benefits with respect to an Award may be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of certain specified events, despite and notwithstanding any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, termination of Employment for Substantial Cause, misconduct resulting in an accounting restatement due to material noncompliance with financial reporting requirements, violation of material Company or Affiliate policies, breach of non-competition, confidentiality, or other restrictive covenants that may apply to the Participant, or other conduct by the Participant that is determined by the Committee to be detrimental to the business or reputation of the Company and/or its Affiliates.

12.6 Leaves of Absence. The extent to which a Leave of Absence taken by an Employee Participant will affect an outstanding Award held by such Participant shall be determined in accordance with the terms of the Award Agreement and any applicable policies of the Participant's employer.

Article 13 Transferability of Awards

13.1 Transferability. Unless otherwise provided in an Award Agreement, Awards shall not be transferable either voluntarily or by operation of law other than by will or the laws of descent and distribution; no Awards shall be subject, in whole or in part, to attachment, execution, or levy of any kind; and any purported transfer in violation hereof shall be null and void.

13.2 Domestic Relations Orders. Without limiting the generality of Section 13.1, no domestic relations order purporting to authorize a transfer of an Award or any interest in an Award or to grant the power to exercise an Option or SAR to any person other than a Participant (or his or her Representative) shall be recognized as valid or enforceable.

Article 14 Performance Measures

14.1 Performance Measures. Unless and until the Committee proposes for shareholder vote and the shareholders approve a change in the general Performance Measures set forth in this Article 14, the performance goals or metrics upon which the payment or vesting of an Award of Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units (and any other Awards subject to performance results) to a Covered Employee that is intended to qualify as Performance-Based Compensation shall be limited to the following Performance Measures:

(a) Measures of profitability, including, but not limited to, net income, operating earnings, and earnings before or after any one or more of the following: taxes, interest, depreciation, amortization and other non-cash charges;

(b) Measures of revenue, including, but not limited to, earned premiums, written premiums, investment income, investment gains, and any other revenue measures reported by the Company in its financial statements;

(c) Measures of return, including, but not limited to, return on assets, capital, invested capital, equity, earned premiums, written premiums, revenues, and returns and yields with respect to investment portfolio performance;

(d) Cash flow including, but not limited to, operating cash flow, free cash flow, and cash flow return on equity;

(e) Measures related to insurance policy retention, operating efficiencies, and productivity;

(f) The Company's share price, including, but not limited to, share appreciation measures and measures of total shareholder return;

(g) Measures based on cost or expense targets;

(h) Market share;

(i) Customer satisfaction;

(j) Bad debt experience;

(k) Economic value added or EVA® [net operating profit after tax] less [cost of equity capital];

(l) Insurance underwriting income, combined ratios, loss ratios or expense ratios; and

(m) Recovery of capital or capital efficiency.

In the sole discretion of the Committee, any of the foregoing Performance Measure (s) may: (i) be determined on a consolidated basis or with regard to any business unit or Affiliate or any combination thereof, (ii) be computed in accordance with accounting principles generally accepted in the United States, insurance statutory accounting principles or international accounting principles, or otherwise without regard to any such principles, (iii) be calculated on an absolute, relative or per-share basis, and (iv) in the case of a relative Performance Measure, be compared to (A) internal benchmarks, plans, projections or prior-years' results, or (B) the performance of a group of comparator companies or any published or specially created index (including any equity market index), in each case as selected by the Committee. The Committee shall also have the authority to provide for accelerated vesting of any Award based on the achievement of performance goals pursuant to the Performance Measures specified in this Article 14.

14.2 Evaluation of Performance. In evaluating performance in connection with an Award, the Committee may include or exclude any of the following events that occur during a Performance Period: (a) asset write-downs; (b) litigation or claim judgments or settlements; (c) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results; (d) any reorganization and restructuring programs; (e) extraordinary nonrecurring items as described in FASB Accounting Standards Codification™ 225-20 – *Extraordinary and Unusual Items* (or a successor pronouncement) and/or in the Company's periodic reports filed with the Securities and Exchange Commission for periods within the applicable year; (f) acquisitions, divestitures, or business unit run-offs or closures; and any other circumstances deemed relevant by the Committee. To the extent such inclusions or exclusions affect Awards to Covered Employees that are intended to qualify as Performance-Based Compensation, they shall be prescribed in a form that meets the requirements of Section 162(m) for deductibility.

14.3 Adjustment of Performance-Based Compensation. Awards that are intended to qualify as Performance-Based Compensation may not be adjusted upward so as to enrich the Award. The Committee shall retain the discretion to adjust such Awards downward, either on a formula or discretionary basis or any combination, as the Committee determines.

14.4 Committee Discretion. In the event that applicable tax, securities laws and regulations and/or stock exchange rules change so as to permit Committee discretion to alter the governing Performance Measures without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval. In addition, in the event that the Committee determines that it is advisable to grant Awards that shall not qualify as Performance-Based Compensation, the Committee may make such grants without satisfying the requirements of Section 162(m) and base vesting on Performance Measures other than those set forth in Section 14.1.

Article 15 Arbitration

The Committee may, as a condition to granting an Award, require that a Participant agree in writing to submit all disputes or claims arising out of or relating to any such Award to binding arbitration in accordance with such terms as the Committee shall prescribe.

Article 16 Compliance with Section 409A

16.1 409A Compliance.

(a) Any Award that is granted under the Plan shall be designed and administered so that the Award is either exempt from the application of, or compliant with, the requirements of Section 409A.

(b) To the extent that the Committee determines that any Award granted under the Plan is subject to Section 409A, the Award Agreement shall include such terms and conditions as the Committee determines, in its discretion, are necessary or advisable to avoid the imposition on the Participant of an additional tax under Section 409A. Notwithstanding any other provision of the Plan or any Award Agreement (unless the Award Agreement provides otherwise with specific reference to this Section): (i) an Award shall not be granted, deferred, accelerated, extended, paid out, settled, substituted, adjusted or modified under the Plan in a manner that would result in the imposition of an additional tax under Section 409A on a Participant; and (ii) if an Award Agreement provides for the deferral of compensation within the meaning of Section 409A, no distribution or payment of any amount shall be made before a date that is six (6) months following the date of such participant's separation from service (as defined in Section 409A) or, if earlier, the date of the participant's death.

(c) Although the Company intends to administer the Plan so that Awards will be exempt from, or will comply with, the requirements of Section 409A, the Company does not warrant that any Award under the Plan will qualify for favorable tax treatment under Section 409A or any other provision of federal, state, local, or non-United States law. Neither the Company, its Affiliates nor their respective directors, officers, employees or advisers shall be liable to any Participant (or any other individual claiming a benefit through the Participant) for any tax, interest or penalties the Participant may owe as a result of the grant, holding, vesting, exercise or payment of any Award under the Plan.

16.2 Deferrals. Subject to the requirements of Section 16.1 of the Plan, the Committee may permit or require a Participant to defer such Participant's receipt of the payment of cash or the delivery of Shares that would otherwise be due to such Participant by virtue of the lapse or waiver of restrictions with respect to any Award of a type that may be subject to the deferral provisions of Section 409A. If any such deferral election is required or permitted, the Committee shall, prior to requiring or permitting such deferral election, establish written rules and procedures for such payment deferrals that are intended to comply with the requirements of Section 409A including, without limitation, the time when a deferral election can or must be made, the period of the deferral, and the events that would result in payment of the deferred amount.

