



Kemper Corporation
One East Wacker Drive
Chicago, IL 60601
kemper.com

Press Release

August 4, 2016

Kemper Corporation Reports Second Quarter 2016 Results

- Increased earned premiums by \$54 million in the quarter
- Improved quarter-to-date legacy Property & Casualty underlying loss and LAE ratio 1.3 percentage points
- Generated investment portfolio pre-tax equivalent annualized book yield of 5.0 percent in the quarter

CHICAGO - (Business Wire) - Kemper Corporation (NYSE: KMPR) reported today net income of \$4.0 million, or \$0.08 per diluted share, for the second quarter of 2016, compared to \$29.7 million, or \$0.57 per share, for the second quarter of 2015. Consolidated net operating income¹ was \$4.6 million, or \$0.09 per diluted share, for the second quarter of 2016, compared to \$6.7 million, or \$0.13 per share, for the second quarter of 2015. Net operating income decreased primarily from the performance of Alliance United and higher catastrophe losses, partially offset by higher levels of favorable reserve development and the software write-off that occurred in 2015.

(Dollars in Millions, Except Per Share Amounts) (Unaudited)	Three Months Ended		Six Months Ended	
	Jun 30, 2016	Jun 30, 2015	Jun 30, 2016	Jun 30, 2015
Consolidated Net Operating Income ¹	\$ 4.6	\$ 6.7	\$ 4.0	\$ 28.5
Income from Continuing Operations	4.1	27.4	1.9	40.9
Net Income	4.0	29.7	1.9	43.2
<i>Impact of Catastrophe Losses and Related Loss Adjustment Expense (LAE) on Net Income</i>	<i>\$ (33.0)</i>	<i>\$ (24.2)</i>	<i>\$ (58.4)</i>	<i>\$ (30.9)</i>
Diluted Net Income Per Share From:				
Consolidated Net Operating Income ¹	\$ 0.09	\$ 0.13	\$ 0.08	\$ 0.55
Continuing Operations	0.08	0.53	0.04	0.79
Net Income	0.08	0.57	0.04	0.83
<i>Impact of Catastrophe Losses and Related LAE on Net Income Per Share</i>	<i>\$ (0.64)</i>	<i>\$ (0.46)</i>	<i>\$ (1.13)</i>	<i>\$ (0.59)</i>

“We were pleased with the improved underlying results in our legacy nonstandard auto and homeowners lines, however, the bottom line remains pressured with the same two drivers we saw in the first quarter — elevated catastrophes and challenges in the Alliance United business. We continue to implement aggressive rate, underwriting and agency management actions as well as focus on increasing claims staffing levels and reducing cycle times,” said Joseph P. Lacher, Jr., Kemper’s President and Chief Executive Officer. “The Life & Health Division’s underlying results remained stable. Excluding normal volatility in our alternative investment portfolio, net investment income increased slightly.

“I’m pleased we now have our Division Presidents in place as we finalize our strategy. We plan to update the market in mid-September with the details,” concluded Lacher.

¹ Consolidated net operating income is an after-tax, non-GAAP financial measure. See “Use of Non-GAAP Financial Measures” for additional information.

Capital

During the second quarter of 2016, Kemper paid dividends of \$12.3 million. For the year, Kemper returned \$28.3 million of capital to shareholders through \$24.5 million of dividends and \$3.8 million of share repurchases.

Kemper ended the quarter with a book value per share of \$41.17, up 6 percent from \$38.82 at the end of 2015, largely from the impact of lower yields on the fixed maturities portfolio, partially offset by dividends paid. Book value per share excluding net unrealized gains on fixed maturities was \$34.78, down 1 percent from \$35.13 at the end of 2015, primarily from dividends paid.

Revenues

Total revenues for the second quarter of 2016 increased \$18.0 million, or 3 percent, to \$627.2 million, driven by \$53.2 million higher earned premiums from the Property & Casualty segment, partially offset by \$28.4 million lower net realized gains on sales of investments. Earned premiums in the Property & Casualty segment increased \$64.3 million from Alliance United. Excluding Alliance United, earned premiums in the Property & Casualty segment decreased \$11.1 million, as the company had fewer policies in force, partially offset by higher average premium rates.

