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

FORM 10-Q

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

For Quarterly Period Ended June 30, 2019
OR

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

For the Transition Period from ______ to ______
Commission file number 001-18298

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

DE	**95-4255452**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

200 E. Randolph Street
Suite 3300

Chicago	**IL**	**60601**
(Address of principal executive offices)		**(Zip Code)**

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

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.10 per share	KMPR	NYSE

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

66,618,655 shares of common stock, $0.10 par value, were outstanding as of July 29, 2019.

KEMPER CORPORATION

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Caution Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including, but not limited to, Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), Risk Factors and the accompanying unaudited Condensed Consolidated Financial Statements (including the notes thereto) of Kemper Corporation ("Kemper") and its subsidiaries (individually and collectively referred to herein as the "Company") may contain or incorporate by reference information that includes or is based on forward-looking statements within the meaning of the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements give expectations or forecasts of future events. The reader can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as "believe(s)," "goal(s)," "target(s)," "estimate(s)," "anticipate(s)," "forecast(s)," "project(s)," "plan(s)," "intend(s)," "expect(s)," "might," "may," "could" and other terms of similar meaning. Forward-looking statements, in particular, include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results.

Any or all forward-looking statements may turn out to be wrong, and, accordingly, Kemper cautions readers not to place undue reliance on such statements. Kemper bases these statements on current expectations and the current economic environment as of the date of this Quarterly Report on Form 10-Q. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance; actual results could differ materially from those expressed or implied in the forward-looking statements. Forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks and uncertainties that may be important in determining the Company's actual future results and financial condition.

In addition to those factors discussed under Item 1A., "Risk Factors," of Part I of Kemper's Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission (the "SEC"), for the year ended December 31, 2018 (the "2018 Annual Report") as updated by Item 1A. of Part II of this Quarterly Report on Form 10-Q, the reader should consider the following list of general factors that, among others, could cause the Company's actual results and financial condition to differ materially from estimated results and financial condition.

Factors related to the legal and regulatory environment in which Kemper and its subsidiaries operate

- Evolving practices and interpretations by regulators and courts that increase operating costs and potential liabilities, particularly any that involve retroactive application of new requirements, including, but not limited to, state initiatives related to unclaimed property laws or claims handling practices with respect to life insurance policies and the proactive use of death verification databases;
- Adverse outcomes in litigation or other legal or regulatory proceedings involving Kemper or its subsidiaries or affiliates;
- Governmental actions, including, but not limited to, implementation of new federal and state laws and regulations, and court decisions interpreting existing laws and regulations or policy provisions;
- Uncertainties related to regulatory approval of insurance rates, policy forms, insurance products, license applications, dividends from insurance subsidiaries, acquisitions of businesses and other matters within the purview of state insurance regulators;

Factors relating to insurance claims and related reserves in the Company's insurance businesses

- The incidence, frequency and severity of catastrophes occurring in any particular reporting period or geographic area, including natural disasters, pandemics and terrorist attacks or other man-made events;
- The number and severity of insurance claims (including those associated with catastrophe losses);
- Changes in facts and circumstances affecting assumptions used in determining loss and loss adjustment expenses ("LAE") reserves, including, but not limited to, the number and severity of insurance claims, changes in claims handling procedures and closure patterns and development patterns;
- The impact of inflation on insurance claims, including, but not limited to, the effects on personal injury claims of increasing medical costs and the effects on property claims attributed to scarcity of resources available to rebuild damaged structures, including labor and materials and the amount of salvage value recovered for damaged property;
- Developments related to insurance policy claims and coverage issues, including, but not limited to, interpretations or decisions by courts or regulators that may govern or influence losses incurred in connection with hurricanes and other catastrophes;
- Orders, interpretations or other actions by regulators that impact the reporting, adjustment and payment of claims;

- Changes in the pricing or availability of reinsurance, or in the financial condition of reinsurers and amounts recoverable therefrom;

Factors related to the Company's ability to compete

- Changes in the ratings by rating agencies of Kemper and/or its insurance company subsidiaries with regard to credit, financial strength, claims paying ability and other areas on which the Company is rated;
- The level of success and costs incurred in realizing or maintaining economies of scale, integrating acquired businesses and implementing significant business initiatives, and the timing of the occurrence or completion of such events, including, but not limited to, those related to expense and claims savings, consolidations, reorganizations and technology;
- Absolute and relative performance of the Company's products and services, including, but not limited to, the level of success achieved in designing and introducing new insurance products;
- The ability of the Company to maintain the availability of critical systems and manage technology initiatives cost-effectively to address insurance industry developments and regulatory requirements;
- Heightened competition, including, with respect to pricing, consolidations of existing competitors or entry of new competitors and alternate distribution channels, introduction of new technologies, emergence of telematics, refinements of existing products and development of new products by current or future competitors;
- Expected benefits and synergies from mergers, acquisitions and/or divestitures that may not be realized to the extent anticipated, within expected time frames or at all, due to a number of factors including, but not limited to, the loss of key agents/brokers, customers or employees, increased costs, fees, expenses and related charges and delays caused by factors outside of the Company's control;

Factors relating to the business environment in which Kemper and its subsidiaries operate

- Changes in general economic conditions, including, but not limited to, performance of financial markets, interest rates, inflation, unemployment rates and fluctuating values of particular investments held by the Company;
- Absolute and relative performance of investments held by the Company;
- Changes in insurance industry trends and significant industry developments;
- Changes in consumer trends and significant consumer or product developments;
- Changes in capital requirements, including the calculations thereof, used by regulators and rating agencies;
- Regulatory, accounting or tax changes that may affect the cost of, or demand for, the Company's products or services or after-tax returns from the Company's investments;
- The impact of required participation in windpools and joint underwriting associations, residual market assessments and assessments for insurance industry insolvencies;
- Changes in distribution channels, methods or costs resulting from changes in laws or regulations, lawsuits or market forces;
- Increased costs and risks related to cybersecurity that could materially affect the Company's operations, including, but not limited to, data breaches, cyber-attacks, virus or malware installation or other system hazards or infiltrations affecting system integrity, availability and performance, and actions taken to minimize and remediate the risks thereof; and

Other risks and uncertainties described from time to time in Kemper's filings with the SEC

Kemper cannot provide any assurances that the results contemplated in any forward-looking statements will be achieved or will be achieved in any particular timetable or that future events or developments will not cause such statements to be inaccurate. Kemper assumes no obligation to correct or update any forward-looking statements publicly for any changes in events or developments or in the Company's expectations or results subsequent to the date of this Quarterly Report on Form 10-Q. Kemper advises the reader, however, to consult any further disclosures Kemper makes on related subjects in its filings with the SEC.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	Six Months Ended		Three Months Ended	
	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Revenues:				
Earned Premiums	$ 2,191.4	$ 1,267.9	$ 1,116.6	$ 658.1
Net Investment Income	178.7	157.6	96.0	78.4
Other Income	24.6	2.4	22.7	1.2
Income from Change in Fair Value of Equity and Convertible Securities	89.9	1.1	25.5	0.4
Net Realized Gains on Sales of Investments	37.4	6.4	21.3	3.8
Other-than-temporary Impairment Losses:				
Total Other-than-temporary Impairment Losses	(10.2)	(0.5)	(6.7)	—
Portion of Losses Recognized in Other Comprehensive Income	(0.1)	—	—	—
Net Impairment Losses Recognized in Earnings	(10.3)	(0.5)	(6.7)	—
Total Revenues	2,511.7	1,434.9	1,275.4	741.9
Expenses:				
Policyholders' Benefits and Incurred Losses and Loss Adjustment Expenses	1,590.8	936.4	825.4	499.5
Insurance Expenses	498.3	331.3	263.5	171.2
Interest and Other Expenses	79.4	54.7	38.0	25.7
Total Expenses	2,168.5	1,322.4	1,126.9	696.4
Income from Continuing Operations before Income Taxes	343.2	112.5	148.5	45.5
Income Tax Expense	(65.8)	(21.4)	(26.4)	(8.0)
Income from Continuing Operations	277.4	91.1	122.1	37.5
Income from Discontinued Operations	—	0.3	—	0.1
Net Income	$ 277.4	$ 91.4	$ 122.1	$ 37.6
Income from Continuing Operations Per Unrestricted Share:				
Basic	$ 4.25	$ 1.76	$ 1.87	$ 0.73
Diluted	$ 4.20	$ 1.75	$ 1.84	$ 0.73
Net Income Per Unrestricted Share:				
Basic	$ 4.25	$ 1.77	$ 1.87	$ 0.73
Diluted	$ 4.20	$ 1.76	$ 1.84	$ 0.73

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

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

	Six Months Ended		Three Months Ended	
	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Net Income	$ 277.4	$ 91.4	$ 122.1	$ 37.6
Other Comprehensive Income (Loss) Before Income Taxes:				
Unrealized Holding Gains (Losses)	322.1	(182.2)	159.3	(60.8)
Foreign Currency Translation Adjustments	—	0.3	—	1.2
Decrease in Net Unrecognized Postretirement Benefit Costs	0.6	0.6	—	0.3
Gain (Loss) on Cash Flow Hedges	0.1	0.2	—	(0.7)
Other Comprehensive Income (Loss) Before Income Taxes	322.8	(181.1)	159.3	(60.0)
Other Comprehensive Income Tax Benefit (Expense)	(67.7)	38.1	(33.3)	12.7
Other Comprehensive Income (Loss)	255.1	(143.0)	126.0	(47.3)
Total Comprehensive Income (Loss)	$ 532.5	$ (51.6)	$ 248.1	$ (9.7)

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

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

	Jun 30, 2019	Dec 31, 2018
Assets:		
Investments:		
Fixed Maturities at Fair Value (Amortized Cost: 2019 - $6,074.6; 2018 - $6,284.5)	$ 6,540.2	$ 6,424.2
Equity Securities at Fair Value	923.3	684.4
Equity Securities at Modified Cost	38.1	41.5
Equity Method Limited Liability Investments at Cost Plus Cumulative Undistributed Earnings	219.7	187.0
Convertible Securities at Fair Value	34.3	31.5
Short-term Investments at Cost which Approximates Fair Value	642.5	286.1
Other Investments	442.8	414.8
Total Investments	8,840.9	8,069.5
Cash	104.4	75.1
Receivables from Policyholders	1,095.2	1,007.1
Other Receivables	248.1	245.4
Deferred Policy Acquisition Costs	521.0	470.0
Goodwill	1,114.0	1,112.4
Current Income Tax Assets	41.0	38.9
Other Assets	651.9	526.5
Total Assets	$ 12,616.5	$ 11,544.9
Liabilities and Shareholders' Equity:		
Insurance Reserves:		
Life and Health	$ 3,581.0	$ 3,558.7
Property and Casualty	1,911.9	1,874.9
Total Insurance Reserves	5,492.9	5,433.6
Unearned Premiums	1,545.6	1,424.3
Deferred Income Tax Liabilities	124.1	26.2
Liabilities for Unrecognized Tax Benefits	—	4.4
Collateralized Investment Borrowings at Cost (Fair Value: 2019 - $155.0; 2018 - $10.0)	155.0	10.0
Long-term Debt, Current and Non-current, at Amortized Cost (Fair Value: 2019 - $798.5; 2018 - $911.2)	873.3	909.0
Accrued Expenses and Other Liabilities	741.9	687.3
Total Liabilities	8,932.8	8,494.8
Shareholders' Equity:		
Common Stock, $0.10 Par Value, 100 Million Shares Authorized; 66,564,175 Shares Issued and Outstanding at June 30, 2019 and 64,756,833 Shares Issued and Outstanding at December 31, 2018	6.7	6.5
Paid-in Capital	1,806.4	1,666.3
Retained Earnings	1,593.7	1,355.5
Accumulated Other Comprehensive Income	276.9	21.8
Total Shareholders' Equity	3,683.7	3,050.1
Total Liabilities and Shareholders' Equity	$ 12,616.5	$ 11,544.9