Article 17 Rights of Participants

17.1 Employment; Services. Nothing in the Plan or an Award Agreement shall interfere with or limit in any way the right of the Company and/or any of its Affiliates to terminate the Employment of, or provisions of services by, any Participant at any time or for any reason not prohibited by law, nor confer upon any Participant any right to continue his or her Employment or services for any specified period of time. Neither an Award nor any benefits arising under the Plan shall constitute an employment contract with the Company and/or its Affiliates and, accordingly, subject to Article 19, the Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Board without giving rise to any liability on the part of the Company and/or its Affiliates.

17.2 Participation. No individual shall have the right to be selected to receive an Award under the Plan, or, having been so selected, to be selected to receive a future Award.

17.3 Form of Stock; Rights as a Shareholder.

(a) Subject to the provisions of applicable laws, rules and regulations and stock exchange requirements, Shares granted pursuant to Awards hereunder shall be issued in book entry or similar non-certificated form, or, at the request of a Participant following the completion of any applicable Period of Restriction, in the form of a stock certificate or by "DWAC" or similar electronic transfer to a brokerage or other account of the Participant.

(b) No Participant shall have any of the rights or privileges of a shareholder with respect to Shares covered by any Award until Shares shall have been issued and delivered: (a) to the Participant in the form of certificates (or held by the Company pursuant to Section 6.4); (b) to a brokerage or other account for the benefit of the Participant either in certificate form or via "DWAC" or similar electronic means; or (c) to a book entry or direct registration account in the name of the Participant, including a book entry account at the Company's transfer agent.

Article 18 Change in Control

18.1 Definition of Change in Control. A "Change in Control" shall be deemed to have occurred if the event set forth in any one of the following paragraphs shall have occurred:

(a) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or any of its Affiliates) representing 25% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (c) below; or

(b) the following individuals cease for any reason to constitute a majority of the number of Directors then serving: individuals who, on the Effective Date, constitute the Board of Directors and any new Director (other than a Director whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company) whose appointment or election by the Board of Directors or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds of the directors then still in office who either were directors on the Effective Date or whose appointment, election or nomination for election was previously so approved or recommended; or

(c) there is consummated a merger or consolidation of the Company or any Affiliate with any other corporation, other than (i) a merger or consolidation which results in the Directors immediately prior to such merger or consolidation continuing to constitute at least a majority of the Board of Directors of the surviving entity or any parent thereof, or (ii) a merger or consolidation effected to implement a recapitalization or reincorporation of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or any of its Affiliates) representing 25% or more of the combined voting power of the Company's then outstanding securities; or

(d) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets immediately following which the individuals who comprise the Board of Directors immediately prior thereto constitute at least a majority of the board of directors of the entity to which such assets are sold or disposed or any parent thereof.

18.2 Other Definitions. As used in this definition of Change in Control:

(a) **"Beneficial Owner"** shall have the meaning set forth in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"); and

(b) **"Person"** shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified in Sections 13(d)(3) and 14(d)(2) thereof, except that such term shall not include (1) the Company or any entity, more than 50% of the voting securities of which are Beneficially Owned by the Company, (2) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (3) an underwriter temporarily holding securities pursuant to an offering of such securities, (4) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, (5) any individual, entity or group whose ownership of securities of the Company is reported on Schedule 13G pursuant to Rule 13d-1 promulgated under the Exchange Act (but only for so long as such ownership is so reported) or (6) Singleton Group LLC or any successor in interest to such entity.

(c) **"Good Reason"** shall mean any action taken by the Participant's employer which results in a material negative change to the Participant in the Employment relationship, such as the duties to be performed, the conditions under which such duties are to be performed or the compensation to be received for performing such services. A termination by the Participant shall not constitute termination for Good Reason unless the Participant shall first have delivered to the employer written notice setting forth with specificity the occurrence deemed to give rise to a right to terminate for Good Reason (which notice must be given no later than 90 days after the occurrence of such event), and there shall have passed a reasonable time (not less than 30 days) within which the employer may take action to correct, rescind or otherwise substantially reverse the occurrence supporting termination for Good Reason as identified by the Participant.

18.3 Occurrence of a Change in Control. Upon the Occurrence of a Change in Control:

(a) In the event of a Change in Control as defined in Section 18.1 (a) or (b), except as prohibited by applicable laws, rules, regulations or stock exchange requirements, or as determined otherwise by the Committee in connection with particular Awards and set forth in the applicable Award Agreements, if the Employment of a Participant is terminated by the Company or an Affiliate without Substantial Cause or by the Participant for Good Reason within the twenty-four (24) month period following such Change in Control:

(i) any and all Options and SARs granted under the Plan shall vest and be immediately exercisable and shall remain exercisable for the remainder of their term;

(ii) any Period of Restriction and other restrictions imposed on time-vested Restricted Stock or Restricted Stock Units or Other Stock-Based Awards not subject to specified performance criteria shall lapse and such Awards shall immediately vest and be paid out or distributed without further restriction; and

(iii) the payout opportunities attainable under all outstanding performance-based Restricted Stock, Performance Shares or Performance Units or Other Stock-Based Awards subject to specified performance criteria, including Awards intended to qualify for deductibility under Section 162(m) of the Code, shall be deemed to have been fully earned based on the greater of (A) targeted performance, or (B) actual performance being attained for a truncated Performance Period that ends on the date of the Change in Control.

(b) In the event of a Change in Control as defined in Section 18.1 (c) or (d), the Plan shall terminate; provided, however, that notwithstanding the foregoing, the Board shall provide in writing in connection with such transaction for any one or more of the following alternatives (separately or in combinations): (i) all restrictions on outstanding Awards shall immediately lapse; (ii) for the assumption by the successor corporation of the Awards theretofore granted or the substitution by such corporation for such Awards theretofore granted of new Awards covering the stock of the successor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices; (iii) for the continuance of the Plan by such successor corporation in which event the Plan and the Awards therefore granted shall continue in the manner and under the terms so provided; or (iv) for the payment in cash or stock in lieu of and in complete satisfaction of such Awards.

(c) Notwithstanding the foregoing provisions of Sections 18.3 (a) and (b) or any other Section of the Plan, the Committee may, in its sole discretion, determine different provisions for vesting and payout that shall apply in the event of a Change in Control in connection with particular Awards, provided that such provisions are consistent with Article 16 and applicable laws, rules, regulations and stock exchange requirements and are set forth in the applicable Award Agreements.

Article 19 Amendment, Modification, Suspension, and Termination

19.1 Amendment, Modification, Suspension, and Termination. Subject to Sections 16.1 and 19.3, the Board may, at any time and from time to time, alter, amend, modify, suspend, or terminate the Plan in whole or in part; provided, however, that, no material amendment of the Plan shall be made without shareholder approval if shareholder approval is required by law, regulation, or stock exchange rule. Furthermore, no amendment, modification, suspension or termination may impact the distribution of any Award that is subject to Section 409A or is intended to qualify as Performance-Based Compensation under Section 162(m), except as permitted by such applicable Section.