Net investment income was \$73.7 million in the second quarter of 2016, compared to \$76.7 million in 2015. The change was driven by performance in the alternative investments portfolio, which primarily consists of limited partnerships, limited liability companies (both equity method investments and other equity interests) and hedge funds, which are accounted for using the fair value option. Net investment income from the alternative investment portfolio was \$6.5 million in the second quarter of 2016, compared to \$10.2 million in 2015. Alternative net investment income decreased \$0.7 million for the Property & Casualty segment, \$1.4 million for the Life and Health segment and \$1.6 million for Corporate and Other.

The investment portfolio in total generated a pre-tax equivalent annualized book yield of 5.0 percent for the second quarter of 2016, compared to 5.4 percent in 2015.

Segment Results

Kemper completed its acquisition of Alliance United on April 30, 2015. The results of Alliance United's operations since the acquisition date are included in the Property & Casualty Insurance segment.

Unless otherwise noted, (i) the segment results discussed below are presented on an after-tax basis, (ii) prior-year development includes both catastrophe and non-catastrophe losses and LAE, (iii) catastrophe losses and LAE exclude the impact of prior-year development (iv) underlying loss ratio includes loss and LAE, and (v) all comparisons are made to the prior year quarter.

(Dollars in Millions) (Unaudited)	Three Months Ended		Six Months Ended	
	Jun 30, 2016	Jun 30, 2015	Jun 30, 2016	Jun 30, 2015
Segment Net Operating Income (Loss):				
Property & Casualty Insurance	\$ (8.9)	\$ (2.6)	\$ (22.0)	\$ 10.8
Life & Health Insurance	16.4	14.3	36.7	30.4
Total Segment Net Operating Income	7.5	11.7	14.7	41.2
Corporate and Other Net Operating Loss	(2.9)	(5.0)	(10.7)	(12.7)
Consolidated Net Operating Income	4.6	6.7	4.0	28.5
Net Income (Loss) From:				
Net Realized Gains on Sales of Investments	3.7	22.1	8.1	24.3
Net Impairment Losses Recognized in Earnings	(4.2)	(1.4)	(10.2)	(6.0)
Loss from Early Extinguishment of Debt	—	—	—	(5.9)
Income from Continuing Operations	<u>\$ 4.1</u>	<u>\$ 27.4</u>	<u>\$ 1.9</u>	<u>\$ 40.9</u>

The Property & Casualty Insurance segment reported a net operating loss of \$8.9 million in the second quarter of 2016, compared to a loss of \$2.6 million in 2015. Results in both quarters were impacted by high levels of catastrophes, \$31.9 million in 2016, compared to \$23.0 million last year. Additionally, Alliance United's results were well below expectations. Favorable development on the legacy lines was \$8.6 million higher this year and in the second quarter of last year, Kemper incurred a charge of \$7.2 million to write off capitalized software.

Alliance United reported a net operating loss of \$12.0 million, compared to net operating income of \$1.5 million last year. The second quarter of 2016 underlying loss ratio was 100.8 percent, which included \$5.7 million pre-tax, or 4.5 percentage points, of adverse development related to the first quarter of 2016. Additionally, Alliance United continues to be in a premium deficiency position since the fourth quarter of 2015, which requires earlier recognition of policy acquisition costs that would be typically deferred.

Alliance United continued to experience higher frequency trends during the second quarter of 2016 and accordingly continues to aggressively seek rate increases. In the first quarter of 2016, Alliance United received approval for a 6.9 percent rate increase on its Millennium product, which represents approximately 50 percent of the book. The new rates were placed into production on new and renewal business starting April 1, 2016.

Alliance United has filed for a rate increase on its Gold product covering the remaining portion of the book of business and is expecting to implement the rate change in the fourth quarter of 2016. Recently, Alliance United filed for another rate increase on its Millennium product and expects to implement that rate increase in late 2016, or early 2017. Given recent loss cost trends, the company expects to continue to file for additional rate increases on both books of business until they reach rate adequacy.

Excluding Alliance United, the second quarter underlying loss ratio improved 1.3 percentage points, to 65.8 percent, largely from improvement in nonstandard auto and homeowners, partially offset by preferred auto. Legacy nonstandard auto improved 6.4 percentage points from continued rate, underwriting and agency management actions. Homeowners improved 5.3 percentage points primarily from lower frequency, while preferred auto's underlying loss ratio increased 2.4 percentage points as loss cost trends outpaced rate actions.

