



August 2014

Investor Update



Caution Regarding Forward-Looking Statements

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

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

This report contains non-GAAP financial measures that the company believes are meaningful to investors. Non-GAAP financial measures are defined and reconciled to the most comparable GAAP financial measure at the end of this report.

All data in this presentation is as of and for the period ending June 30, 2014 unless otherwise stated.

Kemper Overview

Multi-line national insurer

- Provide personal and commercial auto, home and umbrella in 47 states
- Provide basic life, accident and health products in 48 states
- Multi-channel distribution network

Strong capital and liquidity

- \$2.1B shareholders' equity
- 26% debt-to-capital ratio
- 93% of fixed maturity portfolio rated investment grade
- Insurance subs rated "Excellent" by A.M. Best

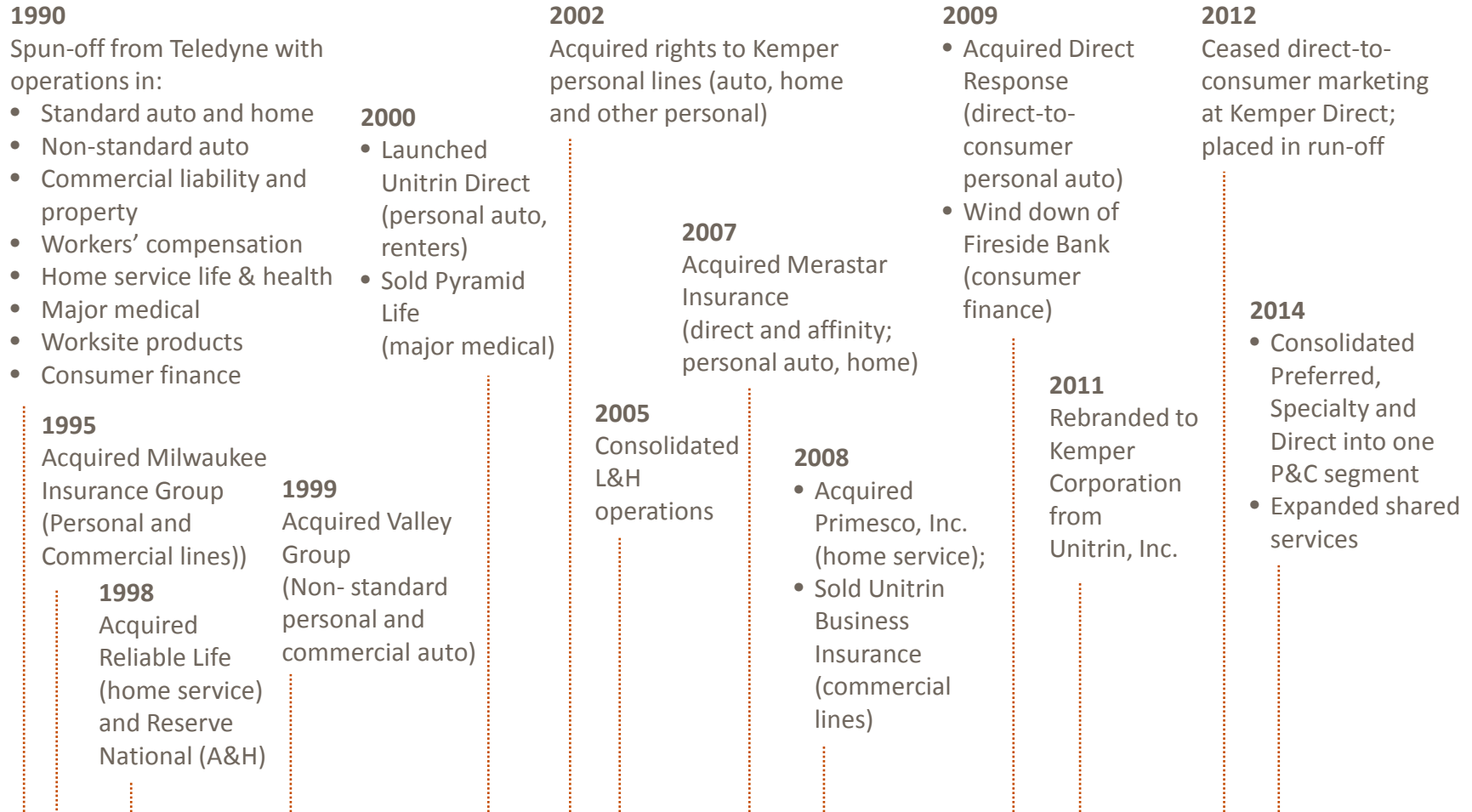


History of opportunistic acquisitions & successful integrations

Experienced management team

Our History

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



1990

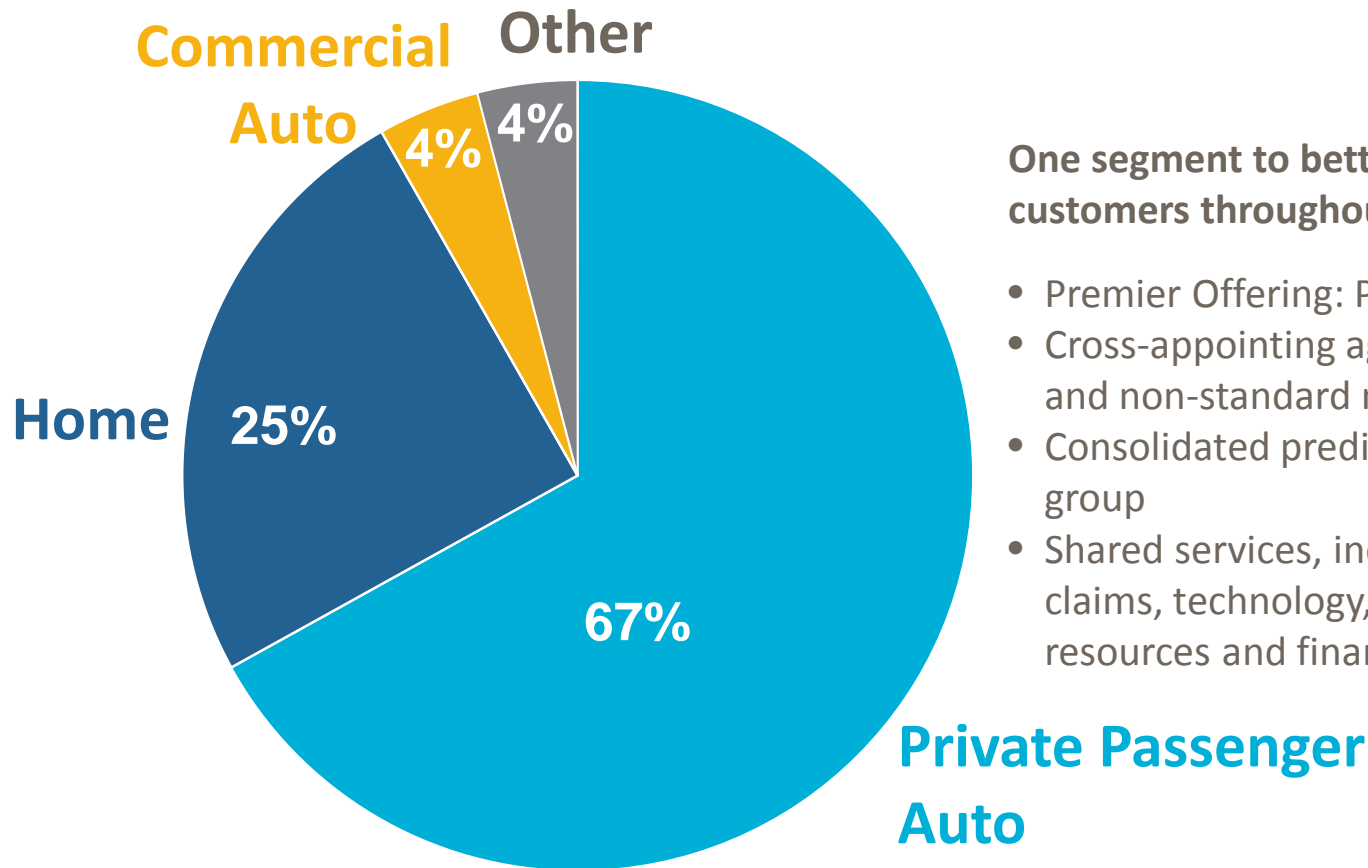
2014

Business Profiles

Property & Casualty Insurance \$930MM ¹ statutory surplus	Life & Health Insurance \$460MM statutory surplus	Overall
Distribution: <ul style="list-style-type: none"> Independent Agents Employer-sponsored voluntary benefit programs 	Distribution: <ul style="list-style-type: none"> Captive home service agents Independent agents/Brokers Employer-sponsored voluntary benefit programs 	20,000+ Independent Insurance Agents
Typical Customer: <ul style="list-style-type: none"> People with assets to protect; value the advice of agents Top tier of individuals ineligible for preferred or standard coverage 	Typical Customer: <ul style="list-style-type: none"> Life and property insurance for modest income A&H for rural markets Life and A&H for those at or near retirement age A&H for employees of small to mid sized businesses 	~6MM policies
