



**Investor Supplement
First Quarter 2014**

The financial statements and financial exhibits included herein are unaudited. These financial statements and exhibits should be read in conjunction with the Company's periodic reports on Form 10-K, Form 10-Q and Form 8-K. The results of operations for interim periods should not be considered indicative of results to be expected for the full year.

Non-GAAP Financial Measures

This document contains non-GAAP financial measures to analyze the Company's operating performance for the periods presented. Because the Company's calculation of these measures may differ from similar measures used by other companies, investors should be careful when comparing the Company's non-GAAP financial measures to those of other companies. For detailed disclosures on non-GAAP financial measures please refer to the "Definitions of Non-GAAP Financial Measures" on Page 27.

Kemper Corporation
Investor Supplement
First Quarter 2014
Table of Contents

	Page
Consolidated Financial Highlights	3
Consolidated Statements of Income	4
Consolidated Balance Sheets	5
Consolidated Statements of Cash Flows	6 - 7
Capital Metrics	8
Debt Outstanding and Ratings	9
Segment Results:	
Revenues	10
Operating Profit	11
Net Operating Income	11
Earned Premiums by Product	12
Net Investment Income by Segment	12
Catastrophe Frequency and Severity	13
Life & Health Insurance Segment - Results of Operations and Selected Financial Information	14
Property & Casualty Insurance Segment - Results of Operations and Selected Financial Information	15-16
Property & Casualty Insurance Segment - Premiums and Losses and LAE by Product:	
Personal Automobile Insurance	17
Commercial Automobile Insurance	18
Total Automobile Insurance	19
Homeowners Insurance	20
Other Personal Lines	21
Investment Performance	22
Invested Assets	23
Investment Concentration	24
Municipal Bond Securities	25
Investments in Limited Liability Companies and Limited Partnerships	26
Definitions of Non-GAAP Financial Measures	27-28

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

	Three Months Ended				
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
<u>For Period Ended</u>					
Earned Premiums	\$ 477.6	\$ 495.6	\$ 507.5	\$ 512.8	\$ 509.9
Net Investment Income	71.1	76.9	82.4	74.6	80.8
Net Investment Gains and Other Income	5.9	13.5	45.8	1.5	25.2
Total Revenues	<u>\$ 554.6</u>	<u>\$ 586.0</u>	<u>\$ 635.7</u>	<u>\$ 588.9</u>	<u>\$ 615.9</u>
Consolidated Net Operating Income ¹	\$ 31.5	\$ 46.3	\$ 38.9	\$ 31.7	\$ 42.3
Income from Continuing Operations	\$ 35.2	\$ 54.8	\$ 68.6	\$ 32.5	\$ 58.6
Net Income	\$ 35.1	\$ 55.2	\$ 70.1	\$ 34.0	\$ 58.4
Per Unrestricted Common Share Amounts:					
<u>Basic:</u>					
Consolidated Net Operating Income ¹	\$ 0.56	\$ 0.83	\$ 0.69	\$ 0.55	\$ 0.72
Income from Continuing Operations	\$ 0.63	\$ 0.98	\$ 1.21	\$ 0.56	\$ 1.00
Net Income	\$ 0.63	\$ 0.99	\$ 1.24	\$ 0.59	\$ 1.00
<u>Diluted:</u>					
Consolidated Net Operating Income ¹	\$ 0.56	\$ 0.83	\$ 0.69	\$ 0.55	\$ 0.72
Income from Continuing Operations	\$ 0.63	\$ 0.98	\$ 1.21	\$ 0.56	\$ 1.00
Net Income	\$ 0.63	\$ 0.99	\$ 1.23	\$ 0.59	\$ 1.00
Dividends Paid to Shareholders Per Share	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24
<u>At Period End</u>					
Total Assets	\$ 7,944.2	\$ 7,656.4	\$ 7,745.9	\$ 7,820.8	\$ 8,056.2
Insurance Reserves	\$ 4,067.3	\$ 4,061.0	\$ 4,086.1	\$ 4,108.6	\$ 4,117.1
Debt	\$ 751.4	\$ 606.9	\$ 606.7	\$ 611.9	\$ 611.6
Shareholders' Equity	\$ 2,144.7	\$ 2,051.5	\$ 2,009.1	\$ 2,005.0	\$ 2,172.4
Shareholders' Equity Excluding Goodwill	\$ 1,832.9	\$ 1,739.7	\$ 1,697.3	\$ 1,693.2	\$ 1,860.6
Common Shares Issued and Outstanding (In Millions)	55.408	55.653	56.025	57.061	58.322
Book Value Per Share ²	\$ 38.71	\$ 36.86	\$ 35.86	\$ 35.14	\$ 37.25
Book Value Per Share Excluding Goodwill ^{1,2}	\$ 33.08	\$ 31.26	\$ 30.30	\$ 29.67	\$ 31.90
Book Value Per Share Excluding Net Unrealized Gains on Fixed Maturities ^{1,2}	\$ 35.13	\$ 34.49	\$ 32.93	\$ 31.91	\$ 31.55
Debt to Total Capitalization ²	25.9%	22.8%	23.2%	23.4%	22.0%
Rolling 12 Months Return on 5-point Average Shareholders Equity ^{2,3}	9.4%	10.5%	7.8%	7.0%	5.5%

¹ Non-GAAP Measure. See page 27 for definition.

² See Capital Metrics on page 8 for detail calculations.

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

Kemper Corporation
Consolidated Statements of Income
(Dollars in Millions, Except Per Share Amounts)
(Unaudited)

	Three Months Ended				
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
Revenues:					
Earned Premiums	\$ 477.6	\$ 495.6	\$ 507.5	\$ 512.8	\$ 509.9
Net Investment Income	71.1	76.9	82.4	74.6	80.8
Other Income	0.1	0.3	0.1	0.2	0.2
Net Realized Gains on Sales of Investments	6.6	20.8	49.1	2.3	26.9
Other-than-temporary Impairment Losses:					
Total Other-than-temporary Impairment Losses	(0.8)	(7.6)	(3.5)	(2.3)	(2.4)
Portion of Losses Recognized in Other Comprehensive Income	—	—	0.1	1.3	0.5
Net Impairment Losses Recognized in Earnings	(0.8)	(7.6)	(3.4)	(1.0)	(1.9)
Total Revenues	554.6	586.0	635.7	588.9	615.9
Expenses:					
Policyholders' Benefits and Incurred Losses and Loss Adjustment Expenses	327.9	315.5	338.3	354.2	349.2
Insurance Expenses	152.1	162.9	170.1	163.1	158.3
Interest and Other Expenses	22.7	26.2	25.3	25.2	23.8
Total Expenses	502.7	504.6	533.7	542.5	531.3
Income from Continuing Operations before Income Taxes	51.9	81.4	102.0	46.4	84.6
Income Tax Expense	(16.7)	(26.6)	(33.4)	(13.9)	(26.0)
Income from Continuing Operations	35.2	54.8	68.6	32.5	58.6
Discontinued Operations:					
Income (Loss) from Discontinued Operations before Income Taxes	(0.2)	0.6	2.2	2.5	(0.4)
Income Tax Benefit (Expense)	0.1	(0.2)	(0.7)	(1.0)	0.2
Income (Loss) from Discontinued Operations	(0.1)	0.4	1.5	1.5	(0.2)
Net Income	\$ 35.1	\$ 55.2	\$ 70.1	\$ 34.0	\$ 58.4
Income from Continuing Operations Per Unrestricted Share:					
Basic	\$ 0.63	\$ 0.98	\$ 1.21	\$ 0.56	\$ 1.00
Diluted	\$ 0.63	\$ 0.98	\$ 1.21	\$ 0.56	\$ 1.00
Net Income Per Unrestricted Share:					
Basic	\$ 0.63	\$ 0.99	\$ 1.24	\$ 0.59	\$ 1.00
Diluted	\$ 0.63	\$ 0.99	\$ 1.23	\$ 0.59	\$ 1.00
Dividends Paid to Shareholders Per Share	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24
Weighted Average Unrestricted Common Shares Outstanding (in Millions)	55.313	55.412	56.366	57.519	58.131