19.2 Adjustment of Awards Upon the Occurrence of Certain Unusual or Nonrecurring Events. The Committee may make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, the events described in Section 4.4 hereof) affecting the Company (or any of its Affiliates) or the financial statements of the Company (or any of its Affiliates) or of changes in applicable laws, rules, regulations or accounting principles, whenever the Committee determines that such adjustments are appropriate in order to prevent unintended dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan. The determination of the Committee as to the foregoing adjustments, if any, shall be conclusive and binding on Participants under the Plan. No amendment, modification, suspension or termination may impact the distribution of any Award that is subject to Section 409A or is intended to qualify as Performance-Based Compensation under Section 162(m), except as permitted by such applicable Section.

19.3 Awards Previously Granted. Notwithstanding any other provision of the Plan to the contrary, no termination, amendment, suspension, or modification of the Plan or an Award Agreement shall adversely affect in any material way any Award previously granted under the Plan, without the written consent of the Participant holding such Award.

Article 20 Withholding

20.1 Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, the amount of any taxes that the Company may be required to withhold with respect to any taxable event arising from such Participant's Awards.

20.2 Share Withholding. For Participants who are Employees, unless a different form of remittance is agreed to in writing by the Company pursuant to Section 20.1, upon the lapse of restrictions on a Participant's Restricted Stock and Restricted Stock Units, or any other taxable event arising as a result of an Award granted hereunder, the Company shall withhold Shares having a Fair Market Value equal to the amount of the tax withholding requirements with respect to any such taxable event based on minimum statutory withholding rates for federal and state purposes, including payroll taxes.

20.3 Option or SAR Withholding. Upon the exercise of a Non-Qualified Option or a SAR, the Company shall have the right to: (i) require such Participant (or such Participant's Representative) to pay the Company the amount of any taxes which the Company may be required to withhold with respect to such exercise, or (ii) deduct from all amounts paid in cash with respect to the exercise of a SAR the amount of any taxes which the Company may be required to withhold with respect to such cash amounts. Subject to the limitation set forth in the next sentence, a Participant or such Participant's Representative may elect to satisfy all or any portion of the tax withholding obligations arising from the exercise of an Option or SAR either by: (i) any of the methods described in Section 8.3(b); or (ii) directing the Company to withhold Shares that would otherwise be issued pursuant to such exercise. No Participant or Participant's Representative shall have the right to utilize Constructive or Actual Delivery of Shares or have Shares withheld, in either case, in excess of the minimum number required to satisfy applicable tax withholding requirements based on minimum statutory withholding rates for federal and state tax purposes, including payroll taxes. Shares used in either of the foregoing ways to satisfy tax withholding obligations will be valued at their Fair Market Value on the date of exercise.

Article 21 Successors

All obligations of the Company under the Plan with respect to Awards granted hereunder shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

Article 22 General Provisions

22.1 Gender and Number. Except where otherwise indicated by the context, any masculine term used herein also shall include the feminine, the plural shall include the singular, and the singular shall include the plural.

22.2 Severability. In the event that any provision of the Plan shall for any reason be held illegal, invalid or unenforceable in any jurisdiction, or would disqualify the Plan or any Award under any law, rule or regulation deemed applicable by the Committee, such provision shall be construed or deemed amended to the minimum extent necessary to conform to such applicable law, rule or regulation or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction or Award, and the remainder of the Plan or any such Award shall remain in full force and effect.

22.3 Requirements of Law. The granting of Awards and the issuance of Shares under the Plan shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

22.4 Delivery of Title. The Company shall have no obligation to issue or deliver evidence of title for Shares issued under the Plan prior to:

(a) Obtaining any approvals from governmental agencies or national securities exchanges that the Company determines are necessary or advisable; and

(b) Completion of any registration or other qualification of the Shares under any applicable securities, "Blue Sky" or other laws that the Company determines to be necessary or advisable.

22.5 Inability to Obtain Authority. The inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

22.6 Investment Representations. The Committee may require any individual receiving Shares pursuant to an Award under the Plan to represent and warrant in writing that the individual is acquiring the Shares for investment and without any present intention to sell or distribute such Shares.

22.7 Unfunded Plan. Participants shall have no right, title, or interest whatsoever in or to any investments that the Company, and/or its Affiliates may make to aid it in meeting its obligations under the Plan. Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between the Company and any Participant, beneficiary, legal representative, or any other individual. To the extent that any person acquires a right to receive payments from the Company, its Affiliates under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company or an Affiliate, as the case may be. All payments to be made hereunder shall be paid from the general assets of the Company or an Affiliate, as the case may be and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan.

22.8 No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award. The Committee shall determine whether cash, Awards, or other property shall be issued or paid in lieu of fractional Shares or whether such fractional Shares or any rights thereto shall be forfeited or otherwise eliminated.

22.9 Non-Exclusivity of the Plan. The adoption of the Plan shall not be construed as creating any limitations on the power of the Board or Committee to adopt such other compensation arrangements as it may deem desirable for any Participant.

22.10 No Constraint on Corporate Action. Nothing in the Plan shall be construed to: (a) limit, impair, or otherwise affect the Company's or an Affiliate's right or power to make adjustments, reclassifications, reorganizations, or changes of its capital or business structure, or to merge or consolidate, or dissolve, liquidate, sell, or transfer all or any part of its business or assets; or (b) limit the right or power of the Company or an Affiliate to take any action which such entity deems to be necessary or appropriate.

22.11 Non-Uniform Treatment. The Committee's determinations under the Plan need not be uniform and may be made by it selectively among Participants or individuals who are eligible to receive Awards (whether or not such individuals are similarly situated). Without limiting the generality of the foregoing, the Committee will be entitled, among other things, to make non-uniform and selective determinations, amendments and adjustments, and to enter into non-uniform and selective Award Agreements, as to Participants under the Plan and the terms and conditions applicable to Awards made under the Plan.

22.12 Governing Law. The Plan and each Award Agreement shall be governed by the laws of the State of Delaware, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of the Plan to the substantive law of another jurisdiction. Unless otherwise provided in the Award Agreement, recipients of an Award under the Plan are deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of Delaware and Illinois, to resolve any and all issues that may arise out of or relate to the Plan or any related Award Agreement.