Product Offerings: <ul style="list-style-type: none"> Standard and non-standard private passenger auto Non-standard commercial auto Homeowners and renters Other personal insurance 	Product Offerings: <ul style="list-style-type: none"> Basic protection products Life, limited benefit A&H, supplemental A&H, accident, dental and contents 	

¹P&C includes \$10MM from Capitol County Mutual Fire Insurance Company, an affiliated mutual insurance company owned by its policyholders.

Kemper Property & Casualty Earned Premiums



One segment to better serve our customers throughout their life cycles

- Premier Offering: Package Plus
- Cross-appointing agents in standard and non-standard markets
- Consolidated predictive analytics group
- Shared services, including legal, claims, technology, human resources and finance

1H14: \$640MM
2013: \$1,393MM

Private Passenger Auto

Long-term recognized carrier in standard and non-standard markets

Non-standard customers tend to be top tier of insureds ineligible for preferred and/or standard

Claims handling meets unique non-standard market needs

Sold in 47 states and the District of Columbia through more than 11,000 independent insurance agents

Top premium states: CA, NY, TX & NC



Net Earned Premiums: 2013: \$959MM; 1H14: \$428MM

Commercial Auto

Focused on light artisan vehicles

Characteristics similar to private passenger auto

Customers tend to be small business owners

Sold in seven states through 2,800 independent insurance agents; strong, expandable regional presence

Concentrated in two states (57% California and 29% Texas)



Net Earned Premiums: 2013: \$52MM; 1H14: \$27MM

Home and Other Personal

Often sold with auto as part of our Package Plus offering

More than 50% of home policies are Package Plus

Reduced exposures to catastrophe prone areas in recent years

Home can be sold with other personal insurance products such as umbrella and Inland marine

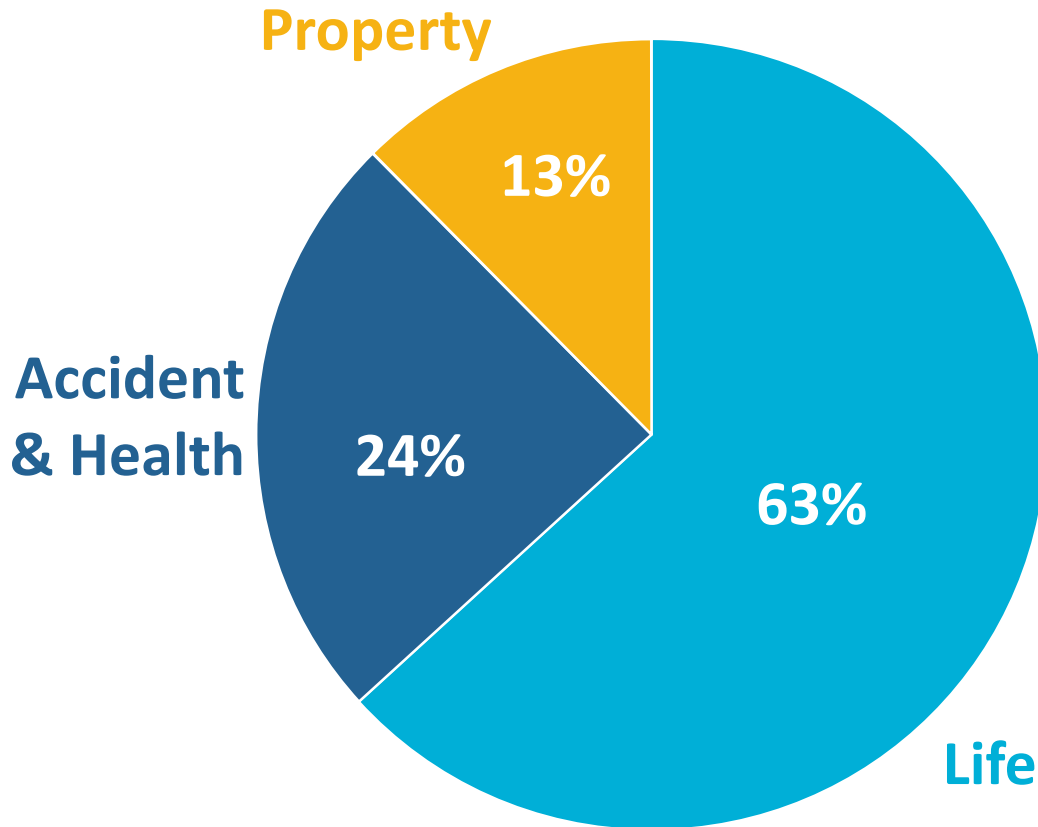
Limited earthquake exposures

Top premium states: NY, CA, TX & NC



Net Earned Premiums:	Home – 2013:	\$326MM;	1H14:	\$159MM
	Other – 2013:	\$55MM;	1H14:	\$26MM