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

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

	Six Months Ended	
	Jun 30, 2019	Jun 30, 2018
Operating Activities:		
Net Income	$ 277.4	$ 91.4
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Increase in Deferred Policy Acquisition Costs	(51.1)	(23.5)
Amortization of Intangible Assets Acquired	16.7	1.8
Equity in Earnings of Equity Method Limited Liability Investments	(1.0)	(8.5)
Distribution of Accumulated Earnings of Equity Method Limited Liability Investments	6.3	5.0
Increase in Value of Equity and Convertible Securities at Fair Value	(89.9)	(1.1)
Amortization of Investment Securities and Depreciation of Investment Real Estate	5.9	2.9
Net Realized Gains on Sales of Investments	(37.4)	(6.4)
Net Impairment Losses Recognized in Earnings	10.3	0.5
Depreciation and Amortization of Property, Equipment and Software	14.8	8.2
Increase in Receivables	(95.0)	(38.7)
Increase in Insurance Reserves	56.2	65.8
Increase in Unearned Premiums	121.3	69.9
Change in Income Taxes	23.2	18.8
Change in Accrued Expenses and Other Liabilities	(22.5)	0.3
Other, Net	1.3	5.0
Net Cash Provided by Operating Activities	236.5	191.4
Investing Activities:		
Sales, Paydowns and Maturities of Fixed Maturities	959.0	607.5
Purchases of Fixed Maturities	(721.5)	(633.7)
Sales of Equity and Convertible Securities	82.7	122.9
Purchases of Equity and Convertible Securities	(231.7)	(61.9)
Acquisition and Improvements of Investment Real Estate	(0.6)	(0.4)
Sale of and Return of Investment of Equity Method Limited Liability Investments	13.7	6.2
Acquisitions of Equity Method Limited Liability Investments	(51.6)	(12.6)
Decrease (Increase) in Short-term Investments	(353.4)	67.6
Increase (Decrease) in Other Investments	(29.2)	2.1
Purchases of Corporate-owned Life Insurance	(50.0)	—
Acquisition of Software and Long-lived Assets	(30.7)	(32.8)
Other, Net	(0.3)	3.3
Net Cash Provided (Used) by Investing Activities	(413.6)	68.2
Financing Activities:		
Net Proceeds from Issuance of Long-term Debt	—	249.4
Repayment of Long-term Debt	(35.0)	—
Proceeds from Advances from FHLB	—	110.0
Proceeds from Collateralized Investment Borrowings	259.0	10.0
Repayment of Collateralized Investment Borrowings	(113.9)	—
Proceeds from Issuance of Common Stock, Net of Transaction Costs	127.5	—
Dividends and Dividend Equivalents Paid	(32.8)	(24.9)
Cash Exercise of Stock Options	2.0	0.6
Other, Net	(0.4)	(0.5)
Net Cash Provided by Financing Activities	206.4	344.6
Increase in Cash	29.3	604.2
Cash, Beginning of Year	75.1	45.7
Cash, End of Period	$ 104.4	$ 649.9

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

KEMPER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in millions)
(Unaudited)

	Six Months Ended Jun 30, 2019					
(Dollars and Shares in Millions, Except Per Share Amounts)	**Number of Shares**	**Common Stock**	**Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income**	**Total Shareholders' Equity**
Balance, December 31, 2018	64.7	$ 6.5	$1,666.3	$1,355.5	$ 21.8	$ 3,050.1
Net Income	—	—	—	277.4	—	277.4
Other Comprehensive Income (Note 8)	—	—	—	—	255.1	255.1
Cash Dividends and Dividend Equivalents to Shareholders ($0.50 per share)	—	—	—	(32.8)	—	(32.8)
Issuance of Common Stock, Net of Transaction Costs	1.6	0.2	127.0	—	—	127.2
Equity-based Compensation Cost	—	—	14.1	—	—	14.1
Equity-based Awards, Net of Shares Exchanged	0.3	—	(1.0)	(6.4)	—	(7.4)
Balance, June 30, 2019	66.6	$ 6.7	$1,806.4	$1,593.7	$ 276.9	$ 3,683.7

	Six Months Ended Jun 30, 2018					
(Dollars and Shares in Millions, Except Per Share Amounts)	**Number of Shares**	**Common Stock**	**Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income**	**Total Shareholders' Equity**
Balance, December 31, 2017	51.5	$ 5.1	$ 673.1	$1,243.0	$ 194.4	$ 2,115.6
Cumulative Effect of Adoption of New Accounting Standard	—	—	—	(18.2)	18.2	—
Balance, January 1, 2018 As Adjusted	51.5	$ 5.1	$ 673.1	$1,224.8	$ 212.6	$ 2,115.6
Net Income	—	—	—	91.4	—	91.4
Other Comprehensive Income (Note 8)	—	—	—	—	(143.0)	(143.0)
Cash Dividends and Dividend Equivalents to Shareholders ($0.48 per share)	—	—	—	(24.9)	—	(24.9)
Equity-based Compensation Cost	—	—	8.1	—	—	8.1
Equity-based Awards, Net of Shares Exchanged	0.1	0.1	0.3	(1.9)	—	(1.5)
Balance, June 30, 2018	51.6	$ 5.2	$ 681.5	$1,289.4	$ 69.6	$ 2,045.7

KEMPER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (continued)
(Dollars in millions)
(Unaudited)

	Three Months Ended June 30, 2019					
(Dollars and Shares in Millions, Except Per Share Amounts)	**Number of Shares**	**Common Stock**	**Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income**	**Total Shareholders' Equity**
Balance, March 31, 2019	64.9	$ 6.5	$1,673.0	$1,489.7	$ 150.9	$ 3,320.1
Net Income	—	—	—	122.1	—	122.1
Other Comprehensive Income (Note 8)	—	—	—	—	126.0	126.0
Cash Dividends and Dividend Equivalents to Shareholders ($0.25 per share)	—	—	—	(16.4)	—	(16.4)
Issuances of Common Stock, Net of Transaction Costs	1.6	0.2	127.0	—	—	127.2
Equity-based Compensation Cost	—	—	6.5	—	—	6.5
Equity-based Awards, Net of Shares Exchanged	0.1	—	(0.1)	(1.7)	—	(1.8)
Balance, June 30, 2019	66.6	$ 6.7	$1,806.4	$1,593.7	$ 276.9	$ 3,683.7

	Three Months Ended June 30, 2018					
(Dollars and Shares in Millions, Except Per Share Amounts)	**Number of Shares**	**Common Stock**	**Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income**	**Total Shareholders' Equity**
Balance, March 31, 2018	51.5	$ 5.1	$ 676.9	$1,264.9	$ 116.9	$ 2,063.8
Net Income	—	—	—	37.6	—	37.6
Other Comprehensive Income (Note 8)	—	—	—	—	(47.3)	(47.3)
Cash Dividends and Dividend Equivalents to Shareholders ($0.24 per share)	—	—	—	(12.4)	—	(12.4)
Equity-based Compensation Cost	—	—	4.7	—	—	4.7
Equity-based Awards, Net of Shares Exchanged	0.1	0.1	(0.1)	(0.7)	—	(0.7)
Balance, June 30, 2018	51.6	$ 5.2	$ 681.5	$1,289.4	$ 69.6	$ 2,045.7

Note 1 - Basis of Presentation

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

Certain financial information that is normally included in annual financial statements, including certain financial statement footnote disclosures, prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") is not required by the rules and regulations of the SEC for interim financial reporting and has been condensed or omitted. In the opinion of the Company's management, the Condensed Consolidated Financial Statements include all adjustments necessary for a fair presentation. The preparation of interim financial statements relies heavily on estimates. This factor and other factors, such as the seasonal nature of some portions of the insurance business, as well as market conditions, call for caution in drawing specific conclusions from interim results. The accompanying Condensed Consolidated Financial Statements should be read in conjunction with the Company's Consolidated Financial Statements and related notes included in the 2018 Annual Report.

Adoption of New Accounting Guidance

Guidance Adopted in 2019

Effective January 1, 2019, the Company adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, *Leases—(Topic 842).* ASU 2016-02 introduced a lessee model that requires the recognition of a right-of-use ("ROU") asset and a lease liability for all leases with terms greater than twelve months. The Company adopted ASU 2016-02 using the modified retrospective method at the beginning of the period of the adoption and elected the permitted practical expedients to not reassess whether any expired or existing contracts contain leases, the lease classification for any expired or existing leases and initial direct costs for any existing leases. The adoption of ASU 2016-02 had no impact on the Company's Shareholders' Equity as of January 1, 2019, but resulted in the establishment of a ROU asset of $66.5 million, a lease liability of $82.5 million and an adjustment to deferred rent liability of $16.0 million. The Company made an immaterial revision to the adoption impact of ASU 2016-02 during the second quarter of 2019. The ROU Asset and related liabilities were included in Other Assets and Accrued Expenses and Other Liabilities, respectively, on the Condensed Consolidated Balance Sheets as of June 30, 2019.

In August 2017, the FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Derivatives and Hedging Activities.* ASU 2017-12 aligns an entity's risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments in ASU 2017-12 expand and refine hedge accounting for both nonfinancial and financial risk components and align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. Furthermore, the amendments make certain targeted improvements to simplify the application of hedge accounting guidance and ease the administration of hedge documentation requirements and assessing hedge effectiveness. ASU 2017-12 is effective for annual periods beginning after December 15, 2018 and interim periods within those annual periods with early adoption permitted. The impact of adoption of ASU 2017-12 on the Company's consolidated financial position was not material.

Guidance Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* ASU 2016-13 replaces the incurred loss impairment methodology in current GAAP with a methodology that utilizes expected credit losses to provide for an allowance for credit losses for financial instruments and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments in this ASU require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. The income statement includes the measurement of credit losses for newly recognized financial assets, as well as the expected increases or decreases of expected credit losses that have taken place during the period. Credit losses on available-for-sale debt securities are measured in a manner similar to current GAAP, although ASU 2016-13 requires that they be presented as an allowance rather than as a write-down. In situations where the estimate of credit loss on an available-for-sale debt security declines, entities will be able to record the reversal to income in the current period, which GAAP currently prohibits. ASU 2016-13 is effective for annual periods beginning after December 15, 2019, and interim periods within those

Note 1- Basis of Presentation-continued

annual periods with early adoption permitted for fiscal years beginning after December 31, 2018 and interim periods within such year. The Company is currently evaluating the impact of this guidance on its financial statements.

In August 2018, the FASB issued ASU 2018-12, *Financial Services—Insurance (Topic 944): Targeted Improvements to Accounting for Long-Duration Contracts*. ASU 2018-12 amends the accounting model for certain long-duration insurance contracts and requires the insurer to provide additional disclosures in annual and interim reporting periods. ASU 2018-12 is effective for fiscal years beginning after December 15, 2020, including interim periods therein. The amendments in ASU 2018-12 are intended to improve measurement of the liability for future policy benefits related to nonparticipating traditional and limited-payment contracts, measurement and presentation of market risk benefits, amortization of deferred acquisition costs, and enhance presentation and disclosures. The Company is currently evaluating the impact of this guidance on its financial statements.

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments.* ASU 2019-04 clarifies certain aspects of accounting for credit losses, hedging activities, and financial instruments, previously addressed by ASU 2016-13, *Measurement of Credit Losses on Financial Instruments,* ASU 2017-12, *Targeted Improvements to Derivatives and Hedging Activities,* and ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities.* The Company adopted ASU 2017-12 in the first quarter of 2019. Accordingly, the amendments in ASU 2019-04 related to clarifications on accounting for hedging activities are effective for the Company in the first quarter of 2020. The amendments of ASU 2019-04 related to ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, and ASU 2016-13, *Measurement of Credit Losses on Financial Instruments,* are effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. The Company is currently evaluating the impact of this guidance on its financial statements.