Exhibit 10.2

KEMPER CORPORATION

2009 Performance Incentive Plan

Amended and Restated as of October 29, 2013

TABLE OF CONTENTS

		Page
Article 1	Establishment, Purpose and Duration	1
1.1	Establishment	1
1.2	Purpose of this Plan	1
Article 2	Definitions	1
2.1	"Affiliate"	1
2.2	"Annual Award Limit" or "Annual Award Limits"	1
2.3	"Annual Incentive Award"	2
2.4	"Award"	2
2.5	"Award Instrument"	2
2.6	"Board" or "Board of Directors"	2
2.7	"Code"	2
2.8	"Committee"	2
2.9	"Company"	2
2.10	"Corporate Performance Measures"	2
2.11	"Covered Employee"	2
2.12	"Disability or Disabled"	2
2.13	"Effective Date"	2
2.14	"Employee"	2
2.15	"Employer"	2
2.16	"Individual Performance Measures"	3
2.17	"Multi-Year Incentive Award"	3
2.18	"Participant"	3
2.19	"Performance-Based Compensation"	3
2.20	"Performance Measures"	3
2.21	"Performance Period"	3
2.22	"Plan"	3
2.23	"Plan Year"	3
2.24	"Retirement" or "Retires"	3
2.25	"Section 162(m)"	3
2.26	"Section 409A"	3
2.27	"Subject Employees"	3
Article 3	Eligibility and Participation	3
3.1	Eligibility	4
3.2	Actual Participation	4
Article 4	Grant, Earning and Payment of Awards	4
4.1	Grant of Awards	4
4.2	Award Instruments	4
4.3	Awards to Covered Employees	4
4.4	Awards to Other Employees	5
4.5	Timing of Payments	5
Article 5	Performance Measures	5
5.1	Performance Measures	5

TABLE OF CONTENTS
(continued)

		Page
5.2	Individual Performance Measures	5
5.3	Corporate Performance Measures	6
5.4	Unusual and Nonrecurring Events	7
5.5	Committee Discretion	7
Article 6	Termination of Employment; Leave of Absence	7
6.1	Death or Disability	7
6.2	Retirement	8
6.3	Divestiture of Employer	8
6.4	Other Termination Provisions	8
6.5	Leave of Absence	9
Article 7	Transferability of Awards	9
7.1	Transferability	9
7.2	Domestic Relations Orders	9
Article 8	Arbitration	9
Article 9	Compliance with Section 409A	9
Article 10	Rights of Participants	10
10.1	Employment	10
10.2	Participation	10
Article 11	Change of Control	10
Article 12	Administration	13
12.1	General	13
12.2	Authority of the Committee	13
12.3	Performance Based Compensation	13
Article 13	Amendment, Modification, Suspension, and Termination	13
13.1	Amendment, Modification, Suspension, and Termination	14
13.2	Awards Previously Granted	14
Article 14	Tax Withholding	14
Article 15	Successors	14
Article 16	General Provisions	14
16.1	Forfeiture Events	14
16.2	Severability	14
16.3	Unfunded Plan	14
16.4	Non-exclusivity of this Plan	15
16.5	Governing Law	15
16.6	Beneficiaries	15

Kemper Corporation
2009 Performance Incentive Plan

Amended and Restated
Effective October 29, 2013

Article 1 Establishment, Purpose, and Duration

1.1 Establishment. Kemper Corporation, a Delaware corporation (hereinafter referred to as the "Company"), hereby establishes the 2009 Performance Incentive Plan (the "Plan"). The Plan is effective as of February 3, 2009 ("Effective Date"), and was most recently amended and restated effective October 29, 2013. This Plan permits the grant by the Company and its Affiliates of Annual Incentive Awards and Multi-Year Incentive Awards, as defined hereafter. In accordance with Section 162(m), provisions of this Plan applicable to Awards to Covered Employees shall be subject to approval by the Company's shareholders, at a meeting duly held in accordance with the Company's Amended and Restated Bylaws and applicable law. Any Awards granted to Covered Employees in advance of the requisite shareholders' vote shall be made contingent upon such approval by the Company's shareholders. In no event shall any amounts be paid with respect to Awards granted to Covered Employees unless and until the requisite shareholder approval has been obtained.

1.2 Purpose of this Plan. The purpose of this Plan is to motivate and reward eligible executive-level Employees through annual and multi-year cash incentive awards tied to the achievement of performance goals established hereunder, and to attract and retain superior Employees through these incentives. This Plan is designed to enable the Company (or an Employer) to grant Awards, or portions thereof, to Covered Employees that qualify as Performance-Based Compensation under Section 162(m) in order to preserve the Company's federal income tax deduction for incentive compensation paid to such Employees. In addition, this Plan is designed to enable the Company (or an Employer) to grant Awards, or portions thereof, to Covered Employees that do not qualify as Performance-Based Compensation under Section 162(m).

Article 2 Definitions

Whenever used in this Plan, the following terms shall have the meanings set forth below, and when the meaning is intended, the initial letter of the word shall be capitalized.

2.1 "Affiliate" means any person or entity controlled directly or indirectly by the Company, whether by equity ownership, contract or otherwise and shall include direct or indirect subsidiaries of the Company and mutual companies the management of which is controlled by the Company and its subsidiaries.

2.2 "**Annual Award Limit**" or "**Annual Award Limits**" have the meaning set forth in Section 4.3.

2.3 "Annual Incentive Award" means an arrangement under which a Participant is given the opportunity to earn a cash bonus based on the achievement of performance goals measured over a Performance Period of one year or less.

2.4 "Award" means, individually or collectively, a grant under this Plan of an Annual Incentive Award or a Multi-Year Incentive Award, in each case subject to the terms of this Plan.

2.5 "Award Instrument" means either: (a) a written agreement between a Participant and the Company or his or her Employer setting forth the terms and conditions applicable to an Award, or (b) a written or electronic statement issued by the Company or an Employer to a Participant describing the terms and conditions of such Award.

2.6 "Board" or **"Board of Directors"** means the Board of Directors of the Company.

2.7 "Code" means the U.S. Internal Revenue Code of 1986, as amended from time to time, or any successor statute.

2.8 "Committee" means the Compensation Committee of the Board or any subcommittee thereof, or any other committee designated by the Board to administer this Plan.

2.9 "Company" means Kemper Corporation, a Delaware corporation, and any successor thereto as provided in Article 15 herein.

2.10 "Corporate Performance Measures" is defined in Section 5.3.

2.11 "Covered Employee" means any Employee who is or may become a "Covered Employee," as defined in Section 162(m).

2.12 "Disability or Disabled" when used with respect to a particular Participant**,** means a physical or mental condition that: (a) is of a type that would generally trigger benefits under the Company's long-term disability plan (as in effect from time to time), whether or not such Participant is actually enrolled in such plan; or (b) in the absence of any such plan, would cause such Participant to be unable to substantially perform his or her duties as an Employee, as determined in the sole discretion of the Committee. Notwithstanding the foregoing, if an Award becomes subject to Section 409A, "Disability" and "Disabled" shall be defined as required thereunder.

2.13 "Effective Date" has the meaning set forth in Section 1.1.

2.14 "Employee" means any employee of the Company or any Affiliate of the Company.

2.15 "Employer" means, with respect to a given Employee, whichever of the Company or its Affiliates is the employer of such Employee.

2.16 "Individual Performance Measures" is defined in Section 5.2.

2.17 "Multi-Year Incentive Award" means an arrangement under which a Participant is given the opportunity to earn a cash award based on the achievement of one or more performance goals measured over a Performance Period of more than one year.

2.18 "Participant" means any Employee to whom an Award is granted.

2.19 "Performance-Based Compensation" means compensation under an Award that satisfies the requirements of Section 162(m).

2.20 "Performance Measures" means measures described in Article 5 on which performance goals for Awards are based and, for measures applicable to Awards, or applicable portions thereof, to Covered Employees that are intended to qualify as Performance-Based Compensation, the measures which are approved by the Company's shareholders pursuant to this Plan in order to qualify Awards as Performance-Based Compensation.