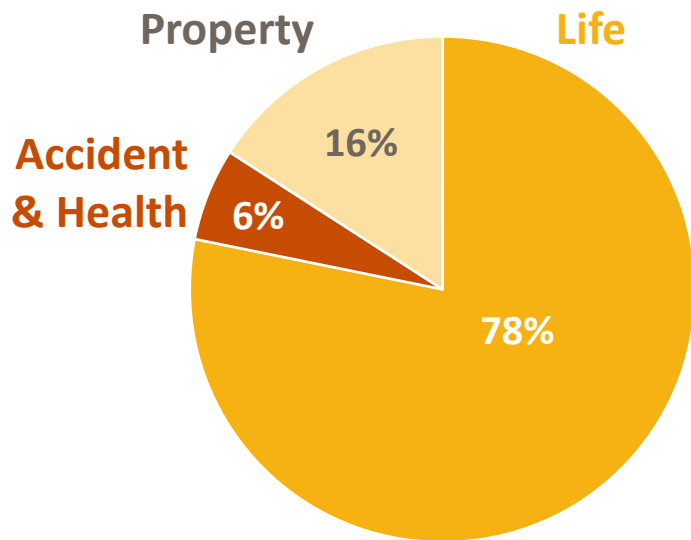
Kemper Life & Health Earned Premiums



1H14: \$308MM
2013: \$633MM

- Life relatively stable with growth potential from Kemper Senior Solutions
- A&H shifting from hospitalization to supplemental plans, due to healthcare reform, with potential growth from Kemper Benefits
- Property shifting from dwelling to contents coverages

Kemper Home Service Companies Earned Premiums



1H14: \$241MM

2013: \$494MM

~2,600 career agents in 25 States
~5MM Policies

Low face amount protection for individuals and families

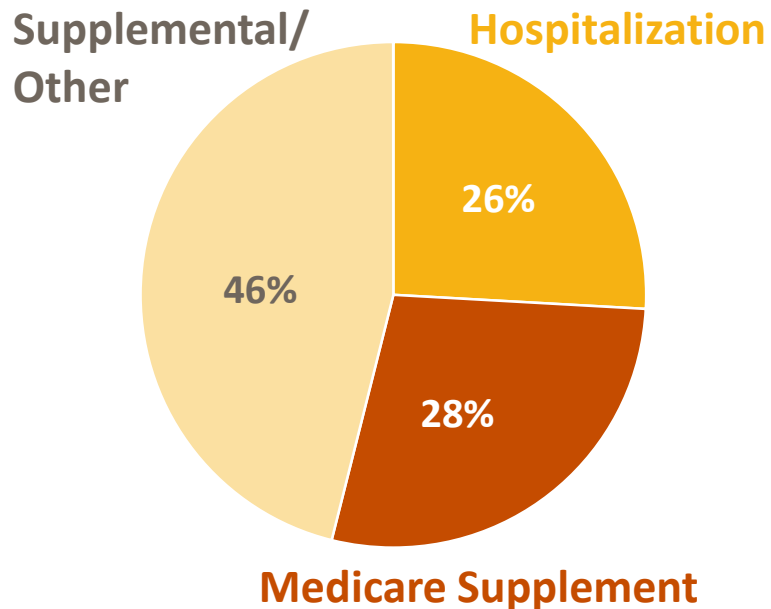
Lead product: ordinary life insurance, including permanent & term insurance

Limited sensitivity to interest rate or stock market volatility

Simple products with stable cash flows

No exposure to variable annuities

Reserve National Earned Premiums



1H14: \$67MM

2013: \$139MM

17,000+ independent agents

Shifting away from hospitalization products

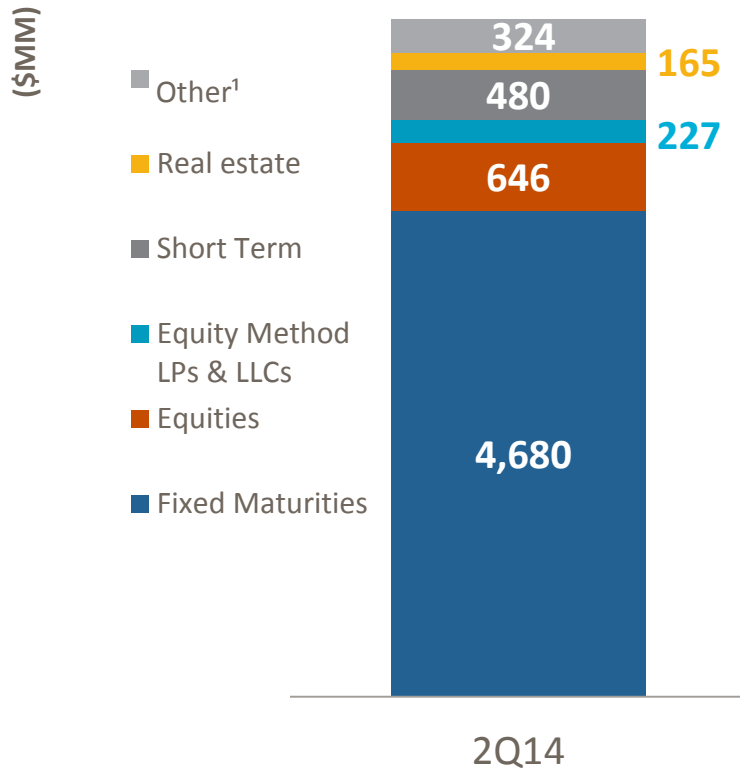
Historically served rural markets through exclusive agents

- Individuals, self-employed & small employers
- Licensed in 44 states

Key growth initiatives and products

- Kemper Senior Solutions—life and health for those at or near retirement age
- Kemper Benefits—accident and critical illness through worksite and affinity programs
- Kemper Dental—small business dental

Kemper Investment Portfolio



Total return investment strategy with an emphasis on yield

No direct exposure to

- Enhanced money market funds
- Commercial paper investments
- Securities lending
- Credit or other derivatives