In May 2019, the FASB issued ASU 2019-05, *Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief.* ASU 2019-05 provides transition relief for entities adopting the credit loss standard, ASU 2016-13. Specifically ASU 2019-05 amends ASU 2016-13 to allow companies to irrevocably elect, upon adoption of ASU 2016-13, the fair value option for financial instruments that are: (i) within the scope of the credit loss guidance in Accounting Standards Codification ("ASC") Topic 326, *Financial Instruments—Credit Losses*; (ii) were previously recorded at amortized cost; (iii) are eligible for the fair value option under ASC Topic 825, *Financial Instruments*; and (iv) are not held to maturity debt. ASU 2019-05 is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods. The Company is currently evaluating the impact of this guidance on its financial statements.

The Company has adopted all other recently issued accounting pronouncements with effective dates prior to January 1, 2019. Other than the adoption of ASU 2016-02, *Leases—(Topic 842)* there were no adoptions of such accounting pronouncements during the six months ended June 30, 2019 that had a material impact on the Company's Condensed Consolidated Financial Statements. With the possible exceptions of (i) ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, (ii) ASU 2018-12, *Financial Services—Insurance (Topic 944):Targeted Improvements to Accounting for Long-Duration Contracts*, (iii) ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments,* and (iv) ASU 2019-05, *Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief*, the Company does not expect the adoption of recently issued accounting pronouncements with effective dates after June 30, 2019 to have a material impact on the Company's financial statements and/or disclosures.

Note 2 - Acquisition of Business

Acquisition of Infinity Property and Casualty Corporation

On July 2, 2018, Kemper acquired 100% of the outstanding common stock of Infinity Property and Casualty Corporation ("Infinity"), pursuant to the terms of the merger agreement dated February 13, 2018.

During the second quarter of 2019, the Company finalized its estimates of the fair value of assets acquired and liabilities assumed. In accordance with ASC Topic 805, *Business Combinations*, changes to the preliminary estimates and allocation as a result of events or conditions as of the acquisition date, are reported in the Company's financial statements as an adjustment to the assets acquired and liabilities assumed. During the second quarter of 2019, the Company finalized its estimate of certain legal and tax accruals, increasing liabilities assumed by $2.7 million, increasing current income tax assets by $0.2 million and increasing goodwill by $2.5 million. The Company has allocated all of the goodwill associated with the Infinity acquisition to the Specialty Property & Casualty Insurance segment. The factors that contributed to the recognition of goodwill include synergies from economies of scale within the underwriting and claims operations, acquiring a talented workforce and cost savings opportunities.

Based on the Company's final allocation of the purchase price as of June 30, 2019, the fair value of the assets acquired and liabilities assumed were:

(Dollars in Millions)	
Investments	$ 1,569.3
Short Term Investments	98.8
Cash	4.0
Receivables from Policyholders	583.4
Other Receivables	31.7
Value of Intangible Assets Acquired (Reported in Other Assets)	262.7
Current Income Tax Assets	1.0
Goodwill[1]	791.0
Other Assets	102.1
Property and Casualty Insurance Reserves	(717.2)
Unearned Premiums	(715.6)
Debt	(282.1)
Deferred Income Tax Liabilities	(10.8)
Accrued Expenses and Other Liabilities	(169.6)
Total Purchase Price	$ 1,548.7

[1]Non-deductible for tax-purposes.

Note 3 - Investments

Fixed Maturities

The amortized cost and estimated fair values of the Company's Investments in Fixed Maturities at June 30, 2019 were:

(Dollars in Millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government and Government Agencies and Authorities	$ 823.9	$ 33.3	$ (2.3)	$ 854.9
States and Political Subdivisions	1,392.8	124.4	(0.8)	1,516.4
Foreign Governments	15.5	0.4	(0.6)	15.3
Corporate Securities:				
Bonds and Notes	3,285.3	320.8	(7.7)	3,598.4
Collateralized Loan Obligations	542.6	2.1	(5.7)	539.0
Other Mortgage- and Asset-backed	14.5	1.7	—	16.2
Investments in Fixed Maturities	$ 6,074.6	$ 482.7	$ (17.1)	$ 6,540.2

The amortized cost and estimated fair values of the Company's Investments in Fixed Maturities at December 31, 2018 were:

(Dollars in Millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government and Government Agencies and Authorities	$ 865.9	$ 14.8	$ (15.0)	$ 865.7
States and Political Subdivisions	1,553.7	74.0	(8.6)	1,619.1
Foreign Governments	6.5	—	(0.6)	5.9
Corporate Securities:				
Bonds and Notes	3,307.8	135.1	(49.1)	3,393.8
Collateralized Loan Obligations	535.7	1.5	(13.2)	524.0
Other Mortgage- and Asset-backed	14.9	0.9	(0.1)	15.7
Investments in Fixed Maturities	$ 6,284.5	$ 226.3	$ (86.6)	$ 6,424.2

Accrued Expenses and Other Liabilities included unsettled purchases of Investments in Fixed Maturities of $15.1 million and $10.5 million at June 30, 2019 and December 31, 2018, respectively. Other Receivables included $4.7 million and $0.5 million of unsettled sales of Investments in Fixed Maturities at June 30, 2019 and December 31, 2018, respectively.

The amortized cost and estimated fair values of the Company's Investments in Fixed Maturities at June 30, 2019 by contractual maturity were:

(Dollars in Millions)	Amortized Cost	Fair Value
Due in One Year or Less	$ 81.2	$ 82.2
Due after One Year to Five Years	841.2	866.7
Due after Five Years to Ten Years	1,525.2	1,626.2
Due after Ten Years	2,459.1	2,781.5
Mortgage- and Asset-backed Securities Not Due at a Single Maturity Date	1,167.9	1,183.6
Investments in Fixed Maturities	$ 6,074.6	$ 6,540.2

The expected maturities of the Company's Investments in Fixed Maturities may differ from the contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

Investments in Mortgage- and Asset-backed Securities Not Due at a Single Maturity Date at June 30, 2019 consisted of securities issued by the Government National Mortgage Association with a fair value of $612.5 million, securities issued by the Federal National Mortgage Association with a fair value of $7.8 million, securities issued by the Federal Home Loan Mortgage Corporation with a fair value of $8.1 million and securities of other non-governmental issuers with a fair value of $555.2 million.

Note 3 - Investments (continued)

An aging of unrealized losses on the Company's Investments in Fixed Maturities at June 30, 2019 is presented below.

	Less Than 12 Months		12 Months or Longer		Total	
(Dollars in Millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed Maturities:						
U.S. Government and Government Agencies and Authorities	$ 1.3	$ —	$ 102.6	$ (2.3)	$ 103.9	$ (2.3)
States and Political Subdivisions	1.9	(0.2)	26.4	(0.6)	28.3	(0.8)
Foreign Governments	1.1	(0.1)	3.7	(0.5)	4.8	(0.6)
Corporate Securities:						
Bonds and Notes	148.6	(2.2)	148.1	(5.5)	296.7	(7.7)
Collateralized Loan Obligations	354.8	(4.0)	59.8	(1.7)	414.6	(5.7)
Total Fixed Maturities	$ 507.7	$ (6.5)	$ 340.6	$ (10.6)	$ 848.3	$ (17.1)

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

Unrealized losses on fixed maturities, which the Company has determined to be temporary at June 30, 2019, were $17.1 million, of which $10.6 million was related to fixed maturities that were in an unrealized loss position for 12 months or longer. There were $0.1 million of unrealized losses at June 30, 2019 related to securities for which the Company has recognized credit losses in earnings in the preceding table under the heading "Less Than 12 Months." There were no unrealized losses at June 30, 2019 related to securities for which the Company has recognized credit losses in earnings in the preceding table under the heading "12 Months or Longer." Investment-grade fixed maturity investments comprised $9.3 million and below-investment-grade fixed maturity investments comprised $7.8 million of the unrealized losses on investments in fixed maturities at June 30, 2019. For below-investment-grade fixed maturity investments in an unrealized loss position, the unrealized loss amount, on average, was approximately 3% of the amortized cost basis of the investment. At June 30, 2019, the Company did not have the intent to sell these investments, and it was not more likely than not that the Company would be required to sell these investments before it recovered the amortized cost of such investments, which may be at maturity. Based on the Company's evaluation of the prospects of the issuers at June 30, 2019, including, but not limited to, the credit ratings of the issuers of the investments in the fixed maturities, and the Company's intention to not sell and its determination that it would not be required to sell before it recovered the amortized cost of such investments, the Company concluded that the declines in the fair values of the Company's investments in fixed maturities presented in the preceding table were temporary at the evaluation date.

Note 3 - Investments (continued)

An aging of unrealized losses on the Company's Investments in Fixed Maturities at December 31, 2018 is presented below.

	Less Than 12 Months		12 Months or Longer		Total	
(Dollars in Millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Fixed Maturities:						
U.S. Government and Government Agencies and Authorities	$ 401.1	$ (7.6)	$ 79.0	$ (7.4)	$ 480.1	$ (15.0)
States and Political Subdivisions	299.4	(5.0)	102.6	(3.6)	402.0	(8.6)
Foreign Governments	4.9	(0.6)	—	—	4.9	(0.6)
Corporate Securities:						
Bonds and Notes	1,326.0	(38.2)	116.8	(10.9)	1,442.8	(49.1)
Collateralized Loan Obligations	439.2	(13.2)	—	—	439.2	(13.2)
Other Mortgage- and Asset-backed	0.2	—	4.5	(0.1)	4.7	(0.1)
Total Fixed Maturities	$ 2,470.8	$ (64.6)	$ 302.9	$ (22.0)	$ 2,773.7	$ (86.6)

Unrealized losses on fixed maturities, which the Company determined to be temporary at December 31, 2018, were $86.6 million, of which $22.0 million was related to fixed maturities that were in an unrealized loss position for 12 months or longer. There were no unrealized losses at December 31, 2018 related to securities for which the Company has recognized credit losses in earnings in the preceding table under the heading "Less Than 12 Months." There were no unrealized losses at December 31, 2018 related to securities for which the Company has recognized credit losses in earnings in the preceding table under the heading "12 Months or Longer." Investment-grade fixed maturity investments comprised $69.5 million and below-investment-grade fixed maturity investments comprised $17.1 million of the unrealized losses on investments in fixed maturities at December 31, 2018. For below-investment-grade fixed maturity investments in an unrealized loss position, the unrealized loss amount, on average, was approximately 5% of the amortized cost basis of the investment. At December 31, 2018, the Company did not have the intent to sell these investments, and it was not more likely than not that the Company would be required to sell these investments before recovery of its amortized cost basis, which may be at maturity. Based on the Company's evaluation at December 31, 2018 of the prospects of the issuers, including, but not limited to, the credit ratings of the issuers of the investments in the fixed maturities, and the Company's intention to not sell and its determination that it would not be required to sell before recovery of the amortized cost of such investments, the Company concluded that the declines in the fair values of the Company's investments in fixed maturities presented in the preceding table were temporary at the evaluation date.

The following table sets forth the pre-tax amount of other than temporary impairment ("OTTI") credit losses recognized in Retained Earnings for Investments in Fixed Maturities held by the Company as of the beginning and end of the periods presented for which a portion of the OTTI loss related to factors other than credit has been recognized in AOCI, and the corresponding changes in such amounts.

	Six Months Ended		Three Months Ended	
(Dollars in Millions)	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Cumulative Balance of Pre-tax Credit Losses Recognized in Retained Earnings at Beginning of Period	$ 1.1	$ 1.6	$ 1.2	$ 1.6
Pre-tax Credit Losses on Fixed Maturities without Pre-tax Credit Losses Included in Cumulative Balance at Beginning of Period	0.1	—	—	—
Cumulative Balance of Pre-tax Credit Losses Recognized in Retained Earnings at End of Period	$ 1.2	$ 1.6	$ 1.2	$ 1.6

Equity Securities

Investments in Equity Securities at Fair Value were $923.3 million and $684.4 million at June 30, 2019 and December 31, 2018, respectively. Net unrealized gains arising during the six months ended June 30, 2019 and recognized in earnings, related to such investments still held as of June 30, 2019, were $85.8 million.