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

	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
Assets:					
Investments:					
Fixed Maturities at Fair Value	\$ 4,619.5	\$ 4,575.0	\$ 4,645.0	\$ 4,701.1	\$ 4,856.5
Equity Securities at Fair Value	648.3	598.5	567.4	545.0	554.1
Equity Method Limited Liability Investments at Cost Plus Cumulative Undistributed Earnings	239.0	245.1	231.4	241.7	248.1
Short-term Investments at Cost	506.9	284.7	286.8	239.3	362.8
Other Investments	448.2	448.0	446.2	496.0	494.8
Total Investments	<u>6,461.9</u>	<u>6,151.3</u>	<u>6,176.8</u>	<u>6,223.1</u>	<u>6,516.3</u>
Cash	65.0	66.5	76.1	69.5	97.5
Receivable from Policyholders	319.5	331.6	354.2	357.5	363.2
Other Receivables	225.5	193.1	203.9	206.2	202.7
Deferred Policy Acquisition Costs	301.8	302.9	308.5	308.4	304.5
Goodwill	311.8	311.8	311.8	311.8	311.8
Current and Deferred Income Tax Assets	—	31.8	61.6	85.7	—
Other Assets	258.7	267.4	253.0	258.6	260.2
Total Assets	<u>\$ 7,944.2</u>	<u>\$ 7,656.4</u>	<u>\$ 7,745.9</u>	<u>\$ 7,820.8</u>	<u>\$ 8,056.2</u>
Liabilities and Shareholders' Equity:					
Insurance Reserves:					
Life and Health	\$ 3,237.7	\$ 3,217.5	\$ 3,201.5	\$ 3,189.6	\$ 3,174.8
Property and Casualty	829.6	843.5	884.6	919.0	942.3
Total Insurance Reserves	<u>4,067.3</u>	<u>4,061.0</u>	<u>4,086.1</u>	<u>4,108.6</u>	<u>4,117.1</u>
Unearned Premiums	582.5	598.9	635.3	640.3	646.8
Liabilities for Income Taxes	30.6	8.3	6.6	6.5	25.8
Debt at Amortized Cost	751.4	606.9	606.7	611.9	611.6
Accrued Expenses and Other Liabilities	367.7	329.8	402.1	448.5	482.5
Total Liabilities	<u>5,799.5</u>	<u>5,604.9</u>	<u>5,736.8</u>	<u>5,815.8</u>	<u>5,883.8</u>
Shareholders' Equity:					
Common Stock	5.5	5.6	5.6	5.7	5.8
Paid-in Capital	693.5	694.8	698.0	709.1	722.5
Retained Earnings	1,231.5	1,215.8	1,184.4	1,151.7	1,158.0
Accumulated Other Comprehensive Income	214.2	135.3	121.1	138.5	286.1
Total Shareholders' Equity	<u>2,144.7</u>	<u>2,051.5</u>	<u>2,009.1</u>	<u>2,005.0</u>	<u>2,172.4</u>
Total Liabilities and Shareholders' Equity	<u>\$ 7,944.2</u>	<u>\$ 7,656.4</u>	<u>\$ 7,745.9</u>	<u>\$ 7,820.8</u>	<u>\$ 8,056.2</u>

Kemper Corporation
Consolidated Statements of Cash Flows
(Dollars in Millions)
(Unaudited)

	Three Months Ended		Year Ended
	Mar 31, 2014	Mar 31, 2013	Dec 31, 2013
Operating Activities:			
Net Income	\$ 35.1	\$ 58.4	\$ 217.7
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:			
Decrease (Increase) in Deferred Policy Acquisition Costs	1.1	(1.1)	0.5
Amortization of Life Insurance in Force Acquired and Customer Relationships Acquired	1.8	2.1	8.3
Equity in Earnings of Equity Method Limited Liability Investments	(3.5)	(8.6)	(26.4)
Distribution of Accumulated Earnings of Equity Method Limited Liability Investments	7.0	3.4	15.4
Amortization of Investment Securities and Depreciation of Investment Real Estate	3.8	4.6	16.2
Net Realized Gains on Sales of Investments	(6.6)	(26.9)	(99.1)
Net Impairment Losses Recognized in Earnings	0.8	1.9	13.9
Depreciation of Property and Equipment	4.3	4.2	17.4
Decrease (Increase) in Other Receivables	(13.6)	8.7	43.5
Increase (Decrease) in Insurance Reserves	6.0	(15.7)	(72.5)
Decrease in Unearned Premiums	(16.4)	(4.1)	(52.0)
Change in Income Taxes	10.1	25.3	57.9
Increase (Decrease) in Accrued Expenses and Other Liabilities	2.3	20.7	(54.8)
Other, Net	4.9	8.4	36.1
Net Cash Provided by Operating Activities (Carryforward to page 7)	37.1	81.3	122.1

Kemper Corporation
Consolidated Statements of Cash Flows
(Dollars in Millions)
(Unaudited)

	Three Months Ended		Year Ended
	Mar 31, 2014	Mar 31, 2013	Dec 31, 2013
Net Cash Provided by Operating Activities (Carryforward from page 6)	37.1	81.3	122.1
Investing Activities:			
Sales, Paydowns and Maturities of Fixed Maturities	188.8	297.5	664.4
Purchases of Fixed Maturities	(98.6)	(307.5)	(744.5)
Sales of Equity Securities	35.1	24.9	182.1
Purchases of Equity Securities	(67.0)	(40.7)	(213.4)
Sales of and Return of Investment of Equity Method Limited Liability Investments	10.1	13.1	31.3
Acquisitions of Equity Method Limited Liability Investments	(7.5)	(5.1)	(20.5)
Decrease (Increase) in Short-term Investments	(224.8)	(36.3)	41.8
Acquisition and Improvements of Investment Real Estate	(0.8)	(1.0)	(5.4)
Sales of Investment Real Estate	0.9	3.8	102.7
Increase in Other Investments	(1.8)	(2.0)	(9.1)
Acquisition of Software	(3.0)	(6.6)	(15.2)
Disposition of Business, Net of Cash Disposed	8.9	3.8	3.8
Other, Net	(2.5)	(4.2)	(13.2)
Net Cash Provided (Used) by Investing Activities	(162.2)	(60.3)	4.8
Financing Activities:			
Net Proceeds from Issuance of Subordinated Debentures	144.2	—	—
Repayments of Debt	—	—	(5.5)
Common Stock Repurchases	(7.7)	(6.5)	(100.4)
Dividends and Dividend Equivalents Paid	(13.3)	(14.0)	(54.9)
Cash Exercise of Stock Options	—	—	1.7
Other, Net	0.4	0.7	2.4
Net Cash Provided (Used) by Financing Activities	123.6	(19.8)	(156.7)
Increase (Decrease) in Cash	(1.5)	1.2	(29.8)
Cash, Beginning of Year	66.5	96.3	96.3
Cash, End of Period	\$ 65.0	\$ 97.5	\$ 66.5