2.21 "Performance Period" means the period of time with respect to which the achievement of performance goals is measured to determine the amount of the payout, if any, of an Award.

2.22 "Plan" is defined in Section 1.1 above.

2.23 "Plan Year" means a calendar year.

2.24 "Retirement" or "Retires" means, (a) for Awards granted prior to February 2013, the voluntary termination of employment by a Participant who has attained age 55, is eligible for early retirement under a retirement plan sponsored by the Company, and makes an election to begin receiving retirement benefits under such retirement plan, (b) for Awards granted beginning in February 2013 through January 2014, the termination of employment by a Participant who has attained age 65 and completed at least five years of service with the Company and/or one or more of its Affiliates, and (c) for Awards granted beginning in February 2014, the definition set forth in the applicable Award Agreement.

2.25 "Section 162(m)" means Section 162(m) of the Code, or any successor provision, and the regulations, rulings and other guidance issued thereunder by the Internal Revenue Service.

2.26 "Section 409A" means Section 409A of the Code, or any successor provision, and the regulations, rulings and other guidance issued thereunder by the Internal Revenue Service.

2.27 "Subject Employees" means the executive officers of the Company and the officers of the Company's Affiliates who are generally referred to by the Company as the operating company presidents and group executives, and includes the Covered Employees.

Article 3 Eligibility and Participation

3.1 Eligibility. All executive-level Employees, as determined in the discretion of the Committee (or in the discretion of the Company's Chief Executive Officer or other executive officer pursuant to a delegation of authority made pursuant to the terms of this Plan), shall be eligible to participate in this Plan.

3.2 Actual Participation. For Awards to Subject Employees, the Committee shall have the sole power and authority, in its discretion, to select Award recipients and determine the terms of Awards on its own initiative or to approve, modify or reject Award recommendations from the management of the Company or its Affiliates, and no such Awards shall be granted without the prior, express approval of the Committee. For Awards to other Employees, the Committee may delegate to the Company's Chief Executive Officer (and such other executive officers of the Company as determined appropriate by the Committee in its discretion), the power and authority to select such additional Award recipients and to approve and determine the terms of such Awards.

Article 4 Grant, Earning and Payment of Awards

4.1 Grant of Awards. At any time and from time to time, Annual Awards and/or Multi-Year Awards may be granted to Participants under the terms and provisions of this Plan.

4.2 Award Instruments. Each Award to a Participant shall be evidenced by an Award Instrument that specifies the applicable Performance Period, Performance Measures, performance goals, threshold, maximum and target payouts and such other provisions as have been approved for such Participant in accordance with this Plan, including, without limitation, such provisions as maybe determined necessary or advisable to comply with Article 9.

4.3 Awards to Covered Employees.

(a) Annual Award Limit. The maximum amount paid to a Covered Employee in any one Plan Year under an Annual Incentive Award may not exceed $4,000,000, and the maximum amount paid to a Covered Employee in any one Plan Year under a Multi-Year Incentive Award may not exceed $4,000,000 (each, an "Annual Award Limit").

(b) Performance Goals. Within ninety (90) days of the beginning of each Performance Period (or, if earlier, before twenty-five percent (25%) of the period of service to which the Performance Measures relate has elapsed), the Committee shall establish or approve the performance goals for the Performance Period for Awards, or the applicable portions thereof, to Covered Employees that are intended to qualify as Performance-Based Compensation. Any such performance goals established by the Committee shall be stated in terms of an objective formula or standard and shall be based on one of, or a combination of, the Performance Measures set forth in Section 5.3.

(c) Data and Calculations. After each Performance Period, the Company shall compile data and perform calculations as may be necessary to assess results and achievements of performance goals that were previously established for such Performance Period.

(d) Satisfaction of Performance Goals. After each Performance Period, the Company shall submit a written report to the Committee providing such data and calculations necessary to enable the Committee to assess the results and achievement of performance goals for such Performance Period that were previously established for Awards granted to Covered Employees. The Committee shall review such report and make a determination for each Covered Employee as to the degree of achievement of each performance goal for Awards, or the applicable portions thereof, that are intended to qualify as Performance-Based Compensation based upon the actual results for such Performance Period. Prior to the payout of any Award to a Covered Employee, the Committee shall certify in accordance with Section 162(m) the extent to which the performance goal(s) for the applicable Performance Period have been satisfied.

(e) Payouts. The Committee, in its sole discretion, may reduce the amount of the payout that otherwise would be due to a Covered Employee upon application of the performance goals for the Performance Period applicable to an Award to the extent necessary to prevent a payout in excess of the Annual Award Limit for such Award. Under no circumstances may the Committee increase the amount of any Award to a Covered Employee, or portion thereof, that is intended to qualify as Performance-Based Compensation, that otherwise would be payable upon application of the performance goals thereunder for the applicable Performance Period.

4.4 Awards to Other Participants. With respect to Participants other than Covered Employees, data shall be provided by the Company and a determination shall be made by the Committee or, pursuant to a delegation of authority made in accordance with the terms of this Plan, by the Company's Chief Executive Officer or other executive officer, as to the degree of achievement of each performance goal based upon the actual results for the Performance Period.

4.5 Timing of Payments. Awards shall be paid, in cash, as soon as practicable after the end of a Performance Period in accordance with the terms of the Award Instrument (but in no event later than March 15 of the calendar year immediately following the end of the Performance Period).

Article 5 Performance Measures

5.1 Performance Measures. Payouts of all Awards shall be conditioned upon the attainment of performance goals that are established for the relevant Performance Periods based upon specified Performance Measures. Performance goals for Awards to Participants may be based on Individual Performance Measures, Corporate Performance Measures, or a combination of the two.

5.2 Individual Performance Measures. Performance goals may be established for Awards to a Participant based on individual performance measures which may be quantitative or qualitative in nature ("Individual Performance Measures"). In the case of an Award based upon a combination of Individual Performance Measures and Corporate Performance Measures, specific limits may be imposed on the portion of the payout that is based upon Individual Performance Measures. Such limits may be expressed in terms of the total dollar amount or the percentage of the Award's payout that may be attributable to the attainment of Individual Performance Measures.

5.3 Corporate Performance Measures. Unless and until the Committee proposes for shareholder vote and the shareholders of the Company approve a change in the Performance Measures set forth in this Section 5.3, the corporate performance goals upon which the payment of an Award may be conditioned shall be limited to the following Performance Measures ("Corporate Performance Measures"):

(a) Net earnings or net income (before or after taxes);

(b) Operating earnings per share;

(c) Net sales or revenue growth;

(d) Operating income and/or average increase in dollars of operating income of the Company or any of its Subsidiaries or operating units;

(e) Return measures (including, but not limited to, return on assets, capital, invested capital, investment portfolio performance returns or yields, equity, sales, or revenue);

(f) Cash flow (including, but not limited to, operating cash flow, free cash flow, and cash flow return on equity);

(g) Earnings before or after taxes, interest, depreciation, and/or amortization;

(h) Gross or operating margins;

(i) Productivity ratios;

(j) Share price (including, but not limited to, growth measures and total shareholder return);

(k) Expense targets;

(l) Margins;

(m) Operating efficiency;

(n) Market share;

(o) Customer satisfaction;

(p) Working capital targets;

(q) Bad debt experience;

(r) Reduction in costs;

(s) Economic value added or EVA® (net operating profit after tax minus the sum of capital multiplied by the cost of capital); and

(t) Insurance company underwriting income, combined ratios, loss ratios or expense ratios.