Note 3 - Investments (continued)

For Equity Securities at Modified Cost, the Company performs a qualitative impairment analysis on a quarterly basis consisting of various factors such as earnings performance, current market conditions, changes in credit ratings, changes in the regulatory environment and other factors. If the qualitative analysis identifies the presence of impairment indicators, the Company estimates the fair value of the investment. If the estimated fair value is below the carrying value, the Company records an other-than-temporary impairment in the Condensed Consolidated Statement of Income to reduce the carrying value to the estimated fair value. When the Company identifies observable transactions of the same or similar securities to those held by the Company, the Company increases or decreases the carrying value to the observable transaction price. The Company did not recognize any increases in the carrying value due to observable transactions. The Company recognized an impairment of $0.2 million on Equity Securities at Modified Cost in other comprehensive income for the six months ended June 30, 2019 as a result of the Company's qualitative impairment analysis. The Company has recognized $0.2 million in cumulative decreases in the carrying value due to observable transactions, no cumulative increases in the carrying value due to observable transactions and $4.7 million of cumulative impairments on Equity Securities at Modified Cost held as of June 30, 2019.

There were no unsettled sales of Investments in Equity Securities at June 30, 2019 and December 31, 2018. There were no unsettled purchases of Investments in Equity Securities at June 30, 2019 and December 31, 2018.

Equity Method Limited Liability Investments include investments in limited liability investment companies and limited partnerships in which the Company's interests are not deemed minor and are accounted for under the equity method of accounting. The Company's investments in Equity Method Limited Liability Investments are generally of a passive nature in that the Company does not take an active role in the management of the investment entity. The Company's maximum exposure to loss at June 30, 2019 is limited to the total carrying value of $219.7 million. In addition, the Company had outstanding commitments totaling approximately $98.3 million to fund Equity Method Limited Liability Investments at June 30, 2019.

Other Investments

The carrying values of the Company's Other Investments at June 30, 2019 and December 31, 2018 were:

(Dollars in Millions)	Jun 30, 2019	Dec 31, 2018
Loans to Policyholders at Unpaid Principal	$ 300.8	$ 300.6
Real Estate at Depreciated Cost	112.8	114.2
Mortgage Loans	29.2	—
Total	$ 442.8	$ 414.8

Note 3 - Investments (continued)

Net Investment Income

Net Investment Income for the six and three months ended June 30, 2019 and 2018 was:

(Dollars in Millions)	Six Months Ended Jun 30, 2019	Six Months Ended Jun 30, 2018	Three Months Ended Jun 30, 2019	Three Months Ended Jun 30, 2018
Investment Income:				
Interest on Fixed Income Securities	$ 152.0	$ 126.8	$ 75.6	$ 64.4
Dividends on Equity Securities Excluding Alternative Investments	9.4	4.5	6.9	2.6
Alternative Investments:				
Equity Method Limited Liability Investments	(1.0)	8.5	2.6	1.4
Limited Liability Investments Included in Equity Securities	7.7	9.1	5.1	5.2
Total Alternative Investments	6.7	17.6	7.7	6.6
Short-term Investments	4.4	2.0	2.6	1.2
Loans to Policyholders	11.0	11.0	5.7	5.5
Real Estate	4.7	4.8	2.2	2.4
Other	0.3	0.4	0.3	0.4
Total Investment Income	188.5	167.1	101.0	83.1
Investment Expenses:				
Real Estate	4.7	4.9	2.3	2.6
Other Investment Expenses	5.1	4.6	2.7	2.1
Total Investment Expenses	9.8	9.5	5.0	4.7
Net Investment Income	$ 178.7	$ 157.6	$ 96.0	$ 78.4

Gross gains and losses on sales of investments in fixed maturities for the six and three months ended June 30, 2019 and 2018 were:

(Dollars in Millions)	Six Months Ended Jun 30, 2019	Six Months Ended Jun 30, 2018	Three Months Ended Jun 30, 2019	Three Months Ended Jun 30, 2018
Fixed Maturities:				
Gains on Sales	$ 37.8	$ 5.3	$ 22.7	$ 1.2
Losses on Sales	(4.5)	(4.0)	(1.9)	(1.9)

Note 4 - Property and Casualty Insurance Reserves

Property and casualty insurance reserve activity for the six months ended June 30, 2019 and 2018 was:

(Dollars in Millions)	Six Months Ended Jun 30, 2019	Six Months Ended Jun 30, 2018
Property and Casualty Insurance Reserves:		
Gross of Reinsurance and Indemnification at Beginning of Year	$ 1,874.9	$ 1,016.8
Less Reinsurance and Indemnification Recoverables at Beginning of Year	101.9	53.1
Property and Casualty Insurance Reserves - Net of Reinsurance at Beginning of Year	1,773.0	963.7
Property and Casualty Insurance Reserves Acquired, Net of Reinsurance	3.6	—
Incurred Losses and LAE Related to:		
Current Year:		
Continuing Operations	1,419.4	742.3
Prior Years:		
Continuing Operations	(34.6)	2.0
Discontinued Operations	—	(0.4)
Total Incurred Losses and LAE Related to Prior Years	(34.6)	1.6
Total Incurred Losses and LAE	1,384.8	743.9
Paid Losses and LAE Related to:		
Current Year:		
Continuing Operations	636.6	335.1
Prior Years:		
Continuing Operations	696.9	361.6
Discontinued Operations	1.6	1.7
Total Paid Losses and LAE Related to Prior Years	698.5	363.3
Total Paid Losses and LAE	1,335.1	698.4
Property and Casualty Insurance Reserves - Net of Reinsurance at End of Period	1,826.3	1,009.2
Plus Reinsurance Recoverables at End of Period	85.6	50.5
Property and Casualty Insurance Reserves - Gross of Reinsurance at End of Period	$ 1,911.9	$ 1,059.7

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

For the six months ended June 30, 2019, the Company decreased its property and casualty insurance reserves by $34.6 million to recognize favorable development of loss and LAE reserves from prior accident years. Specialty Personal automobile insurance loss and LAE reserves developed favorably by $18.0 million due primarily to the emergence of more favorable loss patterns than expected for liability insurance related to the 2018 accident year. Preferred Personal automobile insurance loss and LAE reserves developed favorably by $5.0 million due primarily to the emergence of more favorable loss patterns than expected for liability insurance related to 2018 and 2017 accident years. Other personal lines loss and LAE reserves developed favorably by $2.7 million due primarily to the emergence of more favorable loss patterns than expected for the 2018 and 2017 accident years. Commercial automobile insurance loss and LAE reserves developed favorably by $8.8 million due primarily to the emergence of more favorable loss patterns than expected for liability insurance related to the 2018 accident year.

Note 4 - Property and Casualty Insurance Reserves (continued)

For the six months ended June 30, 2018, the Company increased its property and casualty insurance reserves by $1.6 million to recognize adverse development of loss and LAE reserves from prior accident years. Specialty Personal automobile insurance loss and LAE reserves developed adversely by $4.2 million due primarily to the emergence of worse loss patterns than expected for liability insurance for the 2017 accident year. Preferred Personal automobile insurance loss and LAE reserves developed favorably by $1.0 million due primarily to the emergence of loss patterns that were better than expected for liability insurance for the 2016 and prior accident years, partially offset by the emergence of less favorable loss patterns than expected for both physical damage and liability insurance lines for the 2017 accident year. Homeowners insurance non-catastrophe loss and LAE reserves developed adversely by $8.3 million due primarily to the emergence of loss patterns that were worse than expected for the 2017 and 2016 accident years, partially offset by favorable development on catastrophes of $6.4 million related to the 2017 accident year. Other personal lines loss and LAE reserves developed favorably by $2.2 million due primarily to the emergence of more favorable loss patterns than expected for the 2017 and 2016 accident years. Commercial automobile loss and LAE reserves developed favorably by $0.9 million due primarily to the emergence of loss patterns that were more favorable than expected for the 2014 accident year and, to a lesser extent, the 2017 and 2016 accident years.

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

Note 5 - Debt

Amended and Extended Credit Agreement and Term Loan Facility

On June 8, 2018, the Company entered into an amended and extended credit agreement and term loan facility. The amended and extended credit agreement increased the borrowing capacity of the existing unsecured credit agreement to $300.0 million and extended the maturity date to June 8, 2023. The term loan facility included a delayed draw feature with borrowing capacity of $250.0 million and a maturity date two years from the borrowing date (see discussion below under heading, “Term Loan Due 2020,” for additional information). Furthermore, the amended and extended credit agreement provided for an accordion feature whereby the Company can increase either the revolving credit or term loan borrowing capacity by $100.0 million. On June 4, 2019, the Company utilized the accordion feature under its credit agreement to increase its revolving credit borrowing capacity by $100.0 million resulting in the available revolving credit commitments increasing from $300.0 million to $400.0 million. The Company incurred $0.1 million in additional debt issuance costs in connection with the utilization of the accordion feature, which, in addition to the $1.1 million of remaining unamortized costs under the revolving credit agreement, will be amortized under the remaining term of the revolving credit agreement. There were no outstanding borrowings under the revolving credit agreement at either June 30, 2019 or December 31, 2018.

Long-term Debt

The Company designates debt obligations as either short-term or long-term based on maturity date at issuance, or in the case of the 2022 Senior Notes, based on the date of assumption. Total amortized cost of Long-term Debt outstanding at June 30, 2019 and December 31, 2018 was:

(Dollars in Millions)	Jun 30, 2019	Dec 31, 2018
Term Loan due June 29, 2020	$ —	$ 34.9
5.0% Senior Notes due September 19, 2022	280.6	281.5
4.35% Senior Notes due February 15, 2025	448.5	448.4
7.375% Subordinated Debentures due February 27, 2054	144.2	144.2
Total Long-term Debt Outstanding	$ 873.3	$ 909.0

Note 5 - Debt (continued)

Term Loan Due 2020

On June 29, 2018, the Company borrowed $250.0 million under its delayed-draw term loan facility, dated June 8, 2018, to facilitate the funding of the acquisition of Infinity. The proceeds from the term loan facility, net of debt issuance costs, were $249.4 million. On December 28, 2018, the Company repaid $215.0 million of the outstanding term loan. On May 31, 2019, the remaining outstanding balance of $35.0 million was repaid.

Term Loan Due 2023

On June 4, 2019, the Company entered into a delayed-draw term loan facility with a borrowing capacity of $50.0 million and a maturity date four years from the borrowing date (the “2023 Term Loan”). The 2023 Term Loan was undrawn at June 30, 2019. On July 5, 2019, the Company borrowed $50.0 million under the 2023 Term Loan, with a final maturity date of July 5, 2023 (and a mutual option to extend the maturity date by one year).

5.0% Senior Notes Due 2022

Infinity’s liabilities at the acquisition date included $275.0 million principal amount, 5.0% Senior Notes due September 19, 2022 (“2022 Senior Notes”). The 2022 Senior Notes were recorded at fair value as of the acquisition date, $282.1 million, with the $7.1 million premium being amortized as a reduction to interest expense over the remaining term, resulting in an effective interest rate of 4.36%. On November 30, 2018, Kemper executed a guarantee to fully and unconditionally guarantee the payment and performance obligations of the 2022 Senior Notes.

4.35% Senior Notes Due 2025

Kemper has $450.0 million of 4.35% senior notes due February 15, 2025 (the “2025 Senior Notes”) outstanding as of June 30, 2019. Kemper initially issued $250.0 million of the notes in February of 2015 and issued an additional $200 million of the notes in June of 2017. The additional notes are fungible with the initial notes issued in 2015, and together are treated as part of a single series for all purposes under the indenture governing the 2025 Senior Notes. The 2025 Senior Notes are unsecured and may be redeemed in whole at any time or in part from time to time at Kemper’s option at specified redemption prices.