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

	Three Months Ended				
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
<u>Book Value Per Share</u>					
<u>Numerator</u>					
Shareholders' Equity	\$ 2,144.7	\$ 2,051.5	\$ 2,009.1	\$ 2,005.0	\$ 2,172.4
Less: Goodwill	(311.8)	(311.8)	(311.8)	(311.8)	(311.8)
Shareholders' Equity Excluding Goodwill	<u>\$ 1,832.9</u>	<u>\$ 1,739.7</u>	<u>\$ 1,697.3</u>	<u>\$ 1,693.2</u>	<u>\$ 1,860.6</u>
Shareholders' Equity	\$ 2,144.7	\$ 2,051.5	\$ 2,009.1	\$ 2,005.0	\$ 2,172.4
Less: Net Unrealized Gains on Fixed Maturities	(198.3)	(132.2)	(164.0)	(184.2)	(332.4)
Shareholders' Equity Excluding Net Unrealized Gains on Fixed Maturities	<u>\$ 1,946.4</u>	<u>\$ 1,919.3</u>	<u>\$ 1,845.1</u>	<u>\$ 1,820.8</u>	<u>\$ 1,840.0</u>
<u>Denominator</u>					
Common Shares Issued and Outstanding	55.408	55.653	56.025	57.061	58.322
Book Value Per Share	<u>\$ 38.71</u>	<u>\$ 36.86</u>	<u>\$ 35.86</u>	<u>\$ 35.14</u>	<u>\$ 37.25</u>
Book Value Per Share Excluding Goodwill	<u>\$ 33.08</u>	<u>\$ 31.26</u>	<u>\$ 30.30</u>	<u>\$ 29.67</u>	<u>\$ 31.90</u>
Book Value Per Share Excluding Unrealized on Fixed Maturities	<u>\$ 35.13</u>	<u>\$ 34.49</u>	<u>\$ 32.93</u>	<u>\$ 31.91</u>	<u>\$ 31.55</u>
<u>Return on Shareholders' Equity</u>					
<u>Numerator</u>					
Rolling 12 Months Net Income	\$ 194.4	\$ 217.7	\$ 164.4	\$ 149.9	\$ 118.2
<u>Denominator (5-point Average)</u>					
5-point Average Shareholders' Equity	<u>\$ 2,076.5</u>	<u>\$ 2,079.9</u>	<u>\$ 2,110.5</u>	<u>\$ 2,138.5</u>	<u>\$ 2,163.8</u>
Rolling 12 Months Return on Average Shareholders Equity (5-point Average)	<u>9.4%</u>	<u>10.5%</u>	<u>7.8%</u>	<u>7.0%</u>	<u>5.5%</u>
<u>Debt and Total Capitalization</u>					
Debt	\$ 751.4	\$ 606.9	\$ 606.7	\$ 611.9	\$ 611.6
Shareholders' Equity	2,144.7	2,051.5	2,009.1	2,005.0	2,172.4
Total Capitalization	<u>\$ 2,896.1</u>	<u>\$ 2,658.4</u>	<u>\$ 2,615.8</u>	<u>\$ 2,616.9</u>	<u>\$ 2,784.0</u>
Ratio of Debt to Shareholders' Equity	<u>35.0%</u>	<u>29.6%</u>	<u>30.2%</u>	<u>30.5%</u>	<u>28.2%</u>
Ratio of Debt to Total Capitalization	<u>25.9%</u>	<u>22.8%</u>	<u>23.2%</u>	<u>23.4%</u>	<u>22.0%</u>
<u>Parent Company Liquidity</u>					
Kemper Holding Company Cash and Investments	\$ 255.9	\$ 156.7	\$ 152.6	\$ 124.3	\$ 187.4
Borrowings Available Under Credit Agreement	225.0	225.0	325.0	325.0	325.0
Parent Company Liquidity	<u>\$ 480.9</u>	<u>\$ 381.7</u>	<u>\$ 477.6</u>	<u>\$ 449.3</u>	<u>\$ 512.4</u>
<u>Capital Returned to Shareholders</u>					
Common Stock Repurchased	\$ 8.3	\$ 15.2	\$ 36.3	\$ 42.4	\$ 6.5
Cash Dividends Paid	13.3	13.4	13.6	13.9	14.0
Total Capital Returned to Shareholders	<u>\$ 21.6</u>	<u>\$ 28.6</u>	<u>\$ 49.9</u>	<u>\$ 56.3</u>	<u>\$ 20.5</u>

Kemper Corporation
Debt Outstanding and Ratings
(Dollars in Millions)
(Unaudited)

	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
Notes Payable under Revolving Credit Agreements	\$ —	\$ —	\$ —	\$ —	\$ —
Senior Notes at Amortized Cost:					
6.00% Senior Notes due May 15, 2017	358.0	357.9	357.8	357.6	357.4
6.00% Senior Notes due November 30, 2015	249.2	249.0	248.9	248.8	248.7
7.375% Subordinated Debentures due February 27, 2054 at Amortized Cost	144.2	—	—	—	—
Mortgage Note Payable at Amortized Cost	—	—	—	5.5	5.5
Debt Outstanding	<u>\$ 751.4</u>	<u>\$ 606.9</u>	<u>\$ 606.7</u>	<u>\$ 611.9</u>	<u>\$ 611.6</u>

	A.M. Best	Moody's	S&P	Fitch
<u>As of Date of Financial Supplement</u>				
Kemper Debt Ratings:				
Senior Notes Payable	bbb-	Baa3	BBB-	BBB-
Subordinated Debentures	bb+	Ba1	BB	BB
Insurance Company Financial Strength Ratings:				
Trinity Universal Insurance Company	A-	A3	A-	A-
United Insurance Company of America	A-	A3	A	A-
Reserve National Insurance Company	A-	NR	NR	NR

NR - Not Rated

Kemper Corporation
Segment Revenues
(Dollars in Millions)
(Unaudited)

	Three Months Ended				
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
<u>Revenues:</u>					
Property & Casualty Insurance					
Earned Premiums	\$ 322.3	\$ 338.2	\$ 348.7	\$ 353.9	\$ 352.1
Net Investment Income	17.6	23.0	21.3	21.5	25.1
Other Income	0.1	0.1	0.1	0.1	0.2
Total Property & Casualty Insurance	340.0	361.3	370.1	375.5	377.4
Life & Health Insurance:					
Earned Premiums	155.3	157.4	158.8	158.9	157.8
Net Investment Income	50.2	50.6	56.5	49.8	53.0
Other Income	—	0.1	—	0.1	—
Total Life & Health Insurance	205.5	208.1	215.3	208.8	210.8
Total Segment Revenues	545.5	569.4	585.4	584.3	588.2
Net Realized Gains on Sales of Investments	6.6	20.8	49.1	2.3	26.9
Net Impairment Losses Recognized in Earnings	(0.8)	(7.6)	(3.4)	(1.0)	(1.9)
Other	3.3	3.4	4.6	3.3	2.7
Total Revenues	<u>\$ 554.6</u>	<u>\$ 586.0</u>	<u>\$ 635.7</u>	<u>\$ 588.9</u>	<u>\$ 615.9</u>