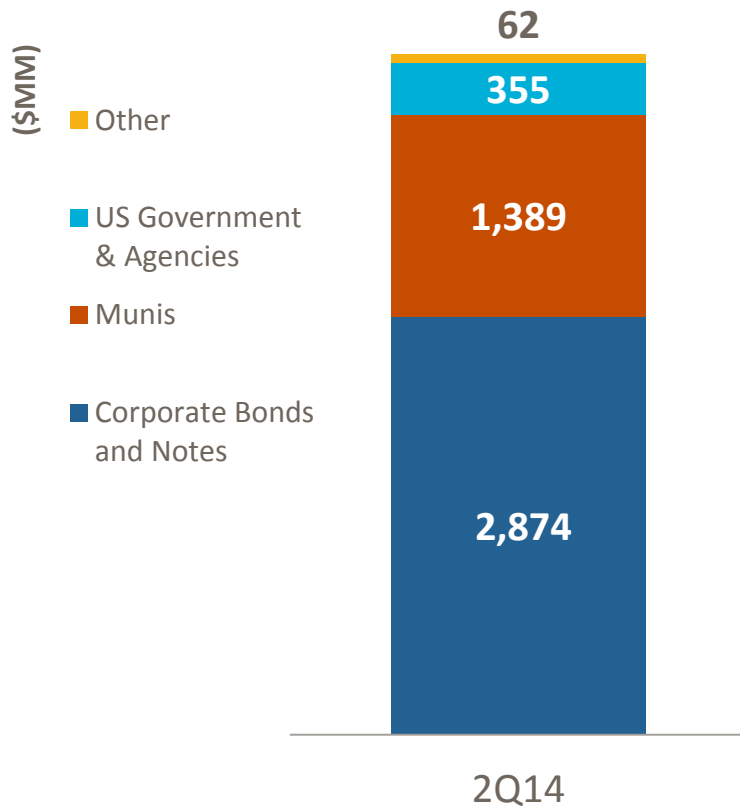
Minimal exposure to foreign sovereign governments

Centralized investment function

Total Investments: \$6,522MM

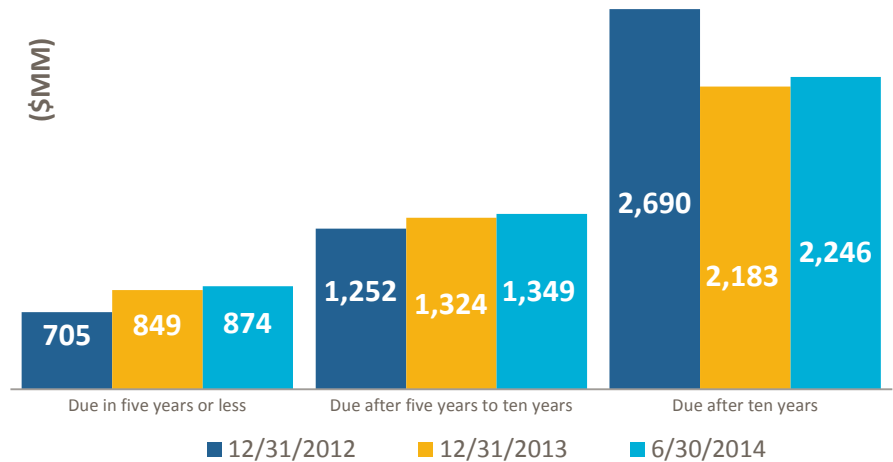
¹ Includes \$278MM policyholder loans, \$40MM fair value options investments, \$5MM trading securities and \$1MM other investments

Fixed Maturity Portfolio



- Primarily high grade municipal, corporate and agency bonds; 93% investment grade
- 30% held in states and political subdivisions (munis); maximum exposure in any one state is 1.4% of total investments
- Average duration is about 7 years