The Life & Health Insurance segment reported net operating income of \$16.4 million for the second quarter of 2016, compared to \$14.3 million in 2015. Results increased primarily from lower legal expenses at the Kemper Home Service Companies, partially offset by lower net investment income.

Corporate and Other net operating loss improved \$2.1 million, compared to the second quarter of 2015, as lower retirement benefits more than offset lower net investment income and a tax benefit in the second quarter of 2015.

Unaudited condensed consolidated statements of income for the three and six months ended June 30, 2016 and 2015 are presented below.

	Three Months Ended		Six Months Ended	
	Jun 30, 2016	Jun 30, 2015	Jun 30, 2016	Jun 30, 2015
(Dollars in Millions, Except Per Share Amounts)				
Revenues:				
Earned Premiums	\$ 553.7	\$ 500.1	\$ 1,099.7	\$ 931.4
Net Investment Income	73.7	76.7	140.7	147.3
Other Income	0.6	0.6	1.4	1.5
Net Realized Gains on Sales of Investments	5.6	34.0	12.4	37.4
Other-than-temporary Impairment Losses:				
Total Other-than-temporary Impairment Losses	(6.4)	(2.2)	(16.0)	(9.2)
Portion of Losses Recognized in Other Comprehensive Income	—	—	0.3	—
Net Impairment Losses Recognized in Earnings	(6.4)	(2.2)	(15.7)	(9.2)
Total Revenues	627.2	609.2	1,238.5	1,108.4
Expenses:				
Policyholders' Benefits and Incurred Losses and Loss Adjustment Expenses.	436.1	375.1	872.3	672.8
Insurance Expenses	167.8	162.1	327.1	307.0
Write-off of Long-lived Asset	—	11.1	—	11.1
Loss from Early Extinguishment of Debt	—	—	—	9.1
Interest and Other Expenses	20.7	26.6	43.0	56.3
Total Expenses	624.6	574.9	1,242.4	1,056.3
Income (Loss) from Continuing Operations before Income Taxes	2.6	34.3	(3.9)	52.1
Income Tax Benefit (Expense)	1.5	(6.9)	5.8	(11.2)
Income from Continuing Operations	4.1	27.4	1.9	40.9
Income (Loss) from Discontinued Operations	(0.1)	2.3	—	2.3
Net Income	\$ 4.0	\$ 29.7	\$ 1.9	\$ 43.2
Income from Continuing Operations Per Unrestricted Share:				
Basic	\$ 0.08	\$ 0.53	\$ 0.04	\$ 0.79
Diluted	\$ 0.08	\$ 0.53	\$ 0.04	\$ 0.79
Net Income Per Unrestricted Share:				
Basic	\$ 0.08	\$ 0.57	\$ 0.04	\$ 0.83
Diluted	\$ 0.08	\$ 0.57	\$ 0.04	\$ 0.83
Weighted-average Outstanding (Shares in Thousands):				
Unrestricted Shares - Basic	51,107.7	51,728.1	51,149.6	51,800.5
Unrestricted Shares and Equivalent Shares - Diluted	51,119.0	51,806.1	51,159.2	51,887.7
Dividends Paid to Shareholders Per Share	\$ 0.24	\$ 0.24	\$ 0.48	\$ 0.48

Unaudited business segment revenues for the three and six months ended June 30, 2016 and 2015 are presented below.

(Dollars in Millions)	Three Months Ended		Six Months Ended	
	Jun 30, 2016	Jun 30, 2015	Jun 30, 2016	Jun 30, 2015
REVENUES:				
Property & Casualty Insurance:				
Earned Premiums:				
Personal Automobile	\$ 310.3	\$ 252.6	\$ 613.6	\$ 442.4
Homeowners	67.6	71.6	135.7	144.2
Other Personal	11.3	11.7	22.6	23.4
Total Personal	389.2	335.9	771.9	610.0
Commercial Automobile	13.4	13.5	26.9	27.0
Total Earned Premiums	402.6	349.4	798.8	637.0
Net Investment Income	19.7	18.6	31.6	33.4
Other Income	0.1	0.1	0.3	0.4
Total Property & Casualty Insurance	422.4	368.1	830.7	670.8
Life & Health Insurance:				
Earned Premiums:				
Life	95.5	96.0	189.9	184.0
Accident and Health	36.7	35.7	73.6	72.5
Property	18.9	19.0	37.4	37.9
Total Earned Premiums	151.1	150.7	300.9	294.4
Net Investment Income	50.1	53.5	105.1	103.9
Other Income	0.6	0.2	1.2	1.0
Total Life & Health Insurance	201.8	204.4	407.2	399.3
Total Segment Revenues	624.2	572.5	1,237.9	1,070.1
Net Realized Gains on Sales of Investments	5.6	34.0	12.4	37.4
Net Impairment Losses Recognized in Earnings	(6.4)	(2.2)	(15.7)	(9.2)
Other	3.8	4.9	3.9	10.1
Total Revenues	<u>\$ 627.2</u>	<u>\$ 609.2</u>	<u>\$ 1,238.5</u>	<u>\$ 1,108.4</u>