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

	Three Months Ended				
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
<u>Segment Operating Profit:</u>					
Property & Casualty Insurance	\$ 19.3	\$ 41.6	\$ 32.2	\$ 25.6	\$ 40.2
Life & Health Insurance	34.6	38.6	35.2	31.2	31.9
Total Segment Operating Profit	53.9	80.2	67.4	56.8	72.1
Corporate and Other Operating Loss	(7.8)	(12.0)	(11.1)	(11.7)	(12.5)
Total Operating Profit	46.1	68.2	56.3	45.1	59.6
Net Realized Gains on Sales of Investments	6.6	20.8	49.1	2.3	26.9
Net Impairment Losses Recognized in Earnings	(0.8)	(7.6)	(3.4)	(1.0)	(1.9)
Income from Continuing Operations before Income Taxes	\$ 51.9	\$ 81.4	\$ 102.0	\$ 46.4	\$ 84.6
<u>Segment Net Operating Income:</u>					
Property & Casualty Insurance	\$ 14.4	\$ 29.1	\$ 23.4	\$ 19.1	\$ 29.0
Life & Health Insurance	22.1	24.9	22.9	20.3	21.2
Total Segment Net Operating Income	36.5	54.0	46.3	39.4	50.2
Corporate and Other Net Operating Loss	(5.0)	(7.7)	(7.4)	(7.7)	(7.9)
Consolidated Operating Income	31.5	46.3	38.9	31.7	42.3
Unallocated Net Income (Loss) From:					
Net Realized Gains on Sales of Investments	4.2	13.5	31.9	1.5	17.5
Net Impairment Losses Recognized in Earnings	(0.5)	(5.0)	(2.2)	(0.7)	(1.2)
Income from Continuing Operations	\$ 35.2	\$ 54.8	\$ 68.6	\$ 32.5	\$ 58.6

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

	Three Months Ended				
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
<u>Earned Premiums by Product:</u>					
Life	\$ 97.6	\$ 97.8	\$ 98.4	\$ 98.6	\$ 97.9
Accident and Health	38.8	40.2	40.7	40.3	40.2
Property and Casualty:					
Personal Lines:					
Automobile	216.3	229.7	239.1	244.6	245.7
Homeowners	79.7	81.4	82.3	82.1	80.4
Other Personal	32.1	32.9	33.5	34.1	33.6
Total Personal Lines	328.1	344.0	354.9	360.8	359.7
Commercial Automobile	13.1	13.6	13.5	13.1	12.1
Total Earned Premiums	<u>\$ 477.6</u>	<u>\$ 495.6</u>	<u>\$ 507.5</u>	<u>\$ 512.8</u>	<u>\$ 509.9</u>
<u>Net Investment Income by Segment:</u>					
Property & Casualty Insurance:					
Equity Method Limited Liability Investments	\$ 2.5	\$ 5.0	\$ 3.4	\$ 2.3	\$ 5.8
All Other Net Investment Income	15.1	18.0	17.9	19.2	19.3
Net Investment Income	17.6	23.0	21.3	21.5	25.1
Life & Health Insurance:					
Equity Method Limited Liability Investments	0.7	1.2	3.8	1.1	2.3
All Other Net Investment Income	49.5	49.4	52.7	48.7	50.7
Net Investment Income	50.2	50.6	56.5	49.8	53.0
Total Segment Net Investment Income	67.8	73.6	77.8	71.3	78.1
Unallocated Net Investment Income:					
Equity Method Limited Liability Investments	0.3	0.3	0.5	0.2	0.5
All Other Net Investment Income	3.0	3.0	4.1	3.1	2.2
Unallocated Net Investment Income	3.3	3.3	4.6	3.3	2.7
Net Investment Income	<u>\$ 71.1</u>	<u>\$ 76.9</u>	<u>\$ 82.4</u>	<u>\$ 74.6</u>	<u>\$ 80.8</u>

Kemper Corporation
Catastrophe Frequency and Severity
(Dollars in Millions)
(Unaudited)

Three Months Ended Mar 31, 2014

	Property & Casualty Insurance Segment		Life & Health Insurance Segment		Consolidated	
	Number of Events	Losses and LAE	Number of Events	Losses and LAE	Number of Events	Losses and LAE
Range of Losses and LAE Per Event:						
Below \$5	6	\$ 9.1	4	\$ 0.3	6	\$ 9.4
\$5 - \$10	1	6.9	—	—	1	6.9
\$10 - \$15	—	—	—	—	—	—
\$15 - \$20	—	—	—	—	—	—
\$20 - \$25	—	—	—	—	—	—
Greater Than \$25	—	—	—	—	—	—
Total	7	\$ 16.0	4	\$ 0.3	7	\$ 16.3

Three Months Ended Mar 31, 2013

	Property & Casualty Insurance Segment		Life & Health Insurance Segment		Consolidated	
	Number of Events	Losses and LAE	Number of Events	Losses and LAE	Number of Events	Losses and LAE
Range of Losses and LAE Per Event:						
Below \$5	4	\$ 8.7	4	\$ 2.4	4	\$ 11.1
\$5 - \$10	—	—	—	—	—	—
\$10 - \$15	—	—	—	—	—	—
\$15 - \$20	—	—	—	—	—	—
\$20 - \$25	—	—	—	—	—	—
Greater Than \$25	—	—	—	—	—	—
Total	4	\$ 8.7	4	\$ 2.4	4	\$ 11.1

Three Months Ended				
Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
\$ 97.6	\$ 97.8	\$ 98.4	\$ 98.6	\$ 97.9
38.8	40.2	40.7	40.3	40.2
18.9	19.4	19.7	20.0	19.7
155.3	157.4	158.8	158.9	157.8
50.2	50.6	56.5	49.8	53.0
—	0.1	—	0.1	—
205.5	208.1	215.3	208.8	210.8
97.0	91.0	94.6	99.4	102.9
73.9	78.5	85.5	78.2	76.0
34.6	38.6	35.2	31.2	31.9
(12.5)	(13.7)	(12.3)	(10.9)	(10.7)
\$ 22.1	\$ 24.9	\$ 22.9	\$ 20.3	\$ 21.2

Earned Premiums:

Life	\$ 97.6	\$ 97.8	\$ 98.4	\$ 98.6	\$ 97.9
Accident and Health	38.8	40.2	40.7	40.3	40.2
Property	18.9	19.4	19.7	20.0	19.7
Total Earned Premiums	155.3	157.4	158.8	158.9	157.8
Net Investment Income	50.2	50.6	56.5	49.8	53.0
Other Income	—	0.1	—	0.1	—
Total Revenues	205.5	208.1	215.3	208.8	210.8
Policyholders' Benefits and Incurred Losses and LAE	97.0	91.0	94.6	99.4	102.9
Insurance Expenses	73.9	78.5	85.5	78.2	76.0
Operating Profit	34.6	38.6	35.2	31.2	31.9
Income Tax Expense	(12.5)	(13.7)	(12.3)	(10.9)	(10.7)
Segment Net Operating Income	\$ 22.1	\$ 24.9	\$ 22.9	\$ 20.3	\$ 21.2