Any Corporate Performance Measure(s) may be defined in accordance with generally acceptable accounting principles or otherwise, and may be used to measure the performance of the Company and its Affiliates on a consolidated basis, or any Affiliate or business unit or segment of the Company individually, or any combination thereof, as the Committee may deem appropriate. Any Corporate Performance Measure may also be compared against similar measures for a group of comparator or peer companies, or against a published or special index that the Committee, in its sole discretion, deems appropriate, or the Committee may select Performance Measure (j) above as compared to various stock market indices.

5.4 Unusual and Nonrecurring Events. An Award Instrument may provide that any evaluation of performance may include or exclude any of the following events that occurs during a Performance Period: (a) asset write-downs; (b) litigation or claim judgments or settlements; (c) the effect of changes in tax laws, accounting principles, or other laws or provisions affecting reported results; (d) any reorganization or restructuring; (e) extraordinary nonrecurring items as described in Accounting Principles Board Opinion No. 30 (or a successor pronouncement) and/or in the Company's periodic reports filed with the Securities and Exchange Commission for periods within the applicable Performance Period; and (f) acquisitions or divestitures. In addition, an Award Instrument may provide the Committee with authority to make, in its discretion, adjustments to the established performance goals applicable to such Award to reflect changes to the job responsibilities of the Participant or the structure of the Company or its Affiliates that relate directly to such established performance goals for all or a portion of the applicable Performance Period. To the extent such inclusions or exclusions affect Awards, or portions thereof, to Covered Employees that are intended to qualify as Performance-Based Compensation, they shall be approved by the Committee and prescribed in a form that meets the requirements of Section 162(m).

5.5 Committee Discretion. In the event that applicable tax and/or securities laws change to permit Committee discretion to alter the governing Performance Measures for Awards to Covered Employees without obtaining shareholder approval of such changes, the Committee shall have sole discretion to make such changes without obtaining shareholder approval.

Article 6 Termination of Employment; Leave of Absence

6.1 Death or Disability. Upon termination of the employment of a Participant due to death or Disability, for each outstanding Award previously granted to the Participant, the Performance Period shall be deemed to have been completed and a payout of the Award shall be due to the Participant (or, in the case of death, to the Participant's designated beneficiary, if any, or to his or her estate) at the level defined in the Award Instrument as the "target" level as if the applicable performance goal(s) had been achieved at such target level, but reduced on a pro-rata basis by multiplying the amount that would have been payable under the Award at such target level for the original Performance Period by a fraction, the numerator of which is the number of full months in the Performance Period during which the Participant was an active Employee and the denominator of which is the total number of months in the original Performance Period. A partial month worked shall be counted as a full month if the Participant was an active Employee for fifteen (15) days or more in that month. The Award shall be paid, in cash, as soon as practicable after the termination of employment (but in no event later than March 15 of the calendar year immediately following the end of such completed Performance Period).

6.2 Retirement. In the event that a Participant's employment terminates due to Retirement, for each outstanding Award previously granted to the Participant, a payout of the Award shall be due, to the extent earned, based upon the actual results relative to the applicable performance goal(s) for such Award for the original Performance Period, but reduced on a pro-rata basis by multiplying the amounts that would have been payable under the Award for the original Performance Period by a fraction, the numerator of which is the number of full months in the Performance Period during which the Participant was an active Employee and the denominator of which is the total number of months in the original Performance Period. A partial month worked shall be counted as a full month if the Participant was an active Employee for fifteen (15) days or more in that month. The Award shall be paid, in cash, as soon as practicable after the completion of the original Performance Period when Award payouts are made to active Employees (but in no event later than March 15 of the calendar year immediately following the end of the Performance Period).

6.3 Divestiture of Employer. In the event that a Participant's employment terminates upon and as result of the sale or divestiture by the Company or any of its Affiliates of its controlling interest in any Employer ("Divestiture"), for each outstanding Award previously granted to such Participant, the term of the applicable Performance Period shall be deemed revised so that the Performance Period ends on the effective date of the Divestiture, and a payout of the Award shall be due, to the extent earned, based on the actual results relative to the applicable performance goal(s) for such Award for the revised Performance Period. The Award shall be paid, in cash, as soon as practicable after the termination of employment (but in no event later than March 15 of the calendar year immediately following the end of such completed Performance Period).

6.4 Other Termination Provisions.

(a) Other Events. In the event a Participant's employment terminates for any reason other than death, Disability, Retirement, Divestiture, or an Event as defined in Article 11, including but not limited to, termination with or without cause by his or her Employer, or voluntary termination by the Participant, any outstanding Award shall be canceled and the Participant shall receive no payment for such Award under this Plan, unless, subject to Section 16.1, the Performance Period associated with any such Award had been completed at the time of the Participant's termination of employment, in which case the payout, if any, pursuant to such Award shall be computed and paid in accordance with the relevant performance goals as if the Participant's employment had not terminated.

(b) Other Provisions. The Committee may, in its discretion, approve termination provisions in connection with particular Awards or Participants that differ from the terms of this Article 6 to the extent such provisions: (i) are consistent with Section 162 (m), if and as applicable; and (ii) do not adversely affect any Award previously granted under this Plan in any material way without the written consent of the Participant holding such Award.

6.5 Leave of Absence. In the event that the Participant is on an approved leave of absence (other than a short-term disability leave) at the end of the Performance Period, or takes such a leave of absence at any time during the Performance Period, a payout of the Award shall be due, to the extent earned, based upon the actual results relative to the applicable performance goal(s) for such Award for the Performance Period, but reduced on a pro-rata basis by multiplying the amount that would have been payable under the Award for the Performance Period by a fraction, the numerator of which is the number of full months in the Performance Period during which the Participant was an active Employee not on such leave of absence and the denominator of which is the total number of months in the Performance Period. A partial month worked shall be counted as a full month if the Participant was an active Employee for fifteen (15) days or more in that month. The Award shall be paid, in cash, as soon as practicable after the completion of the original Performance Period when Award payouts are made to active Employees (but in no event later than March 15 of the calendar year immediately following the end of the Performance Period).

Article 7 Transferability of Awards

7.1 Transferability. Awards shall not be transferable other than by will or the laws of descent and distribution. No Awards shall be subject, in whole or in part, to attachment, execution, or levy of any kind, and any purported transfer in violation hereof shall be null and void.

7.2 Domestic Relations Orders. Without limiting the generality of Section 7.1, no domestic relations order purporting to authorize a transfer of an Award or any interest in an Award shall be recognized as valid.

Article 8 Arbitration

As a condition to receiving an Award grant, a Participant may be required to agree in writing to submit all disputes or claims arising out of or relating to any such Award to binding arbitration in accordance with such terms as prescribed when the Award is approved.