KEMPER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in Millions)

	Jun 30, 2016	Dec 31, 2015
	(Unaudited)	
Assets:		
Investments:		
Fixed Maturities at Fair Value	\$ 5,084.3	\$ 4,852.3
Equity Securities at Fair Value	509.6	523.2
Equity Method Limited Liability Investments at Cost Plus Cumulative Undistributed Earnings...	182.7	190.6
Fair Value Option Investments	134.1	164.5
Short-term Investments at Cost which Approximates Fair Value.....	365.2	255.7
Other Investments	440.8	443.2
Total Investments	<u>6,716.7</u>	<u>6,429.5</u>
Cash	159.8	161.7
Receivables from Policyholders	337.2	332.4
Other Receivables	192.7	193.2
Deferred Policy Acquisition Costs	321.9	316.4
Goodwill	323.0	323.0
Current and Deferred Income Tax Assets.....	20.9	41.4
Other Assets	233.7	238.5
Total Assets	<u>\$ 8,305.9</u>	<u>\$ 8,036.1</u>
Liabilities and Shareholders' Equity:		
Insurance Reserves:		
Life and Health	\$ 3,376.2	\$ 3,341.0
Property and Casualty	917.4	862.8
Total Insurance Reserves	<u>4,293.6</u>	<u>4,203.8</u>
Unearned Premiums	622.6	613.1
Liabilities for Income Taxes	42.4	3.8
Debt at Amortized Cost	751.1	750.6
Accrued Expenses and Other Liabilities	491.0	472.4
Total Liabilities	<u>6,200.7</u>	<u>6,043.7</u>
Shareholders' Equity:		
Common Stock	5.1	5.1
Paid-in Capital	654.6	654.0
Retained Earnings	1,184.4	1,209.0
Accumulated Other Comprehensive Income	261.1	124.3
Total Shareholders' Equity	<u>2,105.2</u>	<u>1,992.4</u>
Total Liabilities and Shareholders' Equity	<u>\$ 8,305.9</u>	<u>\$ 8,036.1</u>

Unaudited selected financial information for the Property & Casualty Insurance segment follows.