Future Policyholder Benefits	\$ 3,173.8	\$ 3,157.7	\$ 3,146.7	\$ 3,133.3	\$ 3,119.4
Incurred Losses and LAE Reserves:					
Life	42.6	37.6	33.1	34.3	35.0
Accident and Health	21.3	22.2	21.7	22.0	20.4
Property	5.6	5.3	4.7	5.7	8.0
Total Incurred Losses and LAE Reserves	69.5	65.1	59.5	62.0	63.4
Insurance Reserves	\$ 3,243.3	\$ 3,222.8	\$ 3,206.2	\$ 3,195.3	\$ 3,182.8

Kemper Corporation
Property & Casualty Insurance Segment - Results of Operations and Selected Financial Information
(Dollars in Millions)
(Unaudited)

	Three Months Ended				
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
Results of Operations					
Net Premiums Written	\$ 304.3	\$ 302.9	\$ 345.0	\$ 348.9	\$ 345.4
Earned Premiums:					
Personal:					
Automobile	\$ 216.3	\$ 229.7	\$ 239.1	\$ 244.6	\$ 245.7
Homeowners	79.7	81.4	82.3	82.1	80.4
Other Personal	13.2	13.5	13.8	14.1	13.9
Total Personal	309.2	324.6	335.2	340.8	340.0
Commercial Automobile	13.1	13.6	13.5	13.1	12.1
Total Earned Premiums	322.3	338.2	348.7	353.9	352.1
Net Investment Income	17.6	23.0	21.3	21.5	25.1
Other Income	0.1	0.1	0.1	0.1	0.2
Total Revenues	340.0	361.3	370.1	375.5	377.4
Incurred Losses and LAE related to:					
Current Year:					
Non-catastrophe Losses and LAE	230.4	237.7	245.1	246.3	251.1
Catastrophe Losses and LAE	16.0	2.1	10.4	25.9	8.7
Prior Years:					
Non-catastrophe Losses and LAE	(12.7)	(11.1)	(10.2)	(12.2)	(12.0)
Catastrophe Losses and LAE	(2.7)	(4.1)	(1.7)	(5.2)	(1.5)
Total Incurred Losses and LAE	231.0	224.6	243.6	254.8	246.3
Insurance Expenses	89.7	95.1	94.3	95.1	90.9
Operating Profit	19.3	41.6	32.2	25.6	40.2
Income Tax Expense	(4.9)	(12.5)	(8.8)	(6.5)	(11.2)
Segment Net Operating Income	\$ 14.4	\$ 29.1	\$ 23.4	\$ 19.1	\$ 29.0
Ratios Based On Earned Premiums					
Current Year Non-catastrophe Losses and LAE Ratio	71.4 %	70.3 %	70.3 %	69.6 %	71.3 %
Current Year Catastrophe Losses and LAE Ratio	5.0	0.6	3.0	7.3	2.5
Prior Years Non-catastrophe Losses and LAE Ratio	(3.9)	(3.3)	(2.9)	(3.4)	(3.4)
Prior Years Catastrophe Losses and LAE Ratio	(0.8)	(1.2)	(0.5)	(1.5)	(0.4)
Total Incurred Loss and LAE Ratio	71.7	66.4	69.9	72.0	70.0
Incurred Expense Ratio	27.8	28.1	27.0	26.9	25.8
Combined Ratio	99.5 %	94.5 %	96.9 %	98.9 %	95.8 %
Underlying Combined Ratio¹					
Current Year Non-catastrophe Losses and LAE Ratio	71.4 %	70.3 %	70.3 %	69.6 %	71.3 %
Incurred Expense Ratio	27.8	28.1	27.0	26.9	25.8
Underlying Combined Ratio	99.2 %	98.4 %	97.3 %	96.5 %	97.1 %
Non-GAAP Measure Reconciliation					
Underlying Combined Ratio	99.2 %	98.4 %	97.3 %	96.5 %	97.1 %
Current Year Catastrophe Losses and LAE Ratio	5.0	0.6	3.0	7.3	2.5
Prior Years Non-catastrophe Losses and LAE Ratio	(3.9)	(3.3)	(2.9)	(3.4)	(3.4)
Prior Years Catastrophe Losses and LAE Ratio	(0.8)	(1.2)	(0.5)	(1.5)	(0.4)
Combined Ratio as Reported	99.5 %	94.5 %	96.9 %	98.9 %	95.8 %

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

Kemper Corporation
Property & Casualty Insurance Segment - Results of Operations and Selected Financial Information (continued)
(Dollars in Millions)
(Unaudited)

	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
<u>Insurance Reserves:</u>					
Automobile	\$ 568.9	\$ 595.1	\$ 614.9	\$ 638.4	\$ 649.3
Homeowners	114.4	99.9	118.2	122.6	122.4
Other Personal	47.9	47.6	47.1	46.9	50.3
Insurance Reserves	<u>\$ 731.2</u>	<u>\$ 742.6</u>	<u>\$ 780.2</u>	<u>\$ 807.9</u>	<u>\$ 822.0</u>

<u>Insurance Reserves:</u>					
Loss Reserves:					
Case	\$ 468.1	\$ 471.2	\$ 491.8	\$ 509.0	\$ 514.7
Incurred but Not Reported	<u>164.2</u>	<u>169.0</u>	<u>180.5</u>	<u>184.6</u>	<u>190.2</u>
Total Loss Reserves	632.3	640.2	672.3	693.6	704.9
LAE Reserves	98.9	102.4	107.9	114.3	117.1
Insurance Reserves	<u>\$ 731.2</u>	<u>\$ 742.6</u>	<u>\$ 780.2</u>	<u>\$ 807.9</u>	<u>\$ 822.0</u>

Kemper Corporation
Property & Casualty Insurance Segment
Personal Automobile Insurance - Premiums and Losses and LAE
(Dollars in Millions)
(Unaudited)

Three Months Ended					
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
<u>Premiums</u>					
Net Premiums Written	\$ 207.7	\$ 204.2	\$ 232.9	\$ 233.0	\$ 244.1
Earned Premiums	\$ 216.3	\$ 229.7	\$ 239.1	\$ 244.6	\$ 245.7
<u>Losses and LAE</u>					
Incurred Losses and LAE related to:					
Current Year:					
Non-catastrophe Losses and LAE	\$ 163.1	\$ 189.5	\$ 181.3	\$ 184.0	\$ 186.9
Catastrophe Losses and LAE	0.9	0.1	0.8	4.2	2.5
Prior Years:					
Non-catastrophe Losses and LAE	(11.3)	(7.6)	(6.9)	(8.5)	(6.9)
Catastrophe Losses and LAE	(0.2)	0.1	(0.1)	(0.3)	0.1
Total Incurred Losses and LAE	\$ 152.5	\$ 182.1	\$ 175.1	\$ 179.4	\$ 182.6
<u>Ratios Based On Earned Premiums</u>					
Current Year Non-catastrophe Losses and LAE Ratio	75.4%	82.6%	75.8%	75.2%	76.1%
Current Year Catastrophe Losses and LAE Ratio	0.4	—	0.3	1.7	1.0
Prior Years Non-catastrophe Losses and LAE Ratio	(5.2)	(3.3)	(2.9)	(3.5)	(2.8)
Prior Years Catastrophe Losses and LAE Ratio	(0.1)	—	—	(0.1)	—
Total Incurred Loss and LAE Ratio	70.5%	79.3%	73.2%	73.3%	74.3%

Kemper Corporation
Property & Casualty Insurance Segment
Commercial Automobile Insurance - Premiums and Losses and LAE
(Dollars in Millions)
(Unaudited)