Fixed Maturities by Scheduled Maturity Date¹

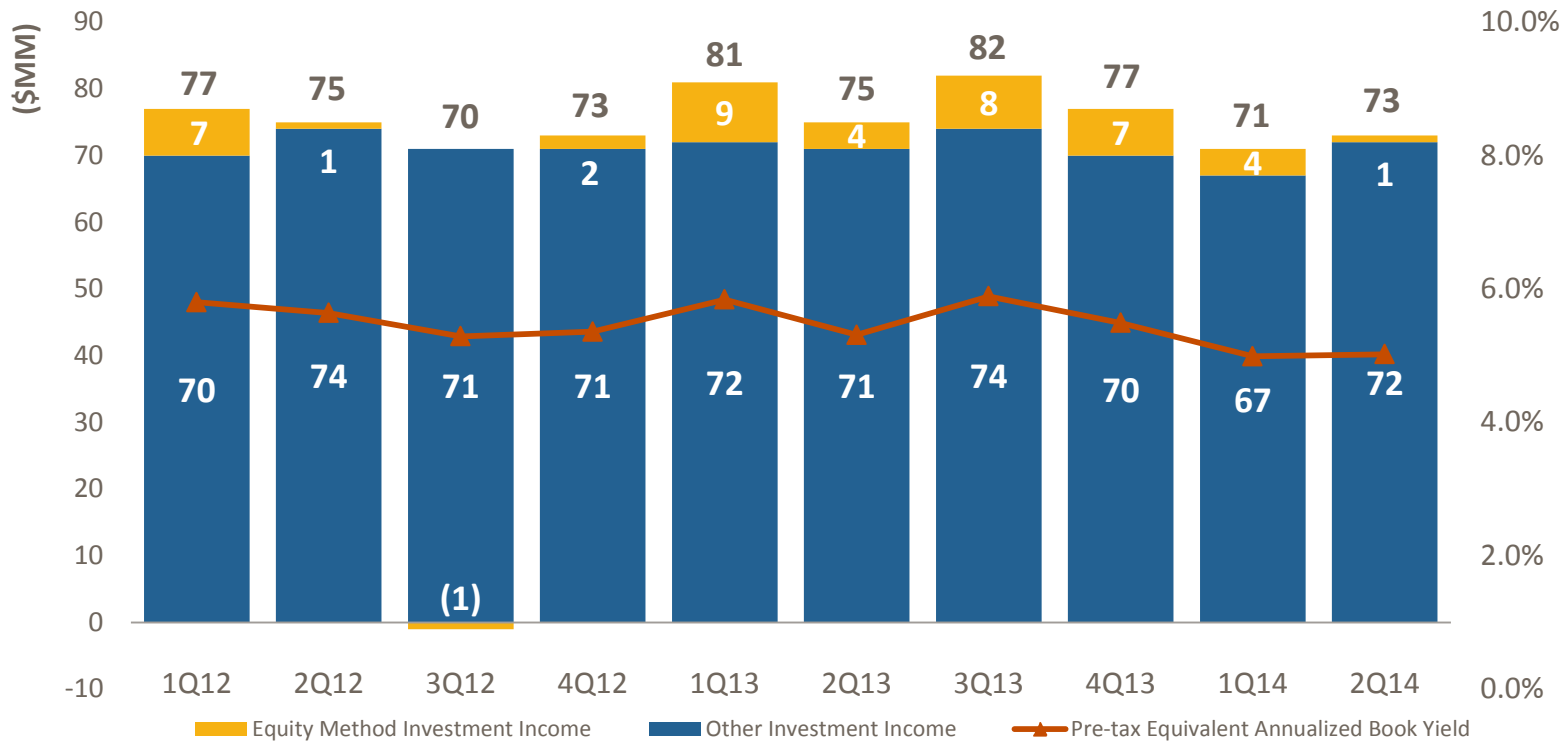


Total Fixed Maturities: \$4,680MM
Unrealized Gain: \$385MM

¹Excludes Asset-backed securities not due at a single maturity date

Investment Portfolio Metrics

Total net investment income and yield

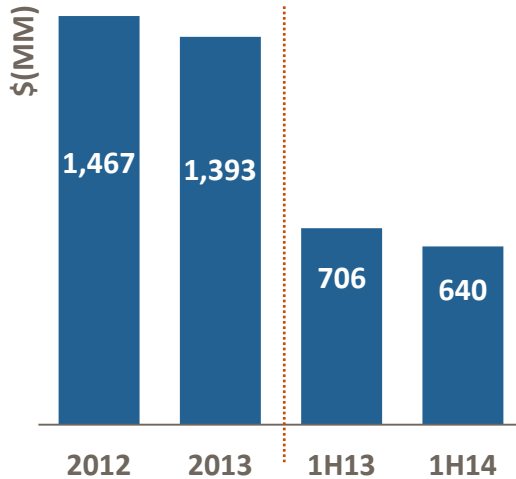


- Relatively stable income and yield
- Equity method investments provide above average yields but come with volatility
- Portfolio is well positioned over the medium term

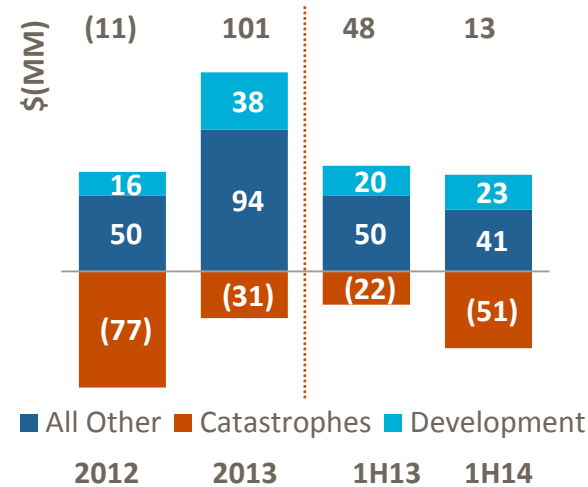
Operating Results

Property & Casualty Insurance Results

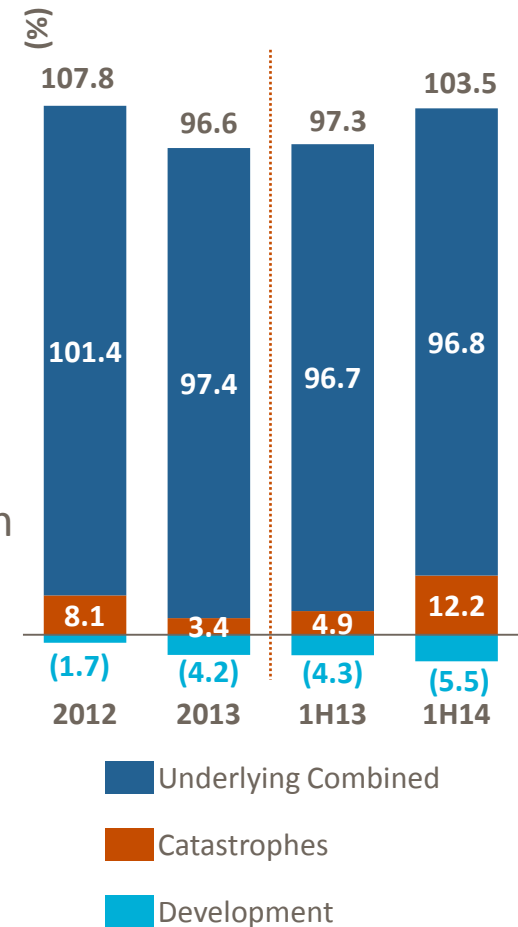
Earned Premiums



Net Operating Income (Loss)



GAAP Combined Ratio



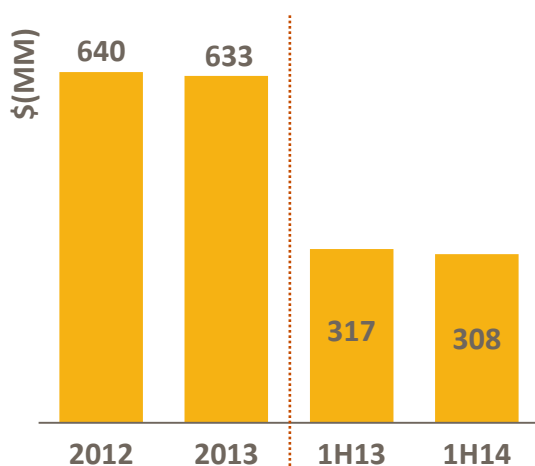
Premium decline largely due to margin improvement actions in personal auto

2013 net operating results increased due to improved underlying combined ratio, lower catastrophes and higher favorable reserve development

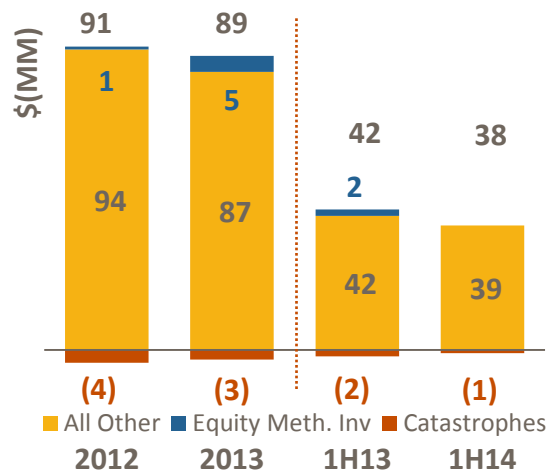
2Q14 underlying loss and LAE ratio improved 3.6 percentage points to 66.0%, compared to 2Q13