(Dollars in Millions)	Three Months Ended		Six Months Ended	
	Jun 30, 2016	Jun 30, 2015	Jun 30, 2016	Jun 30, 2015
Results of Operations				
Net Premiums Written	\$ 404.7	\$ 348.2	\$ 808.1	\$ 627.9
Earned Premiums	\$ 402.6	\$ 349.4	\$ 798.8	\$ 637.0
Net Investment Income	19.7	18.6	31.6	33.4
Other Income	0.1	0.1	0.3	0.4
Total Revenues	422.4	368.1	830.7	670.8
Incurred Losses and LAE related to:				
Current Year:				
Non-catastrophe Losses and LAE	309.2	245.5	606.6	444.0
Catastrophe Losses and LAE	49.1	35.4	86.6	45.7
Prior Years:				
Non-catastrophe Losses and LAE	(9.1)	(1.4)	(4.4)	(6.4)
Catastrophe Losses and LAE	(9.6)	(2.4)	(12.3)	(4.6)
Total Incurred Losses and LAE	339.6	277.1	676.5	478.7
Insurance Expenses, Excluding Write-off of Long-lived Asset	100.0	88.3	194.2	171.4
Write-off of Long-lived Asset	—	11.1	—	11.1
Operating Profit (Loss)	(17.2)	(8.4)	(40.0)	9.6
Income Tax Benefit	8.3	5.8	18.0	1.2
Segment Net Operating Income (Loss)	\$ (8.9)	\$ (2.6)	\$ (22.0)	\$ 10.8
Ratios Based On Earned Premiums				
Current Year Non-catastrophe Losses and LAE Ratio	76.9%	70.3%	76.0%	69.6%
Current Year Catastrophe Losses and LAE Ratio	12.2	10.1	10.8	7.2
Prior Years Non-catastrophe Losses and LAE Ratio	(2.3)	(0.4)	(0.6)	(1.0)
Prior Years Catastrophe Losses and LAE Ratio	(2.4)	(0.7)	(1.5)	(0.7)
Total Incurred Loss and LAE Ratio	84.4	79.3	84.7	75.1
Insurance Expense Ratio, Excluding Write-off of Long-lived Asset	24.8	25.3	24.3	26.9
Impact on Ratio from Write-off of Long-lived Asset	—	3.2	—	1.7
Combined Ratio	109.2%	107.8%	109.0%	103.7%
Underlying Combined Ratio				
Current Year Non-catastrophe Losses and LAE Ratio	76.9%	70.3%	76.0%	69.6%
Insurance Expense Ratio, Excluding Write-off of Long-lived Asset	24.8	25.3	24.3	26.9
Impact on Ratio from Write-off of Long-lived Asset	—	3.2	—	1.7
Underlying Combined Ratio	101.7%	98.8%	100.3%	98.2%
Non-GAAP Measure Reconciliation				
Underlying Combined Ratio	101.7%	98.8%	100.3%	98.2%
Current Year Catastrophe Losses and LAE Ratio	12.2	10.1	10.8	7.2
Prior Years Non-catastrophe Losses and LAE Ratio	(2.3)	(0.4)	(0.6)	(1.0)
Prior Years Catastrophe Losses and LAE Ratio	(2.4)	(0.7)	(1.5)	(0.7)
Combined Ratio as Reported	109.2%	107.8%	109.0%	103.7%

Unaudited selected financial information for the Life & Health Insurance segment follows.

(Dollars in Millions)	Three Months Ended		Six Months Ended	
	Jun 30, 2016	Jun 30, 2015	Jun 30, 2016	Jun 30, 2015
<u>Results of Operations</u>				
Earned Premiums	\$ 151.1	\$ 150.7	\$ 300.9	\$ 294.4
Net Investment Income	50.1	53.5	105.1	103.9
Other Income	0.6	0.2	1.2	1.0
Total Revenues	201.8	204.4	407.2	399.3
Policyholders' Benefits and Incurred Losses and LAE	96.5	98.0	195.8	194.1
Insurance Expenses	80.0	84.2	155.1	158.2
Operating Profit	25.3	22.2	56.3	47.0
Income Tax Expense	(8.9)	(7.9)	(19.6)	(16.6)
Segment Net Operating Income	<u>\$ 16.4</u>	<u>\$ 14.3</u>	<u>\$ 36.7</u>	<u>\$ 30.4</u>

Use of Non-GAAP Financial Measures

Consolidated Net Operating Income

Consolidated Net Operating Income is an after-tax, non-GAAP financial measure 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, 3) loss from early extinguishment of debt and 4) 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.

Kemper 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 Kemper's results may vary significantly between periods and are generally driven by business decisions and external economic developments such as capital market conditions that impact the values of the company's investments, the timing of which is unrelated to the insurance underwriting process. Loss from Early Extinguishment of Debt is driven by the company's financing and refinancing decisions and capital needs, as well as external economic developments such as debt market conditions, the timing of which is unrelated to the insurance underwriting process. Significant non-recurring items are excluded because, by their nature, they are not indicative of Kemper's business or economic trends.

A reconciliation of Consolidated Net Operating Income to Income from Continuing Operations for the three and six months ended June 30, 2016 and 2015 is presented below.

(Dollars in Millions) (Unaudited)	Three Months Ended		Six Months Ended	
	Jun 30, 2016	Jun 30, 2015	Jun 30, 2016	Jun 30, 2015
Consolidated Net Operating Income	\$ 4.6	\$ 6.7	\$ 4.0	\$ 28.5
Net Income (Loss) From:				
Net Realized Gains on Sales of Investments	3.7	22.1	8.1	24.3
Net Impairment Losses Recognized in Earnings.....	(4.2)	(1.4)	(10.2)	(6.0)
Loss from Early Extinguishment of Debt	—	—	—	(5.9)
Income from Continuing Operations	<u>\$ 4.1</u>	<u>\$ 27.4</u>	<u>\$ 1.9</u>	<u>\$ 40.9</u>

Diluted Consolidated Net Operating Income Per Unrestricted Share

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

A reconciliation of Diluted Consolidated Net Operating Income Per Unrestricted Share to Diluted Income from Continuing Operations Per Unrestricted Share for the three and six months ended June 30, 2016 and 2015 is presented below.