7.375% Subordinated Debentures Due 2054

On June 7, 2019, Kemper issued a notice of redemption for the entire $150.0 million aggregate principal outstanding of its 7.375% Subordinated Debentures due 2054 (the “7.375% Subordinated Debentures”) at a redemption price equal to 100% of their principal, plus accrued and unpaid interest on the redemption date. On July 8, 2019, Kemper completed the redemption, and the 7.375% Subordinated Debentures were repaid in full. The Company expects to recognize a loss on early extinguishment of debt of $5.8 million in its third quarter Condensed Consolidated Statement of Operations.

The Company used the proceeds received from Kemper’s common stock offering on June 7, 2019, as well as, a portion of the proceeds from its July 5, 2019 borrowing under the 2023 Term Loan to repay the 7.375% Subordinated Debentures. See Note 9, “Stockholders’ Equity,” for additional information regarding the common stock offering.

Collateralized Investment Borrowings

Kemper’s subsidiaries, United Insurance Company of America (“United Insurance”) and Trinity Universal Insurance Company (“Trinity”), are members of the Federal Home Loan Bank (“FHLB”) of Chicago and Dallas, respectively. As a requirement of membership in the FHLB, United Insurance and Trinity maintain a certain level of investment in FHLB common stock and additional amounts based on the level of outstanding borrowings. The Company’s investments in FHLB common stock are reported at cost and included in Equity Securities at Modified Cost. The carrying value of FHLB of Chicago common stock held by United Insurance was $3.1 million and $0.8 million at June 30, 2019 and December 31, 2018, respectively. The carrying value of FHLB of Dallas common stock held by Trinity was $3.3 million at both June 30, 2019 and December 31, 2018.

In March of 2018, United Insurance received advances of $10.0 million from the FHLB of Chicago. These advances, made in connection with the start-up of a collateralized investment borrowing program for the Company (“Collateralized Investment Borrowing” program), were collateralized by U.S Government Agency securities held in a custodial account with the FHLB of Chicago with a fair value of $15.7 million at December 31, 2018. These advances were repaid in March of 2019.

Note 5 - Debt (continued)

In March of 2019, United Insurance received advances of $187.7 million from the FHLB of Chicago. During the second quarter of 2019, United Insurance received advances of $71.3 million and repaid $104.0 million under the Collateralized Investment Borrowing program. United Insurance had outstanding advances from the FHLB of Chicago totaling $155.0 million at June 30, 2019. These advances were made in connection with the Company's Collateralized Investment Borrowing program. Proceeds related to these advances were used to purchase fixed maturity securities to earn incremental net investment income. With respect to these advances, United Insurance held pledged securities in a custodial account with the FHLB of Chicago with a fair value of $177.6 million as of June 30, 2019.

The fair value of the collateral pledged must be maintained at certain specified levels above the borrowed amount, which can vary depending on the assets pledged. If the fair value of the collateral declines below these specified levels of the amount borrowed, United Insurance would be required to pledge additional collateral or repay outstanding borrowings.

The following summarizes the terms of the Company's Collateralized Investment Borrowings at June 30, 2019:

(Dollars in Millions)	Principal Borrowings	Weighted-average Interest Rate
Due in One Year or Less	$ 98.0	2.71%
Due after One Year to Two Years	54.4	2.75%
Due after Two Years to Three Years	2.6	2.73%
	$ 155.0	

Interest Expense and Interest Paid

Interest Expense, including facility fees, accretion of discount, amortization of premium and amortization of issuance costs, was $23.3 million and $11.8 million for the six and three months ended June 30, 2019, respectively. Interest paid, including facility fees, was $24.1 million and $4.3 million for the six and three months ended June 30, 2019, respectively. Interest Expense, including facility fees, accretion of discount and amortization of issuance costs, was $15.9 million and $7.9 million for the six and three months ended June 30, 2018. Interest paid, including facility fees, was $15.3 million and $2.8 million for the six and three months ended June 30, 2018.

Note 6 - Leases

The Company leases certain office space under non-cancelable operating leases, with initial terms typically ranging from one to 10 years, along with options that permit renewals for additional periods. The Company also leases certain equipment under non-cancelable operating leases, with initial terms typically ranging from one to five years. Minimum rent is expensed on a straight-line basis over the term of the lease. See Note 1, "Basis of Presentation" under the sub-caption "Adoption of New Accounting Guidance - Guidance Adopted in 2019" for additional information regarding the accounting for leases.

Lease expenses are primarily included in insurance expenses in the Condensed Consolidated Statement of Income. Additional information regarding the Company's operating leases is presented below.

(Dollars in Millions)	Six Months Ended Jun 30, 2019
Lease Cost:	
Amortization of Right-of-Use Assets	$ 0.3
Operating Lease Cost	11.2
Short-Term Lease Cost (1)	0.1
Total Expense	11.6
Less: Sublease Income (2)	(0.1)
Total Lease Cost	$ 11.5

(1) - Leases with an initial term of twelve months or less are not recorded on the balance sheet.
(2) - Sublease income consists of rent from third parties of office space and is recognized as part of other income in the Condensed Consolidated Statements of Income.

Note 6 - Leases (continued)

Other Information on Operating Leases

Supplemental cash flow information related to the Company's operating leases for the six months ended June 30, 2019 is as follows:

(Dollars in Millions)	Six Months Ended Jun 30, 2019
Operating Cash Flows from Operating Lease (Fixed Payments)	$ 10.6
Operating Cash Flows from Operating Lease (Liability Reduction)	9.3
Financing Cash Flows from Finance Leases	0.3
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	9.5

Significant judgments and assumptions for determining lease asset and liability at June 30, 2019 are presented below.

Weighted-average Remaining Lease Term - Finance Leases	1.8 years
Weighted-average Remaining Lease Term - Operating Leases	6.7 years
Weighted-average Discount Rate - Finance Leases	4.0%
Weighted-average Discount Rate - Operating Leases	4.1%

Most of the Company's leases do not provide an implicit rate. Accordingly, the Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of its lease payments.

Future minimum lease payments under capital and operating leases at December 31, 2018 are presented below.

(Dollars in Millions)	Capital Leases	Operating Leases
2019	$ 0.7	$ 20.5
2020	0.7	18.4
2021	0.3	16.9
2022	0.2	15.0
2023	—	12.5
2024 and Thereafter	—	27.1
Total Future Payments	$ 1.9	$ 110.4
Less Imputed Interest	—	
Present Value of Minimum Capital Lease Payments	$ 1.9	

Note 7 - Income from Continuing Operations Per Unrestricted Share

The Company's awards of deferred stock units contain rights to receive non-forfeitable dividend equivalents and participate in the undistributed earnings with common shareholders, as did the Company's awards of restricted stock units and performance share units prior to 2018. Accordingly, the Company is required to apply the two-class method of computing basic and diluted earnings per share. A reconciliation of the numerator and denominator used in the calculation of Basic Income from Continuing Operations Per Unrestricted Share and Diluted Income from Continuing Operations Per Unrestricted Share for the six and three months ended June 30, 2019 and 2018 is presented below.

	Six Months Ended		Three Months Ended	
	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
(Dollars in Millions)				
Income from Continuing Operations	$ 277.4	$ 91.1	$ 122.1	$ 37.5
Less Income from Continuing Operations Attributed to Participating Awards	1.0	0.6	0.3	0.1
Income from Continuing Operations Attributed to Unrestricted Shares	276.4	90.5	121.8	37.4
Diluted Income from Continuing Operations Attributed to Unrestricted Shares	$ 276.4	$ 90.5	$ 121.8	$ 37.4
(Number of Shares in Thousands)				
Weighted-average Unrestricted Shares Outstanding	65,113.2	51,526.6	65,408.1	51,549.9
Equity-based Compensation Equivalent Shares	786.4	470.1	781.8	526.5
Weighted-average Unrestricted Shares and Equivalent Shares Outstanding Assuming Dilution	65,899.6	51,996.7	66,189.9	52,076.4
(Per Unrestricted Share in Whole Dollars)				
Basic Income from Continuing Operations Per Unrestricted Share	$ 4.25	$ 1.76	$ 1.87	$ 0.73
Diluted Income from Continuing Operations Per Unrestricted Share	$ 4.20	$ 1.75	$ 1.84	$ 0.73

The number of shares of Kemper common stock that were excluded from the calculations of Equity-based Compensation Equivalent Shares and Weighted-average Unrestricted Shares and Equivalent Shares Outstanding Assuming Dilution for the six and three months ended June 30, 2019 and 2018, because the effect of inclusion would be anti-dilutive, is presented below.

	Six Months Ended		Three Months Ended	
(Number of Shares in Thousands)	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Equity-based Compensation Equivalent Shares	558.1	416.9	541.7	504.2
Weighted-average Unrestricted Shares and Equivalent Shares Outstanding Assuming Dilution	558.1	416.9	541.7	504.2

Note 8 - Other Comprehensive Income (Loss) and Accumulated Other Comprehensive Income

The components of Other Comprehensive Income (Loss) Before Income Taxes for the six and three months ended June 30, 2019 and 2018 were:

	Six Months Ended		Three Months Ended	
(Dollars in Millions)	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Other Comprehensive Income (Loss) Before Income Taxes:				
Unrealized Holding Gains (Losses) Arising During the Period Before Reclassification Adjustment	$ 349.2	$ (181.0)	$ 173.9	$ (61.5)
Reclassification Adjustment for Amounts Included in Net Income	(27.1)	(1.2)	(14.6)	0.7
Unrealized Holding Gains (Losses)	322.1	(182.2)	159.3	(60.8)
Foreign Currency Translation Adjustments	—	0.3	—	1.2
Net Unrecognized Postretirement Benefit Costs	0.6	0.6	—	0.3
Gain (Loss) on Cash Flow Hedges During the Period Before Reclassification Adjustment	—	(0.1)	—	(0.7)
Reclassification Adjustment for Amounts Included in Net Income	0.1	0.3	—	—
Gain (Loss) on Cash Flow Hedges	0.1	0.2	—	(0.7)
Other Comprehensive Income (Loss) Before Income Taxes	$ 322.8	$ (181.1)	$ 159.3	$ (60.0)

The components of Other Comprehensive Income Tax Benefit (Expense) for the six and three months ended June 30, 2019 and 2018 were:

	Six Months Ended		Three Months Ended	
(Dollars in Millions)	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Other Comprehensive Income Tax Benefit (Expense):				
Unrealized Holding Gains and Losses Arising During the Period Before Reclassification Adjustment	$ (73.3)	$ 38.0	$ (36.5)	$ 13.0
Reclassification Adjustment for Amounts Included in Net Income	5.7	0.3	3.1	(0.1)
Unrealized Holding Gains (Losses)	(67.6)	38.3	(33.4)	12.9
Foreign Currency Translation Adjustments Arising During the Period Before Reclassification Adjustment	—	—	—	(0.2)
Reclassification Adjustment for Amounts Included in Net Income	—	(0.1)	—	(0.1)
Foreign Currency Translation Adjustments	—	(0.1)	—	(0.3)
Net Unrecognized Postretirement Benefit Costs Arising During the Period	(0.2)	—	—	—
Reclassification Adjustments for Amounts Included in Net Income	0.1	(0.1)	0.1	(0.1)
Net Unrecognized Postretirement Benefit Costs	(0.1)	(0.1)	0.1	(0.1)
Gain and Loss on Cash Flow Hedges During the Period Before Reclassification Adjustment	—	—	—	0.1
Reclassification Adjustment for Amounts Included in Net Income	—	—	—	0.1
Gain and Loss on Cash Flow Hedges	—	—	—	0.2
Other Comprehensive Income Tax Benefit (Expense)	$ (67.7)	$ 38.1	$ (33.3)	$ 12.7

Note 8 - Other Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (continued)

The components of AOCI at June 30, 2019 and December 31, 2018 were:

(Dollars in Millions)	Jun 30, 2019	Dec 31, 2018
Net Unrealized Gains on Investments, Net of Income Taxes:		
Available for Sale Fixed Maturities with Portion of OTTI Recognized in Earnings	$ —	$ —
Other Net Unrealized Gains on Investments	373.9	119.3
Net Unrecognized Postretirement Benefit Costs, Net of Income Taxes	(94.1)	(94.5)
Loss on Cash Flow Hedges, Net of Income Taxes	(2.9)	(3.0)
Accumulated Other Comprehensive Income	$ 276.9	$ 21.8