	Three Months Ended				
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
<u>Premiums</u>					
Net Premiums Written	\$ 14.3	\$ 12.3	\$ 12.7	\$ 14.4	\$ 14.3
Earned Premiums	\$ 13.1	\$ 13.6	\$ 13.5	\$ 13.1	\$ 12.1
<u>Losses and LAE</u>					
Incurred Losses and LAE related to:					
Current Year:					
Non-catastrophe Losses and LAE	\$ 11.1	\$ 10.6	\$ 10.9	\$ 12.8	\$ 9.4
Catastrophe Losses and LAE	—	(0.1)	0.1	0.1	—
Prior Years:					
Non-catastrophe Losses and LAE	(0.5)	(1.0)	(2.0)	(0.7)	0.7
Catastrophe Losses and LAE	—	—	—	—	—
Total Incurred Losses and LAE	\$ 10.6	\$ 9.5	\$ 9.0	\$ 12.2	\$ 10.1
<u>Ratios Based On Earned Premiums</u>					
Current Year Non-catastrophe Losses and LAE Ratio	84.7%	78.0%	80.8%	97.6%	77.7%
Current Year Catastrophe Losses and LAE Ratio	—	(0.7)	0.7	0.8	—
Prior Years Non-catastrophe Losses and LAE Ratio	(3.8)	(7.4)	(14.8)	(5.3)	5.8
Prior Years Catastrophe Losses and LAE Ratio	—	—	—	—	—
Total Incurred Loss and LAE Ratio	80.9%	69.9%	66.7%	93.1%	83.5%

Kemper Corporation
Property & Casualty Insurance Segment
Total Automobile Insurance - Premiums and Losses and LAE
(Dollars in Millions)
(Unaudited)

Three Months Ended					
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
<u>Premiums</u>					
Net Premiums Written	\$ 222.0	\$ 216.5	\$ 245.6	\$ 247.4	\$ 258.4
Earned Premiums	\$ 229.4	\$ 243.3	\$ 252.6	\$ 257.7	\$ 257.8
<u>Losses and LAE</u>					
Incurred Losses and LAE related to:					
Current Year:					
Non-catastrophe Losses and LAE	\$ 174.2	\$ 200.1	\$ 192.2	\$ 196.8	\$ 196.3
Catastrophe Losses and LAE	0.9	—	0.9	4.3	2.5
Prior Years:					
Non-catastrophe Losses and LAE	(11.8)	(8.6)	(8.9)	(9.2)	(6.2)
Catastrophe Losses and LAE	(0.2)	0.1	(0.1)	(0.3)	0.1
Total Incurred Losses and LAE	\$ 163.1	\$ 191.6	\$ 184.1	\$ 191.6	\$ 192.7
<u>Ratios Based On Earned Premiums</u>					
Current Year Non-catastrophe Losses and LAE Ratio	75.9%	82.3%	76.0%	76.4%	76.1%
Current Year Catastrophe Losses and LAE Ratio	0.4	—	0.4	1.7	1.0
Prior Years Non-catastrophe Losses and LAE Ratio	(5.1)	(3.5)	(3.5)	(3.6)	(2.4)
Prior Years Catastrophe Losses and LAE Ratio	(0.1)	—	—	(0.1)	—
Total Incurred Loss and LAE Ratio	71.1%	78.8%	72.9%	74.4%	74.7%

Kemper Corporation
Property & Casualty Insurance Segment
Homeowners Insurance - Premiums and Losses and LAE
(Dollars in Millions)
(Unaudited)

	Three Months Ended				
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
<u>Premiums</u>					
Net Premiums Written	\$ 70.9	\$ 74.2	\$ 85.4	\$ 87.0	\$ 74.3
Earned Premiums	\$ 79.7	\$ 81.4	\$ 82.3	\$ 82.1	\$ 80.4
<u>Losses and LAE</u>					
Incurred Losses and LAE related to:					
Current Year:					
Non-catastrophe Losses and LAE	\$ 49.1	\$ 30.9	\$ 47.6	\$ 43.1	\$ 48.8
Catastrophe Losses and LAE	14.3	2.2	8.8	21.2	6.0
Prior Years:					
Non-catastrophe Losses and LAE	(0.7)	(3.0)	(0.3)	(1.0)	(4.6)
Catastrophe Losses and LAE	(2.1)	(3.8)	(1.6)	(4.2)	(1.6)
Total Incurred Losses and LAE	\$ 60.6	\$ 26.3	\$ 54.5	\$ 59.1	\$ 48.6
<u>Ratios Based On Earned Premiums</u>					
Current Year Non-catastrophe Losses and LAE Ratio	61.6%	38.0%	57.8%	52.5%	60.6%
Current Year Catastrophe Losses and LAE Ratio	17.9	2.7	10.7	25.8	7.5
Prior Years Non-catastrophe Losses and LAE Ratio	(0.9)	(3.7)	(0.4)	(1.2)	(5.7)
Prior Years Catastrophe Losses and LAE Ratio	(2.6)	(4.7)	(1.9)	(5.1)	(2.0)
Total Incurred Loss and LAE Ratio	76.0%	32.3%	66.2%	72.0%	60.4%

Kemper Corporation
Property & Casualty Insurance Segment
Other Personal Lines - Premiums and Losses and LAE
(Dollars in Millions)
(Unaudited)

	Three Months Ended				
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
<u>Premiums</u>					
Net Premiums Written	\$ 11.4	\$ 12.2	\$ 14.0	\$ 14.5	\$ 12.7
Earned Premiums	\$ 13.2	\$ 13.5	\$ 13.8	\$ 14.1	\$ 13.9
<u>Losses and LAE</u>					
Incurred Losses and LAE related to:					
Current Year:					
Non-catastrophe Losses and LAE	\$ 7.1	\$ 6.7	\$ 5.3	\$ 6.4	\$ 6.0
Catastrophe Losses and LAE	0.8	(0.1)	0.7	0.4	0.2
Prior Years:					
Non-catastrophe Losses and LAE	(0.2)	0.5	(1.0)	(2.0)	(1.2)
Catastrophe Losses and LAE	(0.4)	(0.4)	—	(0.7)	—
Total Incurred Losses and LAE	\$ 7.3	\$ 6.7	\$ 5.0	\$ 4.1	\$ 5.0
<u>Ratios Based On Earned Premiums</u>					
Current Year Non-catastrophe Losses and LAE Ratio	53.7%	49.6%	38.3%	45.5%	43.2%
Current Year Catastrophe Losses and LAE Ratio	6.1	(0.7)	5.1	2.8	1.4
Prior Years Non-catastrophe Losses and LAE Ratio	(1.5)	3.7	(7.2)	(14.2)	(8.6)
Prior Years Catastrophe Losses and LAE Ratio	(3.0)	(3.0)	—	(5.0)	—
Total Incurred Loss and LAE Ratio	55.3%	49.6%	36.2%	29.1%	36.0%

Kemper Corporation
Details of Investment Performance
(Dollars in Millions)