Life & Health Insurance Results

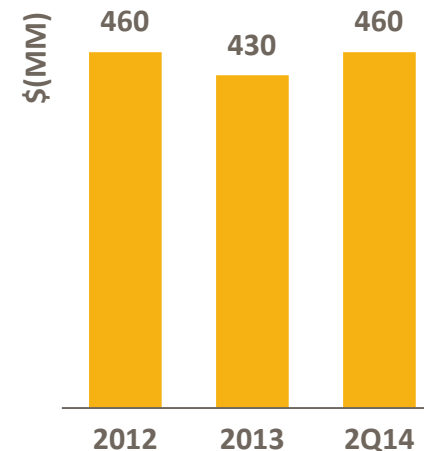
Earned Premiums



Net Operating Income



Statutory Surplus



Stable earned premiums with upside from Reserve National's distribution initiatives

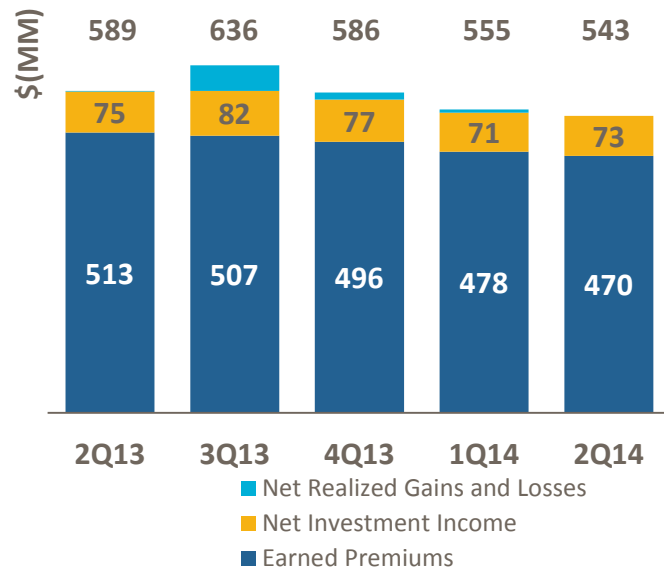
Low interest rate environment continues to pressure earnings

Mature business model provides stable dividend source to the holding company

Surplus more than enough to support the business

Kemper Corporation Results

Total Revenues



Consolidated Net Operating Income



Net Op. EPS ¹ (\$):	2Q13	3Q13	4Q13	1Q14	2Q14
	0.55	0.69	0.83	0.56	0.18

Net Operating EPS¹ Details (\$)

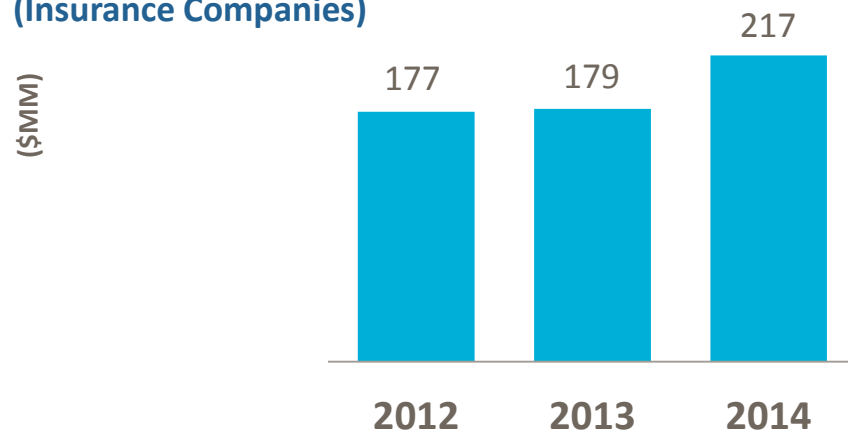
	2Q13	3Q13	4Q13	1Q14	2Q14
Catastrophes	(0.30)	(0.12)	(0.03)	(0.19)	(0.75)
Prior Year Reserve Development	0.20	0.14	0.19	0.18	0.22
Equity Method Investments	0.04	0.09	0.08	0.04	0.01
All Other	0.61	0.58	0.59	0.53	0.70
Total	0.55	0.69	0.83	0.56	0.18

¹ Net operating income per diluted share

Liquidity and Capital

Liquidity & Capital Overview

Max ordinary dividend capacity¹ (Insurance Companies)



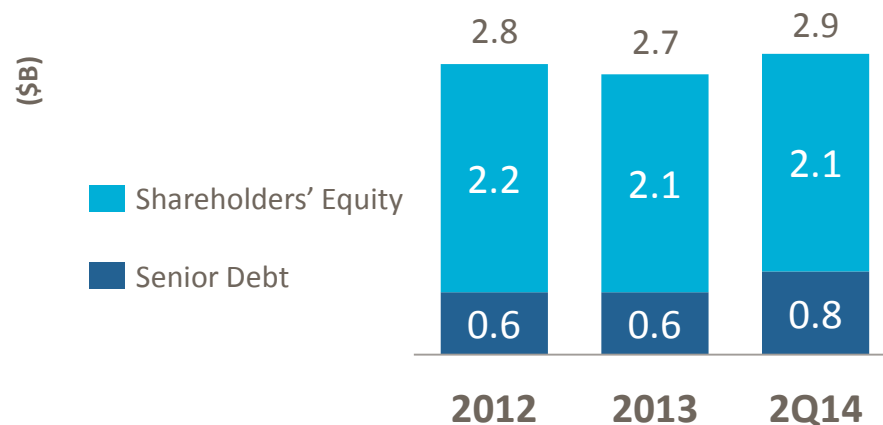
Dividends (\$MM)			
Insurance subs	95	95	100
Remaining planned			80-115

Risk-Based Capital (%)		
Life & Health	485	425
Property & Casualty	315	350

¹ Calculated as the greater of 10% of insurance statutory surplus or insurance statutory net income from the prior year