Components of AOCI were reclassified to the following lines of the Condensed Consolidated Statements of Income for the six and three months ended June 30, 2019 and 2018:

	Six Months Ended		Three Months Ended	
(Dollars in Millions)	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Reclassification of AOCI from Net Unrealized Gains on Investments to:				
Net Realized Gains on Sales of Investments	$ 37.4	$ 1.7	$ 21.3	$ (0.7)
Net Impairment Losses Recognized in Earnings	(10.3)	(0.5)	(6.7)	—
Total Before Income Taxes	27.1	1.2	14.6	(0.7)
Income Tax Expense	(5.7)	(0.3)	(3.1)	0.1
Reclassification from AOCI, Net of Income Taxes	21.4	0.9	11.5	(0.6)
Reclassification of AOCI from Unrecognized Postretirement Benefit Costs to:				
Interest and Other Expenses	0.6	(0.6)	—	(0.3)
Income Tax Benefit	(0.1)	0.1	0.1	—
Reclassification from AOCI, Net of Income Taxes	0.5	(0.5)	0.1	(0.3)
Reclassification of AOCI from Loss on Cash Flow Hedges to:				
Interest and Other Expenses	0.1	(0.1)	—	—
Income Tax Benefit	—	—	—	(0.1)
Reclassification from AOCI, Net of Income Taxes	0.1	(0.1)	—	(0.1)
Total Reclassification from AOCI to Net Income	$ 22.0	$ 0.3	$ 11.6	$ (1.0)

Note 9 - Stockholders' Equity

Employee Stock Purchase Plan

During the second quarter of 2019, the Company's stockholders approved the adoption of the Kemper Employee Stock Purchase Plan ("ESPP") and the reservation of 1,300,000 shares for issuance under the ESPP. The purpose of the ESPP is to provide eligible employees of the Company and its subsidiaries with the opportunity to purchase shares of common stock at a discounted price through payroll deductions with the goal of enhancing employees' sense of participation in the Company and further align employee interests with those of the Company's shareholders.

Under the ESPP, eligible employees may purchase shares of Company common stock through payroll deductions of between 1% and 10% of after-tax compensation each pay period, with a maximum participation of $25,000 annually. The shares are purchased at the end of each three-month offering period at a 15% discount from the closing market price as reported on the New York Stock Exchange on the last trading day of the offering period.

Note 9 - Stockholders' Equity (continued)

Common Stock Issuance

On June 7, 2019, the Company completed a public offering of its common stock and issued 1,552,500 shares of common stock, at $83.00 per share. Gross proceeds from the offering were $128.9 million. Transaction costs, including the underwriting discount, were $1.7 million, of which $0.3 million was accrued for and included in Accrued Expenses and Other Liabilities on the Company's Condensed Consolidated Balance Sheet at June 30, 2019. In July 2019, the Company used the net proceeds of $127.2 million from the offering, together with a portion of the proceeds from the 2023 Term Loan (see Note 5, "Debt") to redeem all $150.0 million in aggregate outstanding principal of its 7.375% Subordinated Debentures due 2054.

Note 10 - Income Taxes

The statute of limitations related to Kemper and its eligible subsidiaries' consolidated Federal income tax returns is closed for all tax years up to and including 2011. As a result of the Company filing amended federal income tax returns resulting from an election to update interest rates used to compute the tax basis of reserves on life insurance contracts issued prior to 2018, tax years 2012 and 2013 are under limited examination with respect to carryback adjustments associated with the amended returns. The statute of limitations related to tax years 2014 and 2015 has been extended to December 31, 2019.

The expiration of the statute of limitations related to the various state income tax returns that Kemper and its subsidiaries file varies by state.

There were no unrecognized tax benefits at June 30, 2019. Liabilities for Unrecognized Tax Benefits at December 31, 2018 included $3.7 million for tax positions for which the ultimate deductibility is highly certain but for which there is uncertainty about the timing of such deductibility. Because of the impact of deferred income tax accounting, other than for interest and penalties, the disallowance of the shorter deductibility period would not affect the effective income tax rate but would accelerate the payment of cash to the taxing authority to an earlier period. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. Liabilities for Unrecognized Tax Benefits included accrued interest of $0.7 million at December 31, 2018.

Income taxes paid, net of refunds received, were $42.6 million for the six months ended June 30, 2019. Income taxes paid, net of refunds received, were $0.4 million for the six months ended June 30, 2018.

Note 11 - Pension Benefits and Postretirement Benefits Other Than Pensions

The Company sponsors a qualified defined benefit pension plan (the "Pension Plan") that covers approximately 8,800 participants and beneficiaries, of which 1,400 are active employees. Effective June 30, 2016, benefit accruals were frozen for substantially all of the participants under the Pension Plan, and, effective January 1, 2006, the Pension Plan was closed to new hires. The components of Pension Income for the Pension Plan for the six and three months ended June 30, 2019 and 2018 were:

	Six Months Ended		Three Months Ended	
(Dollars in Millions)	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Interest Cost on Projected Benefit Obligation	$ 11.2	$ 10.2	$ 5.7	$ 5.1
Expected Return on Plan Assets	(15.3)	(14.4)	(7.7)	(7.2)
Amortization of Net Actuarial Loss	1.5	2.1	0.8	1.1
Total Pension Benefit Recognized	$ (2.6)	$ (2.1)	$ (1.2)	$ (1.0)

The Company sponsors two other than pension postretirement benefit ("OPEB") plans (together the "OPEB Plans") that together provide medical, dental and/or life insurance benefits to approximately 700 retired and 600 active employees.

Note 11 - Pension Benefits and Postretirement Benefits Other Than Pensions

The components of OPEB benefits for the OPEB Plans for the six and three months ended June 30, 2019 and 2018 were:

	Six Months Ended		Three Months Ended	
(Dollars in Millions)	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Service Cost	$ 0.1	$ 0.1	—	0.1
Interest Cost on Accumulated Postretirement Benefit Obligation	0.3	0.2	0.2	0.1
Amortization of Prior Service Credit	(0.7)	(0.9)	(0.4)	(0.6)
Amortization of Net Gain	(1.0)	(0.7)	(0.5)	(0.3)
Total OPEB Benefit Recognized	$ (1.3)	$ (1.3)	$ (0.7)	$ (0.7)

The non-service cost component of the Pension Plan and OPEB Plans are presented within the Interest and Other Expenses line item in the Condensed Consolidated Statement of Income.

Note 12 - Business Segments

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

The Preferred Property & Casualty Insurance segment's principal products are preferred automobile insurance, homeowners insurance, other personal insurance. The Specialty Property & Casualty Insurance segment's principal products are specialty automobile insurance and commercial automobile insurance. These products are distributed primarily through independent agents and brokers. The Life & Health Insurance segment's principal products are individual life, accident, supplemental health and property insurance. These products are distributed by career agents employed by the Company and independent agents and brokers.

Earned Premiums by product line for the six and three months ended June 30, 2019 and 2018 were:

	Six Months Ended		Three Months Ended	
(Dollars in Millions)	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Preferred Property & Casualty Insurance:				
Personal Automobile	$ 233.3	$ 213.6	$ 117.9	$ 108.7
Homeowners	121.1	124.0	60.8	62.2
Other Personal Lines	19.7	20.3	9.8	10.2
Specialty Property & Casualty Insurance:				
Specialty Automobile	1,373.3	573.7	703.7	307.5
Commercial Automobile	122.0	24.7	62.3	12.5
Life & Health Insurance:				
Life	192.8	189.1	97.0	95.4
Accident and Health	94.8	87.1	47.9	43.8
Property	34.4	35.4	17.2	17.8
Total Earned Premiums	$ 2,191.4	$ 1,267.9	$ 1,116.6	$ 658.1

Note 12 - Business Segments (continued)

Segment Revenues, including a reconciliation to Total Revenues, for the six and three months ended June 30, 2019 and 2018 were:

	Six Months Ended		Three Months Ended	
(Dollars in Millions)	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Segment Revenues:				
Preferred Property & Casualty Insurance:				
Earned Premiums	$ 374.1	$ 357.9	$ 188.5	$ 181.1
Net Investment Income	20.6	27.7	12.3	14.0
Total Preferred Property & Casualty Insurance	394.7	385.6	200.8	195.1
Specialty Property & Casualty Insurance:				
Earned Premiums	1,495.3	598.4	766.0	320.0
Net Investment Income	50.4	20.1	28.9	10.2
Other Income	1.8	0.7	1.0	0.4
Total Specialty Property & Casualty Insurance	1,547.5	619.2	795.9	330.6
Life & Health Insurance:				
Earned Premiums	322.0	311.6	162.1	157.0
Net Investment Income	104.7	108.2	53.0	54.5
Other Income	2.7	1.7	1.6	0.9
Total Life & Health Insurance	429.4	421.5	216.7	212.4
Total Segment Revenues	2,371.6	1,426.3	1,213.4	738.1
Income from Change in Fair Value of Equity and Convertible Securities	89.9	1.1	25.5	0.4
Net Realized Gains on Sales of Investments	37.4	6.4	21.3	3.8
Net Impairment Losses Recognized in Earnings	(10.3)	(0.5)	(6.7)	—
Other	23.1	1.6	21.9	(0.4)
Total Revenues	$ 2,511.7	$ 1,434.9	$ 1,275.4	$ 741.9

Note 12 - Business Segments (continued)

Segment Operating Profit, including a reconciliation to Income from Continuing Operations before Income Taxes, for the six and three months ended June 30, 2019 and 2018 was:

(Dollars in Millions)	Six Months Ended Jun 30, 2019	Six Months Ended Jun 30, 2018	Three Months Ended Jun 30, 2019	Three Months Ended Jun 30, 2018
Segment Operating Profit:				
Preferred Property & Casualty Insurance	$ 9.7	$ 7.9	$ 6.4	$ (8.7)
Specialty Property & Casualty Insurance	178.8	57.2	79.4	28.2
Life & Health Insurance	45.4	64.1	16.1	33.8
Total Segment Operating Profit	233.9	129.2	101.9	53.3
Corporate and Other Operating Profit (Loss) From:				
Partial Satisfaction of Judgment	20.1	—	20.1	—
Other	(21.0)	(13.9)	(12.4)	(8.4)
Corporate and Other Operating Profit (Loss)	(0.9)	(13.9)	7.7	(8.4)
Adjusted Consolidated Operating Profit	233.0	115.3	109.6	44.9
Income from Change in Fair Value of Equity and Convertible Securities	89.9	1.1	25.5	0.4
Net Realized Gains on Sales of Investments	37.4	6.4	21.3	3.8
Net Impairment Losses Recognized in Earnings	(10.3)	(0.5)	(6.7)	—
Acquisition Related Transaction, Integration and Other Costs	(6.8)	(9.8)	(1.2)	(3.6)
Income from Continuing Operations before Income Taxes	$ 343.2	$ 112.5	$ 148.5	$ 45.5

Segment Net Operating Income, including a reconciliation to Income from Continuing Operations, for the six and three months ended June 30, 2019 and 2018 was:

(Dollars in Millions and Net of Income Taxes)	Six Months Ended Jun 30, 2019	Six Months Ended Jun 30, 2018	Three Months Ended Jun 30, 2019	Three Months Ended Jun 30, 2018
Segment Net Operating Income (Loss):				
Preferred Property & Casualty Insurance	$ 8.0	$ 7.5	$ 5.2	$ (6.0)
Specialty Property & Casualty Insurance	142.3	45.8	62.7	22.4
Life & Health Insurance	36.4	50.8	13.3	26.7
Total Segment Net Operating Income	186.7	104.1	81.2	43.1
Total Corporate and Other Net Operating Income (Loss)	3.7	(10.1)	10.3	(6.6)
Adjusted Consolidated Net Operating Income	190.4	94.0	91.5	36.5
Net Income (Loss) From:				
Change in Fair Value of Equity and Convertible Securities	71.0	0.9	20.1	0.3
Net Realized Gains on Sales of Investments	29.5	5.1	16.8	3.0
Net Impairment Losses Recognized in Earnings	(8.1)	(0.4)	(5.3)	—
Acquisition Related Transaction, Integration and Other Costs	(5.4)	(8.5)	(1.0)	(2.3)
Income from Continuing Operations	$ 277.4	$ 91.1	$ 122.1	$ 37.5

Note 13 - Fair Value Measurements

The Company classifies its investments in Fixed Maturities as available for sale and reports these investments at fair value. The Company reports equity investments with readily determinable fair values as Equity Securities at Fair Value. Certain investments that are measured at fair value using the net asset value practical expedient are not required to be classified using the fair value hierarchy, but are presented in the following two tables to permit reconciliation of the fair value hierarchy to the amounts presented in the Condensed Consolidated Balance Sheet. The valuation of assets measured at fair value in Company's Condensed Consolidated Balance Sheet at June 30, 2019 is summarized below.