	Three Months Ended				
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
<u>Net Investment Income</u>					
Interest and Dividends on Fixed Maturities	\$ 57.0	\$ 58.3	\$ 59.5	\$ 58.6	\$ 59.1
Dividends on Equity Securities	7.3	8.9	11.3	9.0	8.8
Equity Method Limited Liability Investments	3.5	6.5	7.7	3.6	8.6
Short-term Investments	0.2	0.1	—	—	—
Real Estate	3.2	3.1	3.7	6.6	7.4
Loans to Policyholders	5.1	5.1	5.0	4.8	4.9
Total Investment Income	76.3	82.0	87.2	82.6	88.8
Investment Expenses:					
Real Estate	2.8	3.0	3.0	6.0	6.3
Other Investment Expenses	2.4	2.1	1.8	2.0	1.7
Total Investment Expenses	5.2	5.1	4.8	8.0	8.0
Net Investment Income	<u>\$ 71.1</u>	<u>\$ 76.9</u>	<u>\$ 82.4</u>	<u>\$ 74.6</u>	<u>\$ 80.8</u>
<u>Net Realized Gains on Sales of Investments</u>					
Fixed Maturities:					
Gains on Sales	\$ 4.4	\$ 1.3	\$ 2.5	\$ 1.4	\$ 25.7
Losses on Sales	—	(0.4)	—	—	—
Equity Securities:					
Gains on Sales	0.8	19.9	0.7	0.8	0.4
Losses on Sales	—	(0.2)	(0.2)	—	(0.1)
Equity Method Limited Liability Investments:					
Gains on Sales	—	—	2.3	0.2	—
Real Estate:					
Gains on Sales	—	—	43.6	—	0.6
Losses on Sales	(0.2)	—	—	—	—
Other Investments:					
Gain on Sale of Subsidiary	1.6	—	—	—	—
Gains on Sales	—	—	—	—	0.1
Losses on Sales	—	—	—	(0.1)	—
Trading Securities Net Gains	—	0.2	0.2	—	0.2
Net Realized Gains on Sales of Investments	<u>\$ 6.6</u>	<u>\$ 20.8</u>	<u>\$ 49.1</u>	<u>\$ 2.3</u>	<u>\$ 26.9</u>
<u>Net Impairment Losses Recognized in Earnings</u>					
Fixed Maturities	\$ (0.3)	\$ (5.9)	\$ (2.2)	\$ (0.5)	\$ (1.7)
Equity Securities	(0.5)	(1.7)	(1.2)	(0.5)	(0.2)
Net Impairment Losses Recognized in Earnings	<u>\$ (0.8)</u>	<u>\$ (7.6)</u>	<u>\$ (3.4)</u>	<u>\$ (1.0)</u>	<u>\$ (1.9)</u>

Kemper Corporation
Details of Invested Assets
(Dollars in Millions)
(Unaudited)

	Mar 31, 2014		Dec 31, 2013		Dec 31, 2012	
	Carrying Value	Percent of Total ¹	Carrying Value	Percent of Total ¹	Carrying Value	Percent of Total ¹
Fixed Maturities Reported at Fair Value:						
U.S. Government and Government Agencies and Authorities	\$ 357.3	5.5 %	\$ 362.2	5.9%	\$ 428.9	6.6%
States and Political Subdivisions	1,364.1	21.1	1,361.0	22.1	1,401.4	21.7
Corporate Securities:						
Bonds and Notes	2,840.2	44.0	2,793.7	45.4	2,993.4	46.3
Redeemable Preferred Stocks	7.5	0.1	7.4	0.1	32.6	0.5
Collateralized Loan Obligations	45.0	0.7	44.7	0.7	—	—
Other Mortgage and Asset-backed	5.4	0.1	6.0	0.1	3.9	0.1
Subtotal Fixed Maturities Reported at Fair Value	4,619.5	71.5	4,575.0	74.3	4,860.2	75.2
Equity Securities Reported at Fair Value:						
Preferred Stocks	114.9	1.8	110.2	1.8	100.5	1.6
Common Stocks	195.4	3.0	189.5	3.1	154.2	2.4
Other Equity Interests:						
Exchange Traded Funds	150.7	2.3	124.9	2.0	125.9	1.9
Limited Liability Companies and Limited Partnerships	187.3	2.9	173.9	2.8	141.3	2.2
Subtotal Equity Securities Reported at Fair Value	648.3	10.0	598.5	9.7	521.9	8.1
Equity Method Limited Liability Investments	239.0	3.7	245.1	4.0	253.0	3.9
Short-term Investments at Cost which Approximates Fair Value	506.9	7.8	284.7	4.6	327.5	5.1
Other Investments:						
Loans to Policyholders at Unpaid Principal	277.2	4.3	275.4	4.5	266.3	4.1
Real Estate at Depreciated Cost	165.6	2.6	167.1	2.7	226.2	3.5
Trading Securities at Fair Value	4.9	0.1	5.0	0.1	4.5	0.1
Other	0.5	—	0.5	—	0.5	—
Subtotal Other Investments	448.2	7.0	448.0	7.3	497.5	7.7
Total Investments	<u>\$ 6,461.9</u>	<u>100.0 %</u>	<u>\$ 6,151.3</u>	<u>100.0%</u>	<u>\$ 6,460.1</u>	<u>100.0%</u>
<u>S&P Equivalent Rating for Fixed Maturities</u>						
AAA, AA, A	\$ 3,139.9	68.0 %	\$ 3,128.1	68.4%	\$ 3,319.1	68.3%
BBB	1,148.0	24.9	1,119.9	24.5	1,199.0	24.7
BB, B	121.3	2.6	144.6	3.1	158.9	3.2
CCC or Lower	210.3	4.5	182.4	4.0	183.2	3.8
Total Investments in Fixed Maturities	<u>\$ 4,619.5</u>	<u>100.0 %</u>	<u>\$ 4,575.0</u>	<u>100.0%</u>	<u>\$ 4,860.2</u>	<u>100.0%</u>
<u>Duration (in Years)</u>						
Total Investments in Fixed Maturities	<u>6.9</u>		<u>6.8</u>		<u>7.1</u>	

¹ Sum of percentages for individual lines may not equal subtotals and grand total due to rounding.

Kemper Corporation
Investment Concentration
(Dollars in Millions)
(Unaudited)

	Mar 31, 2014		Dec 31, 2013		Dec 31, 2012	
	Amount	Percent of Total Investments	Amount	Percent of Total Investments	Amount	Percent of Total Investments
Fair Value of Non-governmental Fixed Maturities by Industry						
Manufacturing	\$ 1,197.8	18.5%	\$ 1,196.9	19.5%	\$ 1,371.1	21.2%
Finance, Insurance and Real Estate	779.2	12.1	767.9	12.5	780.8	12.1
Transportation, Communication and Utilities	326.6	5.1	306.7	5.0	289.2	4.5
Services	281.3	4.4	277.5	4.5	298.6	4.6
Mining	146.3	2.3	143.1	2.3	143.4	2.2
Retail Trade	74.2	1.1	75.6	1.2	66.5	1.0
Wholesale Trade	64.9	1.0	60.7	1.0	57.8	0.9
Agriculture, Forestry and Fishing	23.5	0.4	18.8	0.3	19.2	0.3
Other	4.3	0.1	4.6	0.1	3.3	0.1
Total Fair Value of Non-governmental Fixed Maturities	<u>\$ 2,898.1</u>	<u>45.0%</u>	<u>\$ 2,851.8</u>	<u>46.4%</u>	<u>\$ 3,029.9</u>	<u>46.9%</u>

	Mar 31, 2014	
	Fair Value	Percent of Total Investments
Ten Largest Investment Exposures ¹		
Fixed Maturities:		
States and Political Subdivisions:		
Texas	\$ 92.3	1.4%
Ohio	77.4	1.2
Florida	67.3	1.0
Georgia	61.6	1.0
Colorado	56.7	0.9
Michigan	51.7	0.8
Louisiana	50.9	0.8
Washington	49.8	0.8
Equity Method Limited Liability Investments:		
Tennenbaum Opportunities Fund V, LLC	72.9	1.1
Vintage Fund IV, LP	51.8	0.8
Total	<u>\$ 632.4</u>	<u>9.8%</u>

¹ Excluding Investments in U.S. Government and Government Agencies and Authorities and Obligations of States and Political Subdivisions pre-refunded with U.S. government and government agencies obligations held in Trust at March 31, 2014.