Article 9 Compliance with Section 409A

Each Award that is granted under this Plan shall be designed and administered so that the Award is either exempt from the application of, or compliant with, the requirements of Section 409A. To the extent that the Committee determines that any Award granted under this Plan is subject to Section 409A, the Award Instrument shall include such terms and conditions as the Committee determines, in its discretion, are necessary or advisable to avoid the imposition on the Participant of an additional tax under Section 409A. Notwithstanding any other provision of this Plan or any Award Instrument (unless the Award Instrument provides otherwise with specific reference to this Section): (i) an Award shall not be granted, deferred, accelerated, extended, paid out, settled, substituted, adjusted or modified under this Plan in a manner that would result in the imposition of an additional tax under Section 409A upon a Participant; and (ii) if an Award Instrument provides for the deferral of compensation within the meaning of Section 409A, no distribution or payment of any amount shall be made before a date that is six (6) months following the date of such participant's separation from service (as defined in Section 409A) or, if earlier, the date of the Participant's death. Although the Company intends to administer this Plan so that Awards will be exempt from, or will comply with, the requirements of Section 409A, the Company does not warrant that any Award under this Plan will qualify for favorable tax treatment under Section 409A or any other provision of federal, state, local, or non-United States law. Neither the Company, its Affiliates nor their respective directors, officers, employees or advisors shall be liable to any Participant (or any other individual claiming a benefit through the Participant) for any tax, interest or penalties the Participant may owe as a result of the grant, holding, vesting or payment of any Award under this Plan.

Article 10 Rights of Participants

10.1 Employment. Nothing in this Plan or an Award Instrument shall interfere with or limit in any way the right of an Employer to terminate any Participant's employment at any time or for any reason not prohibited by law, nor confer upon any Participant any right to continue his or her employment for any specified period of time. Neither an Award, an Award Instrument, nor any benefit arising under this Plan shall constitute an employment contract with the Company or any of its Affiliates and, accordingly, subject to Articles 12 and 13, this Plan and the benefits hereunder may be terminated at any time in the sole and exclusive discretion of the Committee without giving rise to any liability on the part of the Company, its Affiliates or their respective directors, officers, employees or advisors.

10.2 Participation. No Employee shall have the right to be selected to receive an Award under this Plan, or, having been so selected, to be selected to receive a future Award.

Article 11 Change in Control

(a) For Awards granted prior to February 2013. Upon the dissolution or liquidation of the Company, or upon a reorganization, merger or consolidation of the Company with one or more corporations as a result of which the Company is not the surviving corporation, or upon a sale of substantially all the property or more than eighty percent (80%) of the then outstanding Shares of the Company to another corporation (any of the foregoing, an "Event"), the applicable Performance Period for each Award then outstanding under this Plan shall be deemed revised so that such Performance Period ends on the effective date of the Event, and a payout of each such

Award shall be due to the respective Participant in the amount which is the greater of the payout that would be due: (a) based upon the actual results for such revised Performance Period relative to the applicable performance goal(s) for such Award; or (b) at the level defined in the respective Award Instrument as the "target" level for such Award for such revised Performance Period. The Award shall be paid, in cash, as soon as practicable after the Event (but in no event later than March 15 of the calendar year immediately following the end of the revised Performance Period).

(b) For Awards granted beginning in February 2013. Upon a Change in Control, except as prohibited by applicable laws, rules, regulations or stock exchange requirements, or as determined otherwise by the Committee in connection with particular Awards and set forth in the applicable Award Agreements, if the employment of a Participant is terminated by the Company or an Affiliate without Substantial Cause or by the Participant for Good Reason within the twenty-four (24) month period following such Change in Control, the applicable Performance Period for each Award then outstanding under this Plan shall be deemed revised so that such Performance Period ends on the effective date of the termination of employment, and a payout of each such Award shall be due to the respective Participant in the amount which is the greater of the payout that would be due: (a) based upon the actual results for such revised Performance Period relative to the applicable performance goal(s) for such Award; or (b) at the level defined in the respective Award Instrument as the "target" level for such Award for such revised Performance Period. The Award shall be paid, in cash, as soon as practicable after the termination of employment (but in no event later than March 15 of the calendar year immediately following the end of the revised Performance Period).

For purposes of this Article 11(b):

"Change in Control" means that the event set forth in any one of the following paragraphs (a) – (d) shall have occurred:

(a) any Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities beneficially owned by such Person any securities acquired directly from the Company or any of its Affiliates) representing 25% or more of the combined voting power of the Company's then outstanding securities, excluding any Person who becomes such a Beneficial Owner in connection with a transaction described in clause (i) of paragraph (c) below; or

(b) the following individuals cease for any reason to constitute a majority of the number of Directors then serving: individuals who, on the Effective Date, constitute the Board of Directors and any new Director (other than a Director whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of directors of the Company) whose appointment or election by the Board of Directors or nomination for election by the Company's shareholders was approved or recommended by a vote of at least two-thirds of the directors then still in office who either were directors on the Effective Date or whose appointment, election or nomination for election was previously so approved or recommended; or

(c) there is consummated a merger or consolidation of the Company or any Affiliate with any other corporation, other than (i) a merger or consolidation which results in the Directors immediately prior to such merger or consolidation continuing to constitute at least a majority of the Board of Directors of the surviving entity or any parent thereof, or (ii) a merger or consolidation effected to implement a recapitalization or reincorporation of the Company (or similar transaction) in which no Person is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company (not including in the securities Beneficially Owned by such Person any securities acquired directly from the Company or any of its Affiliates) representing 25% or more of the combined voting power of the Company's then outstanding securities; or

(d) the shareholders of the Company approve a plan of complete liquidation or dissolution of the Company or there is consummated an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets immediately following which the individuals who comprise the Board of Directors immediately prior thereto constitute at least a majority of the board of directors of the entity to which such assets are sold or disposed or any parent thereof.

"Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act");

"Person" shall have the meaning given in Section 3(a)(9) of the Exchange Act, as modified in Sections 13(d)(3) and 14(d)(2) thereof, except that such term shall not include (1) the Company or any entity, more than 50% of the voting securities of which are Beneficially Owned by the Company, (2) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its Affiliates, (3) an underwriter temporarily holding securities pursuant to an offering of such securities, (4) a corporation owned, directly or indirectly, by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, (5) any individual, entity or group whose ownership of securities of the Company is reported on Schedule 13G pursuant to Rule 13d-1 promulgated under the Exchange Act (but only for so long as such ownership is so reported) or (6) Singleton Group LLC or any successor in interest to such entity.

"Good Reason" shall mean any action taken by the Participant's Employer which results in a material negative change to the Participant in the employment relationship, such as the duties to be performed, the conditions under which such duties are to be performed or the compensation to be received for performing such services. A termination by the Participant shall not constitute termination for Good Reason unless the Participant shall first have delivered to the Employer written notice setting forth with specificity the occurrence deemed to give rise to a right to terminate for Good Reason (which notice must be given no later than 90 days after the occurrence of such event), and there shall have passed a reasonable time (not less than 30 days) within which the employer may take action to correct, rescind or otherwise substantially reverse the occurrence supporting termination for Good Reason as identified by the Participant.