	Fair Value Measurements				
(Dollars in Millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value	Total Fair Value
Fixed Maturities:					
U.S. Government and Government Agencies and Authorities	$ 151.3	$ 703.6	$ —	$ —	$ 854.9
States and Political Subdivisions	—	1,516.4	—	—	1,516.4
Foreign Governments	—	15.3	—	—	15.3
Corporate Securities:					
Bonds and Notes	—	3,182.8	415.6	—	3,598.4
Collateralized Loan Obligations	—	—	539.0	—	539.0
Other Mortgage- and Asset-backed	—	5.8	10.4	—	16.2
Total Investments in Fixed Maturities	151.3	5,423.9	965.0	—	6,540.2
Equity Securities at Fair Value:					
Preferred Stocks:					
Finance, Insurance and Real Estate	—	43.6	—	—	43.6
Other Industries	0.9	13.4	—	—	14.3
Common Stocks:					
Finance, Insurance and Real Estate	12.2	—	—	—	12.2
Other Industries	0.2	0.3	—	—	0.5
Other Equity Interests:					
Exchange Traded Funds	656.2	—	—	—	656.2
Limited Liability Companies and Limited Partnerships	—	—	—	196.5	196.5
Total Investments in Equity Securities at Fair Value	669.5	57.3	—	196.5	923.3
Convertible Securities at Fair Value	—	34.3	—	—	34.3
Total	$ 820.8	$ 5,515.5	$ 965.0	$ 196.5	$ 7,497.8

At June 30, 2019, the Company had unfunded commitments to invest an additional $151.6 million in certain limited liability investment companies and limited partnerships that will be included in Other Equity Interests if funded.

Note 13 - Fair Value Measurements (continued)

The valuation of assets measured at fair value in the Company's Consolidated Balance Sheet at December 31, 2018 is summarized below.

	Fair Value Measurements				
(Dollars in Millions)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value	Total Fair Value
Fixed Maturities:					
U.S. Government and Government Agencies and Authorities	$ 156.5	$ 709.2	$ —	$ —	$ 865.7
States and Political Subdivisions	—	1,619.1	—	—	1,619.1
Foreign Governments	—	5.9	—	—	5.9
Corporate Securities:					
Bonds and Notes	—	3,011.2	382.6	—	3,393.8
Collateralized Loan Obligations	—	19.1	504.9	—	524.0
Other Mortgage- and Asset-backed	—	5.8	9.9	—	15.7
Total Investments in Fixed Maturities	156.5	5,370.3	897.4	—	6,424.2
Equity Securities at Fair Value:					
Preferred Stocks:					
Finance, Insurance and Real Estate	—	41.2	—	—	41.2
Other Industries	—	13.0	—	—	13.0
Common Stocks:					
Finance, Insurance and Real Estate	10.2	—	—	—	10.2
Other Industries	0.2	0.5	—	—	0.7
Other Equity Interests:					
Exchange Traded Funds	427.3	—	—	—	427.3
Limited Liability Companies and Limited Partnerships	—	—	—	192.0	192.0
Total Investments in Equity Securities at Fair Value	437.7	54.7	—	192.0	684.4
Convertible Securities at Fair Value	—	31.5	—	—	31.5
Total	$ 594.2	$ 5,456.5	$ 897.4	$ 192.0	$ 7,140.1

Note 13 - Fair Value Measurements (continued)

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

The Company investigates significant differences related to the values provided. On completion of its investigation, management exercises judgment to determine the price selected and whether adjustments, if any, to the price obtained from the Company's primary pricing provider would warrant classification of the price as Level 3. In instances where a measurement cannot be obtained from either pricing provider, the Company generally will evaluate bid prices from one or more binding quotes obtained from market makers to value investments in inactive markets and classified by the Company as Level 2. The Company generally classifies securities when it receives non-binding quotes or indications as Level 3 securities unless the Company can validate the quote or indication against recent transactions in the market.

The Company's Investments in Fixed Maturities that are classified as Level 3 in the two preceding tables are priced primarily using a market yield approach and primarily consist of collateralized loan obligations that are rated by a Nationally Recognized Statistical Rating Organization ("NRSRO") and privately placed securities that are not rated by a NRSRO. A market yield approach uses a risk-free rate plus a credit spread depending on the underlying credit profile of the security. The Company uses a leading, nationally recognized provider of market data and analytics to price the vast majority of its collateralized loan obligations. Some of the significant inputs used by such provider are unobservable. Accordingly, the Company classifies these investments as Level 3. For floating rate securities, the risk-free rate used in the market yield is the contractual floating rate of the security. For each other individual security, the Company or the Company's third party appraiser gathers information from market sources, relevant credit information, perceived market movements and sector news and determines an appropriate market yield for each security. The market yield selected is then used to discount the estimated future cash flows of the security to determine the fair value. The Company separately evaluates market yields based upon asset class to assess the reasonableness of the recorded fair value. For non-investment-grade Investments in Fixed Maturities that are classified as Level 3, the two primary asset classes are senior debt and junior debt. Senior debt includes those securities that receive first priority in a liquidation and junior debt includes any fixed maturity security with other than first priority in a liquidation.

Note 13 - Fair Value Measurements (continued)

The table below presents quantitative information about the significant unobservable inputs utilized by the Company in determining fair values for fixed maturity investments in corporate securities classified as Level 3 at June 30, 2019.

(Dollars in Millions)	Unobservable Input	Total Fair Value	Range of Unobservable Inputs			Weighted-average Yield
Investment-grade	Market Yield	$ 174.8	2.8%	-	10.4%	4.2%
Non-investment-grade:						
Senior Debt	Market Yield	149.0	3.3	-	16.2	9.2
Junior Debt	Market Yield	86.9	10.2	-	16.5	13.0
Collateralized Loan Obligations (investment grade and non-investment grade)	Market Yield	539.0	3.9	-	12.4	5.5
Other	Various	15.3				
Total Level 3 Fixed Maturity Investments in Corporate Securities		$ 965.0				

The table below presents quantitative information about the significant unobservable inputs utilized by the Company in determining fair values for fixed maturity investments in corporate securities classified as Level 3 at December 31, 2018.

(Dollars in Millions)	Unobservable Input	Total Fair Value	Range of Unobservable Inputs			Weighted-average Yield
Investment-grade	Market Yield	$ 146.7	3.7%	-	10.9%	5.2%
Non-investment-grade:						
Senior Debt	Market Yield	142.3	4.8	-	30.0	11.5
Junior Debt	Market Yield	87.6	11.0	-	28.5	14.2
Collateralized Loan Obligations (investment grade and non-investment grade)	Market Yield	504.9	4.1	-	13.4	6.1
Other	Various	15.9				
Total Level 3 Fixed Maturity Investments in Corporate Securities		$ 897.4				

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

Note 13 - Fair Value Measurements (continued)

Information by security type pertaining to the changes in the fair value of the Company's investments classified as Level 3 for the six months ended June 30, 2019 is presented below.

	Fixed Maturities			
(Dollars in Millions)	Corporate Bonds and Notes	Collateralized Loan Obligations	Other Mortgage- and Asset-backed	Total
Balance at Beginning of Period	$ 382.6	$ 504.9	$ 9.9	$ 897.4
Total Gains (Losses):				
Included in Condensed Consolidated Statement of Income	(7.7)	0.1	—	(7.6)
Included in Other Comprehensive Income (Loss)	10.2	7.7	0.8	18.7
Purchases	161.4	24.2	—	185.6
Settlements	(16.1)	(12.0)	(0.3)	(28.4)
Sales	(115.7)	(2.9)	—	(118.6)
Transfers into Level 3	2.5	17.0	—	19.5
Transfers out of Level 3	(1.6)	—	—	(1.6)
Balance at End of Period	$ 415.6	$ 539.0	$ 10.4	$ 965.0

Information by security type pertaining to the changes in the fair value of the Company's investments classified as Level 3 for the three months ended June 30, 2019 is presented below.

	Fixed Maturities			
(Dollars in Millions)	Corporate Bonds and Notes	Collateralize d Loan Obligations	Other Mortgage- and Asset-backed	Total
Balance at Beginning of Period	$ 411.9	$ 528.5	$ 10.3	$ 950.7
Total Gains (Losses):				
Included in Condensed Consolidated Statement of Income	(5.2)	0.4	—	(4.8)
Included in Other Comprehensive Income (Loss)	4.8	1.7	0.3	6.8
Purchases	60.1	20.3	—	80.4
Settlements	(4.6)	(12.0)	(0.2)	(16.8)
Sales	(49.8)	(2.9)	—	(52.7)
Transfers into Level 3	—	3.0	—	3.0
Transfers out of Level 3	(1.6)	—	—	(1.6)
Balance at End of Period	$ 415.6	$ 539.0	$ 10.4	$ 965.0

The Company's policy is to recognize transfers between levels as of the end of the reporting period. There were no transfers between levels 1 and 2 for the six and three months ended June 30, 2019. There was $1.6 million in transfers out of Level 3 for the six months ended June 30, 2019. The transfers into Level 3 were due to changes in the availability of market observable inputs.

Note 13 - Fair Value Measurements (continued)

Information by security type pertaining to the changes in the fair value of the Company's investments classified as Level 3 for the six months ended June 30, 2018 is presented below.

	Fixed Maturities			Equity Securities		
(Dollars in Millions)	Corporate Bonds and Notes	Redeemable Preferred Stocks	Collateralized Loan Obligations	Preferred and Common Stocks	Other Equity Interests	Total
Balance at Beginning of Period	$ 401.5	$ 0.1	$ 93.2	$ 27.4	$ 34.4	$ 556.6
Total Gains (Losses):						
Included in Condensed Consolidated Statement of Income	1.4	(0.1)	1.9	—	—	3.2
Included in Other Comprehensive Income (Loss)	0.1	—	(2.0)	—	—	(1.9)
Purchases	93.7	—	37.6	—	—	131.3
Settlements	(65.6)	—	(34.8)	—	—	(100.4)
Sales	(40.9)	—	—	—	—	(40.9)
Transfers into Level 3	0.3	—	—	—	—	0.3
Transfers out of Level 3	(5.0)	—	—	(27.4)	(34.4)	(66.8)
Balance at End of Period	$ 385.5	$ —	$ 95.9	$ —	$ —	$ 481.4

Information by security type pertaining to the changes in the fair value of the Company's investments classified as Level 3 for the three months ended June 30, 2018 is presented below.

	Fixed Maturities		
(Dollars in Millions)	Corporate Bonds and Notes	Collateralized Loan Obligations	Total
Balance at Beginning of Period	$ 391.3	$ 128.1	$ 519.4
Total Gains (Losses):			
Included in Condensed Consolidated Statement of Income	(0.4)	1.4	1.0
Included in Other Comprehensive Income (Loss)	1.7	(1.5)	0.2
Purchases	67.9	(11.3)	56.6
Settlements	(47.5)	(20.8)	(68.3)
Sales	(27.5)	—	(27.5)
Transfers into Level 3	—	—	—
Transfers out of Level 3	—	—	—
Balance at End of Period	$ 385.5	$ 95.9	$ 481.4

The Company's policy is to recognize transfers between levels as of the end of the reporting period. There were no transfers between levels 1 and 2 for the six and three months ended June 30, 2018. Transfers out of Level 3 were $66.8 million for the six months ended June 30, 2018, of which $61.8 million was transferred into Equity Securities at Modified Cost due to the adoption of ASU 2016-01 and $5.0 million was transferred into Level 2 due to changes in the availability of market observable inputs.There were no transfers out of Level 3 for the three months ended June 30, 2018.