Kemper Corporation
Municipal Bonds (excluding Pre-refunded Bonds)
(Unaudited)

Mar 31, 2014

	State General Obligation	Political Subdivision General Obligation	Revenue	Total Fair Value	Percent of Total Muni Bond ¹	Percent of Total Investments ¹
Texas	\$ 30.5	\$ 18.0	\$ 43.8	\$ 92.3	7.6%	1.4%
Ohio	39.8	4.5	33.1	77.4	6.3	1.2
Florida	62.9	—	4.4	67.3	5.5	1.0
Georgia	48.0	6.5	7.1	61.6	5.1	1.0
Colorado	—	15.3	41.4	56.7	4.7	0.9
Michigan	35.2	—	16.5	51.7	4.2	0.8
Louisiana	32.8	1.4	16.7	50.9	4.2	0.8
Washington	27.0	0.3	22.5	49.8	4.1	0.8
Wisconsin	38.4	6.5	1.3	46.2	3.8	0.7
North Carolina	17.4	1.9	21.9	41.2	3.4	0.6
New York	6.0	—	34.9	40.9	3.4	0.6
Utah	28.5	—	10.3	38.8	3.2	0.6
Oregon	29.1	—	—	29.1	2.4	0.5
Connecticut	23.4	—	5.4	28.8	2.4	0.4
Mississippi	24.3	—	4.2	28.5	2.3	0.4
Indiana	—	—	26.6	26.6	2.2	0.4
Delaware	17.2	—	8.8	26.0	2.1	0.4
Virginia	—	18.4	6.7	25.1	2.1	0.4
Nevada	22.4	1.2	—	23.6	1.9	0.4
South Carolina	19.7	3.1	—	22.8	1.9	0.4
Arkansas	22.3	—	—	22.3	1.8	0.3
Massachusetts	—	—	21.4	21.4	1.8	0.3
Maryland	—	17.8	3.4	21.2	1.7	0.3
Tennessee	4.5	7.1	9.2	20.8	1.7	0.3
Minnesota	14.6	4.4	1.7	20.7	1.7	0.3
New Jersey	—	5.3	13.5	18.8	1.5	0.3
Missouri	—	—	17.9	17.9	1.5	0.3
Iowa	—	—	16.8	16.8	1.4	0.3
Kentucky	—	1.1	14.4	15.5	1.3	0.2
Rhode Island	10.3	—	5.0	15.3	1.3	0.2
Pennsylvania	11.2	2.3	1.3	14.8	1.2	0.2
Hawaii	14.5	—	—	14.5	1.2	0.2
Arizona	—	3.0	9.9	12.9	1.1	0.2
District of Columbia	—	—	11.3	11.3	0.9	0.2
Nebraska	—	6.2	5.1	11.3	0.9	0.2
Oklahoma	—	—	10.4	10.4	0.9	0.2
California	0.3	—	9.2	9.5	0.8	0.1
West Virginia	9.4	—	—	9.4	0.8	0.1
New Mexico	—	—	9.0	9.0	0.7	0.1
All Other States	12.8	8.0	19.2	40.0	3.3	0.6
Total ⁽¹⁾	<u>\$ 602.5</u>	<u>\$ 132.3</u>	<u>\$ 484.3</u>	<u>\$ 1,219.1</u>	<u>100.0%</u>	<u>19.0%</u>

¹ Sum of percentages for individual lines may not equal total due to rounding.

Kemper Corporation
Investments in Limited Liability
Companies and Limited Partnerships
(Dollars in Millions)
(Unaudited)

Asset Class	Unfunded Commitment	Reported Value	
	Mar 31, 2014	Mar 31, 2014	Dec 31, 2013
Reported as Equity Method Limited Liability Investments at Cost Plus Cumulative Undistributed Earnings:			
Distressed Debt	\$ —	\$ 116.9	\$ 126.1
Mezzanine Debt	25.5	53.3	46.0
Secondary Transactions	17.5	51.8	54.0
Senior Debt	—	7.3	7.5
Growth Equity	—	5.7	7.8
Leveraged Buyout	0.2	4.0	3.7
Total Equity Method Limited Liability Investments	43.2	239.0	245.1
Reported as Other Equity Interests at Fair Value:			
Mezzanine Debt	68.4	70.4	63.8
Distressed Debt	4.2	17.5	14.4
Senior Debt	22.1	14.0	15.0
Secondary Transactions	15.5	13.8	13.7
Hedge Fund	—	12.5	12.5
Leveraged Buyout	3.5	10.0	9.9
Real Estate	—	6.9	6.3
Other	2.4	42.2	38.3
Total Reported as Other Equity Interests at Fair Value	116.1	187.3	173.9
Total Investments in Limited Liability Companies and Limited Partnerships	<u>\$ 159.3</u>	<u>\$ 426.3</u>	<u>\$ 419.0</u>

Kemper Corporation
Definitions of Non-GAAP Financial Measures

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

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

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

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

The Company believes that Consolidated Net Operating Income 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 is presented below:

	Three Months Ended				
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
<i>Dollars in Millions (Unaudited)</i>					
Consolidated Net Operating Income	\$ 31.5	\$ 46.3	\$ 38.9	\$ 31.7	\$ 42.3
Net Income (Loss) From:					
Net Realized Gains on Sales of Investments	4.2	13.5	31.9	1.5	17.5
Net Impairment Losses Recognized in Earnings	(0.5)	(5.0)	(2.2)	(0.7)	(1.2)
Income from Continuing Operations	\$ 35.2	\$ 54.8	\$ 68.6	\$ 32.5	\$ 58.6

Consolidated Net Operating Income Per Unrestricted Share is a non-GAAP financial measure. It is computed by dividing Consolidated Net Operating Income by the weighted average unrestricted shares outstanding. The most directly comparable GAAP financial measure is Income from Continuing Operations Per Unrestricted Share-Basic.

A reconciliation of Consolidated Net Operating Income Per Unrestricted Share-basic to Income from Continuing Operations Per Unrestricted Share-basic is presented below:

(Unaudited)	Three Months Ended				
	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
Consolidated Net Operating Income Per Unrestricted Share	\$ 0.56	\$ 0.83	\$ 0.69	\$ 0.55	\$ 0.72
Net Income (Loss) Per Unrestricted Share From:					
Net Realized Gains on Sales of Investments	0.08	0.24	0.56	0.02	0.30
Net Impairment Losses Recognized in Earnings	(0.01)	(0.09)	(0.04)	(0.01)	(0.02)
Income from Continuing Operations Per Unrestricted Share	\$ 0.63	\$ 0.98	\$ 1.21	\$ 0.56	\$ 1.00

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