² Federal Home Loan Bank

Stable capital profile

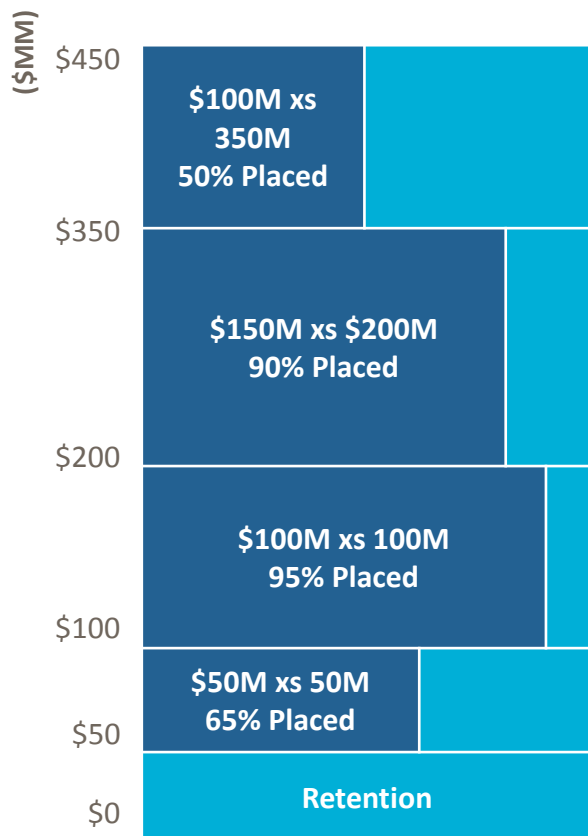


Key Metrics			
Debt to Total Capital	22%	23%	26%
Statutory Interest Coverage	10X	10X	10X
Parent Credit Facility (PCF) (\$MM)	325	225	225
Allowed Sub. Borrowings from FHLB ² under PCF (\$MM)	100	250	250

Catastrophe Reinsurance Treaty Coverage Changes

2013 Expired:

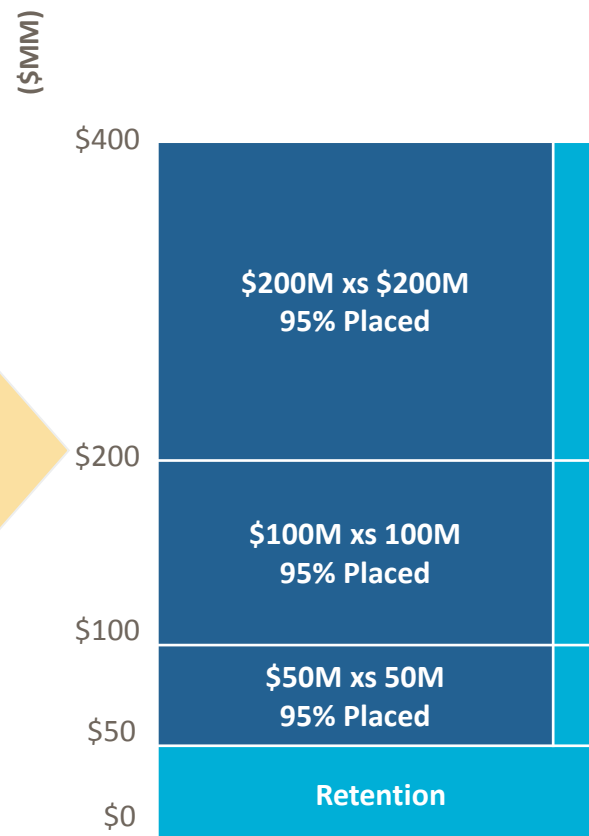
1 in 250 PML¹: \$430MM



Total Cost \$23.6 MM

2014 In Place:

1 in 250 PML: \$350MM



Total Cost \$18.9 MM

- Reduced 1 in 250 PML by \$80 MM
- Increased placement of lower tier
- Reduced total cost by \$4.7 MM

¹ Probable Maximum Loss

Capital Redeployment Priorities

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

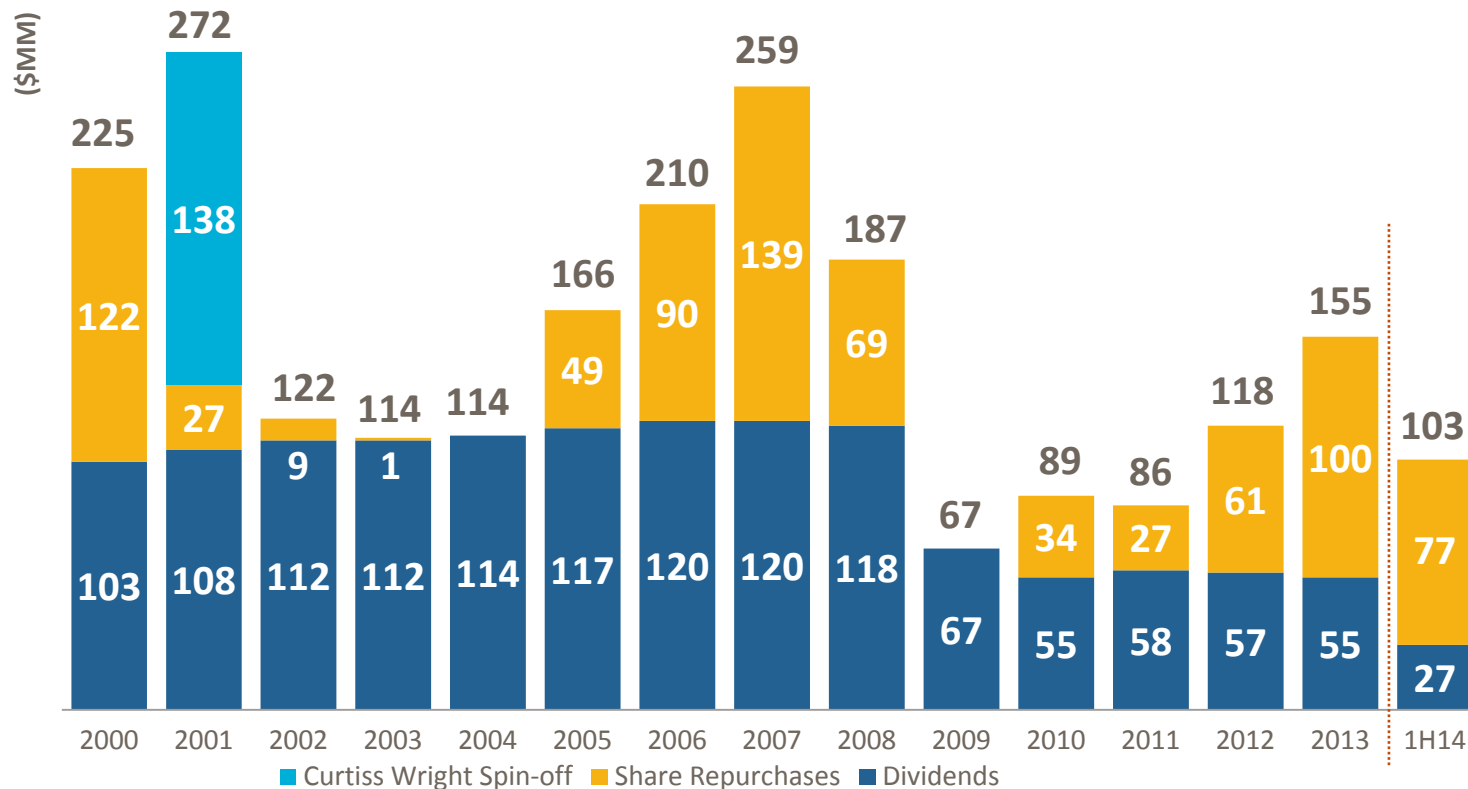
2. Strategic acquisitions:

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

3. Return capital to shareholders:

- Maintain competitive dividends
- Repurchase shares
 - \$300MM program; no expiration date
 - \$100MM repurchased in 2013; \$77MM in 1H14

Capital Returned to Shareholders



- Strong history of returning capital to shareholders
- Despite reducing dividend during financial crisis, remained at competitive level
- Repurchased shares opportunistically

Note: components may not sum to totals due to rounding

The Case for Kemper

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

Conservative balance sheet with strong liquidity

History of creating shareholder value

Ongoing rollout of Kemper brand



KEMPER

Appendix

Consolidated Statements of Income

Kemper Corporation & Subsidiaries

(\$MM)	Six Months Ended		Change	Comments
	1H13	1H14		
Revenues:				
Earned Premiums:				
Property & Casualty	\$ 706	\$ 640	-9.3%	Profit improvement actions
Life & Health	317	308	-2.8%	
Net Investment Income	155	144	-7.1%	Lower equity method LLP performance
Net Realized Investment Gains	27	5	-81.5%	Lower realized gains
Total Revenues	1,205	1,097	-9.0%	
Expenses:				
Incurred Losses and LAE:				
Property & Casualty	501	483	-3.6%	
Life & Health	202	193	-4.5%	
Insurance Expenses	322	313	-2.8%	
Interest and Other Expenses	49	45	-8.2%	
Total Expenses	1,074	1,034	-3.7%	
Income Tax Expense	(40)	(18)	NM	
Net Income from Continuing Ops.	\$ 91	\$ 45	-50.5%	
Total Net Income	\$ 92	\$ 44	-52.2%	

Consolidated Balance Sheet

Kemper Corporation & Subsidiaries

(\$MM)	2013	2Q14	Change	Comments
Assets:				
Cash and Investments:				
Fixed Maturities at Fair Value	\$ 4,575	\$ 4,680	2.3%	
Equity Securities	599	646	7.8%	
Equity Method LLC/LP	245	227	-7.3%	
Fair Value Option Investments	-	40	100.0%	
Other Investments	448	449	0.2%	
Cash & Short-term Inv.	351	542	54.4%	Issued debt with proceeds of \$144 million
Total Cash & Investments	6,218	6,584	5.9%	
Receivables from Policyholders	331	313	-5.4%	
Other Receivables	193	191	-1.0%	
Deferred Acquisition Costs	303	305	0.7%	
Goodwill	312	312	0.0%	
Other Assets	299	265	-11.4%	Lower income tax assets
Total Assets	\$ 7,656	\$ 7,970	4.1%	
Liabilities & Shareholders' Equity:				
Insurance Reserves	\$ 4,061	\$ 4,064	0.1%	
Unearned Premiums	599	572	-4.5%	
Debt	607	752	23.9%	Issued debt with proceeds of \$144 million
Other Liabilities	338	443	31.1%	Higher securities payable
Total Liabilities	5,605	5,831	4.0%	
Shareholders' Equity	2,051	2,139	4.3%	
Total Liabilities & Shareholders' Equity	\$ 7,656	\$ 7,970	4.1%	

Non-GAAP Financial Measures

Underlying Combined Ratio is a non-GAAP financial measure, which is computed by adding the Current Year Non-catastrophe Losses and LAE Ratio with the Incurred Expense Ratio. The most directly comparable GAAP¹ 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. We believe the Underlying Combined Ratio is useful to investors and is used by management to reveal the trends in our Property and Casualty businesses that may be obscured by catastrophe losses and prior-year reserve development. These catastrophe losses may cause our 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 our insurance products in the current period. We believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our 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.

Statutory Interest Coverage is a non-GAAP financial measure, which is computed by adding the maximum ordinary dividend from the insurance companies and unencumbered cash and short-term investments held at the holding company, divided by interest expense on the senior notes.

¹ Accounting principles generally accepted in the United States

Non-GAAP Financial Measures - Continued

Consolidated Net Operating Income is an after-tax, non-GAAP financial measure, which is computed by excluding from income from continuing operations the after-tax impact of 1) net realized gains (losses) on sales of investments, 2) net impairment losses recognized in earnings related to investments and 3) 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 (loss) from continuing operations.

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

<i>Dollars in Millions</i>	<u>2Q13</u>	<u>3Q13</u>	<u>4Q13</u>	<u>1Q14</u>	<u>2Q14</u>
Consolidated Net Operating Income	\$ 31.7	\$ 38.9	\$ 46.3	\$ 31.5	\$ 9.6
Net Income (Loss) From:					
Net Realized Gains on Sales of Investments	1.5	31.9	13.5	4.2	2.4
Net Impairment Losses Recognized in Earnings	(0.7)	(2.2)	(5.0)	(0.5)	(2.7)
Income from Continuing Operations	<u>\$ 32.5</u>	<u>\$ 68.6</u>	<u>\$ 54.8</u>	<u>\$ 35.2</u>	<u>\$ 9.3</u>

Diluted Net Operating EPS is a non-GAAP financial measure, which is computed by dividing Consolidated Net Operating Income by the weighted-average unrestricted shares and equivalent shares outstanding assuming dilution. The most directly comparable GAAP financial measure is income from continuing operations per unrestricted share - diluted.

A reconciliation of Diluted Net Operating EPS to Income from Continuing Operations Per Unrestricted Share – Diluted is presented below:

	<u>2Q13</u>	<u>3Q13</u>	<u>4Q13</u>	<u>1Q14</u>	<u>2Q14</u>
Diluted Net Operating EPS	\$ 0.55	\$ 0.69	\$ 0.83	\$ 0.56	\$ 0.18
Diluted Earnings Per Share From:					
Net Realized Gains on Sales of Investments	0.02	0.56	0.24	0.08	0.04
Net Impairment Losses Recognized in Earnings	(0.01)	(0.04)	(0.09)	(0.01)	(0.05)
Income from Continuing Operations Per Unrestricted Share - Diluted	<u>\$ 0.56</u>	<u>\$ 1.21</u>	<u>\$ 0.98</u>	<u>\$ 0.63</u>	<u>\$ 0.17</u>