(Unaudited)	Three Months Ended		Six Months Ended	
	Jun 30, 2016	Jun 30, 2015	Jun 30, 2016	Jun 30, 2015
Diluted Consolidated Net Operating Income Per Unrestricted Share.....	\$ 0.09	\$ 0.13	\$ 0.08	\$ 0.55
Net Income (Loss) Per Unrestricted Share From:				
Net Realized Gains on Sales of Investments	0.07	0.43	0.16	0.47
Net Impairment Losses Recognized in Earnings.....	(0.08)	(0.03)	(0.20)	(0.12)
Loss from Early Extinguishment of Debt	—	—	—	(0.11)
Diluted Income from Continuing Operations Per Unrestricted Share.....	<u>\$ 0.08</u>	<u>\$ 0.53</u>	<u>\$ 0.04</u>	<u>\$ 0.79</u>

Book Value Per Share Excluding Net Unrealized Gains on Fixed Maturities

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. Kemper 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. Kemper 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. Kemper believes it enhances understanding and comparability of performance by highlighting underlying business activity and profitability drivers.

A reconciliation of the numerator used in the computation of Book Value Per Share Excluding Net Unrealized Gains on Fixed Maturities and Book Value Per Share at June 30, 2016 and December 31, 2015 is presented below.

(Dollars in Millions) (Unaudited)	Jun 30, 2016	Dec 31, 2015
Shareholders' Equity Excluding Net Unrealized Gains on Fixed Maturities	\$ 1,778.2	\$ 1,803.2
Net Unrealized Gains on Fixed Maturities	327.0	189.2
Shareholders' Equity	<u>\$ 2,105.2</u>	<u>\$ 1,992.4</u>

Underlying Combined Ratio

Underlying Combined Ratio is a non-GAAP financial measure, that is computed by adding the current year non-catastrophe losses and LAE ratio with the insurance expense (including the write-off of long-lived asset) ratio. The most directly comparable GAAP financial measure is the combined ratio, which is computed by adding total incurred losses and LAE, including the impact of catastrophe losses and loss and LAE reserve development from prior years, with the insurance expense (including the write-off of long-lived asset) ratio. Kemper believes the underlying combined ratio is useful to investors and is used by management to reveal the trends in Kemper's property and casualty insurance businesses that may be obscured by catastrophe losses and prior-year reserve development. These catastrophe losses may 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 incurred losses and LAE and the combined ratio. Prior-year reserve development is 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. Kemper believes it is useful for investors to evaluate these components separately and in the aggregate when reviewing its 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.

Conference Call

Kemper will discuss its second quarter 2016 results in a conference call on Friday, August 5, at 11 a.m. Eastern Time. Kemper's conference call will be accessible via the internet and by telephone. The phone number for Kemper's conference call is **866.393.1565**. To listen via webcast, register online at the investor section of kemper.com at least 15 minutes prior to the webcast to download and install any necessary software.

A replay of the call will be available through August 19, 2016 at **855.859.2056** using conference ID number **47083193**.

More detailed financial information can be found in Kemper's Investor Financial Supplement for the second quarter of 2016, which is available at the investor section of kemper.com.

About Kemper

The Kemper family of companies is one of the nation's leading insurers. With \$8 billion in assets, Kemper is improving the world of insurance by offering personalized solutions for individuals, families and businesses. Kemper's businesses collectively:

- Offer insurance for home, auto, life, health and valuables
- Service six million policies
- Are represented by more than 20,000 independent agents and brokers
- Employ 6,000 associates dedicated to providing exceptional service
- Are licensed to sell insurance in 50 states and the District of Columbia

Learn more about Kemper.

Caution Regarding Forward-Looking Statements

This press release 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.

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Source: Kemper Corporation

Contact

Investors: Diana Hickert-Hill 312.661.4930 or investors@kemper.com