"Substantial Cause" means the (a) commission of a criminal act against, an action in derogation of the interests of, or misconduct which results in a financial loss to, the Company or an Affiliate; (b) misconduct which obligates the Company to prepare an accounting restatement due to material noncompliance with applicable financial reporting requirements; (c) knowing disclosure of confidential information about the Company or an Affiliate in breach of the Company's Essential Standards of Conduct or an applicable contractual or other obligation, or using such information for personal gain, including, without limitation, by trading in Company securities on the basis of material, non-public information; or (d) performance of any other action that the Committee, in its sole discretion, may deem to be sufficiently injurious to the interests or reputation of the Company or an Affiliate to constitute substantial cause for the termination of a Participant's employment. Nothing in the Plan shall be construed to imply that a Participant's employment or other relationship with the Company or its Affiliates may only be terminated for Substantial Cause.

Article 12 Administration

12.1 General. The Committee shall be responsible for oversight of the administration of this Plan, subject to this Article 12 and the other provisions of this Plan. The Committee may retain attorneys, consultants, accountants, or other advisors, and the Committee, the Company and its Affiliates, and their respective officers and directors shall be entitled to rely upon the advice, opinions, or valuations of any such advisors. The fees of any such advisors shall be paid by the Company. All actions taken and all interpretations and determinations made by the Committee shall be final and binding upon the Participants, beneficiaries, the Company, its Affiliates and all other interested individuals.

12.2 Authority of the Committee.

(a) Power and Discretion. The Committee shall have full and, except as otherwise expressly provided in this Plan, exclusive, power and discretion: (i) to interpret the terms and the intent of this Plan and any Award Instrument or other agreement or document ancillary to or in connection with this Plan, and to adopt such rules, regulations, forms, instruments, and guidelines for administering this Plan as the Committee may deem necessary or proper; (ii) subject to Article 13, to adopt modifications and amendments to this Plan or any Award Instrument, including without limitation, any that are necessary to comply with the laws of the jurisdictions in which the Company and its Affiliates operate or may operate.

(b) Delegation. Notwithstanding the other provisions of this Plan, including Section 12.2(a), the Committee may in its discretion delegate such administrative duties or powers as it may deem advisable to one or more of its members and, except in connection with Awards to Subject Employees that are intended to qualify as Performance-Based Compensation, to one or more officers of the Company or its Affiliates.

12.3 Performance-Based Compensation. With regard to Awards, or portions thereof, to Covered Employees that are intended to qualify as Performance-Based Compensation, this Plan shall be administered in a manner consistent with the terms and conditions of Section 162 (m), as applicable.

Article 13 Amendment, Modification, Suspension, and Termination

13.1 Amendment, Modification, Suspension, and Termination. Subject to Article 9 and Section 13.2, the Committee may, at any time and from time to time, alter, amend, modify, suspend, or terminate this Plan in whole or in part; provided, however, that, no material amendment of this Plan shall be made without shareholder approval if shareholder approval is required by law. Furthermore, no amendment, modification, suspension or termination may impact the distribution of any Award that is subject to Section 409A or is intended to qualify as Performance-Based Compensation under Section 162(m), except as permitted by such applicable Section.

13.2 Awards Previously Granted. Notwithstanding any other provision of this Plan to the contrary, no termination, amendment, suspension, or modification of this Plan or an Award Instrument shall adversely affect in any material way any Award previously granted under this Plan, without the written consent of the Participant holding such Award.

Article 14 Tax Withholding

An Employer shall have the power and the right to deduct or withhold, or require a Participant to remit to the Employer, the amount of any taxes which the Employer may be required to withhold with respect to any taxable event arising from such Participant's Awards.

Article 15 Successors

All obligations of the Company or any Affiliate under this Plan with respect to Awards granted hereunder shall be binding on any successor to the Company or such Affiliate, whether the existence of such successor is the result of a direct or indirect purchase, sale, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company or such Affiliate.

Article 16 General Provisions

16.1 Forfeiture Events. An Award Instrument may specify that the Participant's rights, payments, and benefits with respect to an Award shall be subject to reduction, cancellation, forfeiture, or recoupment upon the occurrence of certain specified events, in addition to any otherwise applicable vesting or performance conditions of an Award. Such events may include, but shall not be limited to, termination of employment for cause, violation of material Company and/or Affiliate policies, breach of non-competition, confidentiality, or other restrictive covenants that may apply to the Participant, or other conduct by the Participant that is detrimental to the business or reputation of the Company and/or its Affiliates.

16.2 Severability. In the event any provision of this Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of this Plan, and this Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

16.3 Unfunded Plan. Nothing contained in this Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind, or a fiduciary relationship between any Participant and his or her Employer or the Company or any of its Affiliates. Participants shall have no right, title, or interest whatsoever in or to any assets of their Employers or of the Company or any of its Affiliates with respect to the obligations arising out of any Awards. To the extent that any person acquires a right to receive payments pursuant to an Award, such right shall be no greater than the right of a general unsecured creditor of the Participant's Employer. No special or separate fund shall be established and no segregation of assets shall be made to assure payment of amounts payable under this Plan.

16.4 Non-exclusivity of this Plan. The adoption of this Plan shall not be construed as creating any limitations on the power of the Company or any of its Affiliates to adopt such other compensation arrangements as it may deem desirable for any Employee.

16.5 Governing Law. This Plan and each Award Instrument shall be governed by the laws of the State of Illinois, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Plan to the substantive law of another jurisdiction. Unless otherwise provided in the Award Instrument (or other written agreement related to arbitration pursuant to Article 8), each Participant is deemed to submit to the exclusive jurisdiction and venue of the federal or state courts of Illinois and the state in which such Participant's regular office is located, to resolve any and all issues that may arise out of or relate to this Plan or any related Award Instrument.

16.6 Beneficiaries. Each Participant may designate a beneficiary or beneficiaries to receive, in the event of such Participant's death, any payments remaining to be made to the Participant under the Plan. Each Participant shall have the right to revoke any such designation and to redesignate a beneficiary or beneficiaries by written notice to the Employer to such effect. If a Participant dies without naming a beneficiary or if all of the beneficiaries named by a Participant predecease the Participant, then any amounts remaining to be paid under this Plan shall be paid to the Participant's estate.

Exhibit 31.1

CERTIFICATIONS

I, Donald G. Southwell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kemper Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2013

/S/ DONALD G. SOUTHWELL

Donald G. Southwell
Chairman, President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Frank J. Sodaro, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kemper Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 31, 2013

/S/ FRANK J. SODARO

Frank J. Sodaro
Senior Vice President and Chief Financial Officer

Exhibit 32.1

Certification of CEO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Kemper Corporation (the "Company") for the nine months ended September 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Donald G. Southwell, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ DONALD G. SOUTHWELL

Name:	Donald G. Southwell
Title:	Chairman, President and Chief Executive Officer
Date:	October 31, 2013

Exhibit 32.2

Certification of CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Kemper Corporation (the "Company") for the nine months ended September 30, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Frank J. Sodaro, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

	/S/ FRANK J. SODARO
Name:	Frank J. Sodaro
Title:	Senior Vice President and Chief Financial Officer
Date:	October 31, 2013