Note 13 - Fair Value Measurements (continued)

Presented below are the carrying values and fair value estimates of financial instruments not carried at fair value.

(Dollars in Millions)	June 30, 2019 Carrying Value	June 30, 2019 Fair Value	December 31, 2018 Carrying Value	December 31, 2018 Fair Value
Financial Assets:				
Loans to Policyholders	$ 300.8	$ 591.8	$ 300.6	$ 542.6
Short-term Investments	642.5	642.5	286.1	286.1
Mortgage Loans	29.2	29.2	—	—
Financial Liabilities:				
Debt	$ 873.3	$ 798.5	$ 909.0	$ 911.2
Collateralized Investment Borrowings	155.0	155.0	10.0	10.0

The fair value measurement for loans to policyholders are categorized as Level 3 within the fair value hierarchy. The fair value measurement of Short-term Investments is estimated using inputs that are considered either Level 1 or Level 2 measurements. The fair value measurement of Mortgage Loans is estimated using inputs that are considered Level 2 measurements.The fair value of Debt is estimated using quoted prices for similar liabilities in markets that are not active. The inputs used in the valuation are considered Level 2 measurements. Collateralized Investment Borrowings consist of advances from the FHLB of Chicago, and the inputs used in the valuation are considered Level 2 measurements.

Note 14 - Contingencies

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

Over the last decade, there have been an array of initiatives that seek, in various ways, to impose new duties on life insurance companies to proactively search for information related to the deaths of their insureds. These initiatives, which can include legislation, audits, regulatory examinations and related litigation, could alter the terms of Kemper's life insurance subsidiaries' life insurance contracts by imposing requirements that did not exist and were not contemplated at the time those companies entered into such contracts.

In 2016, the Company voluntarily began implementing a comprehensive process to compare its life insurance records against one or more death verification databases to determine if any of its insureds may be deceased and took a pre-tax charge of $77.8 million in 2016 to recognize the initial impact of this process. Attempts to further estimate the ultimate outcomes of the aforementioned initiatives entail uncertainties including, but not limited to (i) the scope and interpretation of pertinent statutes, including the matching criteria and methodologies to be used in comparing policy records against a death verification database, (ii) the universe of policies affected, (iii) the results of audits, examinations and other actions by regulators and (iv) related litigation.

Gain Contingency

In October 2015, Kemper's subsidiary, Kemper Corporate Services, Inc. ("KCSI"), filed a demand for arbitration with the American Arbitration Association ("AAA"), claiming that Computer Sciences Corporation ("CSC") had breached the terms of a master software license and services agreement and related agreements (collectively, the "Agreements") by failing, among other things, to timely produce and deliver certain software to KCSI. CSC denied KCSI's claims and filed a counterclaim. On April 1, 2017, CSC merged with a spin-off of the Enterprise Services business of Hewlett Packard Enterprise Company and is now known as DXC Technology Company ("DXC"). Currently, DXC's stock is publicly traded on the New York Stock Exchange.

In April 2017, the parties participated in an evidentiary hearing in Texas before a AAA-appointed arbitrator. Subsequently, in October 2017, the arbitrator issued a Partial Final Award finding that CSC had breached the Agreements and awarding KCSI direct damages plus pre-judgment interest. KCSI then submitted to the arbitrator a supplemental petition providing pre-judgment interest calculations and seeking an award for certain costs and expenses. In November 2017, the arbitrator issued a Final Award awarding KCSI direct damages against CSC of $84.3 million, prejudgment interest at the annual rate of 9% and costs and expenses in the amount of $7.2 million.

Note 14 - Contingencies (continued)

KCSI pursued confirmation and enforcement of the Final Award in U.S. District Court in Texas. In December 2017, CSC filed a Petition to Vacate an Arbitration Award in the U.S. District Court in New York and a motion to stay the proceedings in Texas. Following briefing and a hearing, the New York district court denied CSC's motion to stay the Texas action and instead stayed the New York action. In March 2018, the Texas district court denied CSC's motion to transfer venue and the New York district court subsequently transferred the vacatur proceeding to Texas. In April 2018, the Texas district court consolidated the two actions and the parties briefed KCSI's Amended Motion to Confirm Arbitration Award and CSC's motion to vacate the arbitration award.

On September 26, 2018, the Texas district court issued an Amended Final Judgment that (i) confirmed the Arbitration Award in favor of KCSI, (ii) denied CSC's motion to vacate, and (iii) entered judgment against CSC in the total amount of $141.7 million.

CSC is appealing the district court's ruling to the U.S. Court of Appeals for the Fifth Circuit. In the meantime CSC paid Kemper $35.7 million in September 2018 and an additional $20.1 million in April 2019 in partial satisfaction of the final judgment. The Company recognized such payments in Other Income in its Consolidated Statement of Income for the year ended December 31, 2018 and in its Condensed Consolidated Statement of Income for the six and three months ended June 30, 2019. The Company cannot make any assurance as to the additional amounts of the final judgment that will actually be collected or when they may be received. The unpaid balance of the final judgment is treated as a gain contingency for accounting purposes and accordingly, is not recognized in these Condensed Consolidated Financial Statements.

Note 15 - Related Parties

Mr. Christopher B. Sarofim, a director of Kemper, is Vice Chairman and a member of the board of directors of Fayez Sarofim & Co. ("FS&C"), a registered investment advisory firm. The Company's defined benefit pension plan had $151.8 million in assets managed by FS&C at June 30, 2019 under an agreement with FS&C whereby FS&C provides investment management services with respect to certain funds of the plan. Investment expenses incurred in connection with such agreement were $0.4 million and $0.5 million for the six months ended June 30, 2019 and 2018, respectively. The Company believes that the services described above have been provided on terms no less favorable to the Company than could have been negotiated with non-affiliated third parties.

Note 16 - Subsequent Event

On July 8, 2019, the Company completed the redemption of $150.0 million aggregate principal amount of its 7.375% Subordinated Debentures due 2054, at a redemption price equal to 100% of their principal, plus accrued and unpaid interest and were repaid in full. The Company used the proceeds received from Kemper's common stock offering on June 7, 2019, as well as, a portion of the proceeds from its July 5, 2019 borrowing under the 2023 Term Loan to repay the 7.375% Subordinated Debentures. See Note 5, "Debt," and Note 9, "Stockholders' Equity," for additional information regarding the issuance of the 2023 Term Loan and common stock offering, respectively. The Company expects to recognize a loss on the early extinguishment of debt of $5.8 million in its third quarter Condensed Consolidated Statement of Operations.

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

Summary of Results

Net Income was $277.4 million ($4.25 per unrestricted common share) for the six months ended June 30, 2019, compared to $91.4 million ($1.77 per unrestricted common share) for the same period in 2018. Income from Continuing Operations was $277.4 million ($4.25 per unrestricted common share) for the six months ended June 30, 2019, compared to $91.1 million ($1.76 per unrestricted common share) for the same period in 2018.

Net Income was $122.1 million ($1.87 per unrestricted common share) for the three months ended June 30, 2019, compared to $37.6 million ($0.73 per unrestricted common share) for the same period in 2018. Income from Continuing Operations was $122.1 million ($1.87 per unrestricted common share) for the three months ended June 30, 2019, compared to $37.5 million ($0.73 per unrestricted common share) for the same period in 2018.

A reconciliation of Net Income to Adjusted Consolidated Net Operating Income (a non-GAAP financial measure) for the six and three months ended June 30, 2019 and 2018 is presented below.

	Six Months Ended			Three Months Ended		
(Dollars in Millions and Net of Income Taxes)	Jun 30, 2019	Jun 30, 2018	Increase (Decrease)	Jun 30, 2019	Jun 30, 2018	Increase (Decrease)
Net Income	$ 277.4	$ 91.4	$ 186.0	$ 122.1	$ 37.6	$ 84.5
Income from Discontinued Operations	—	0.3	(0.3)	—	0.1	(0.1)
Income from Continuing Operations	277.4	91.1	186.3	122.1	37.5	84.6
Less:						
Income from Change in Fair Value of Equity and Convertible Securities	71.0	0.9	70.1	20.1	0.3	19.8
Net Realized Gains on Sales of Investments	29.5	5.1	24.4	16.8	3.0	13.8
Net Impairment Losses Recognized in Earnings	(8.1)	(0.4)	(7.7)	(5.3)	—	(5.3)
Acquisition Related Transaction, Integration and Other Costs	(5.4)	(8.5)	3.1	(1.0)	(2.3)	1.3
Adjusted Consolidated Net Operating Income	$ 190.4	$ 94.0	$ 96.4	$ 91.5	$ 36.5	$ 55.0
Components of Adjusted Consolidated Net Operating Income:						
Segment Net Operating Income:						
Preferred Property & Casualty Insurance	8.0	7.5	0.5	5.2	(6.0)	11.2
Specialty Property & Casualty Insurance	142.3	45.8	96.5	62.7	22.4	40.3
Life & Health Insurance	36.4	50.8	(14.4)	13.3	26.7	(13.4)
Corporate and Other Net Operating Income (Loss)	3.7	(10.1)	13.8	10.3	(6.6)	16.9
Adjusted Consolidated Net Operating Income	$ 190.4	$ 94.0	$ 96.4	$ 91.5	$ 36.5	$ 55.0

Net Income

Net Income increased by $186.0 million for the six months ended June 30, 2019, compared to the same period in 2018. Adjusted Consolidated Net Operating Income increased by $96.4 million for the six months ended June 30, 2019, compared to the same period in 2018, due primarily to higher segment net operating income, higher income from change in fair value of equity and convertible securities, higher net realized gains on sales of investments, partially offset by higher impairment losses recognized in earnings. In the Specialty Property & Casualty Insurance segment, segment net operating income increased by $96.5 million due primarily to the acquisition of Infinity and favorable loss and LAE reserve development. See MD&A, "Specialty Property & Casualty Insurance," for additional discussion of the segment's results. In the Life & Health Insurance segment, segment net operating income decreased by $14.4 million due primarily to higher insurance expenses and policyholder benefits. Higher sales volumes in both the Life and Health business lines resulted in increased earned premiums and corresponding variable compensation expense. The benefits ratio deteriorated in 2019 relative to 2018 due to an increase in policyholders' benefits related to the Accident and Health business.See MD&A, "Life & Health Insurance," for discussion of the segment's results.

Summary of Results (continued)

The Company's results were also favorably impacted in 2019, compared to 2018, due to the recognition of a $20.1 million gain for the partial satisfaction of a final judgment against CSC and by an increase of $24.4 million in net realized gains on sales of investments, partially offset by an increased level of other than temporary impairment losses on investments, as well as a reduced level of transaction and integration costs associated with the Infinity acquisition. Additionally the Company's investment results were favorably impacted in 2019, compared to 2018, by a $70.1 million increase from the change in fair value of the equity and convertible securities. See MD&A, "Investment Results," and MD&A, "Expenses," for additional discussion.

Net Income increased by $84.5 million for the three months ended June 30, 2019, compared to the same period in 2018. In the Preferred Property & Casualty Insurance segment, segment net operating income increased by $11.2 million due primarily to lower catastrophe losses in 2019. See MD&A, "Preferred Property & Casualty Insurance," for additional discussion of the segment's results. In the Specialty Property & Casualty Insurance segment, segment net operating income increased by $40.3 million due primarily to the acquisition of Infinity and favorable loss and LAE reserve development. See MD&A, "Specialty Property & Casualty Insurance," for additional discussion of the segment's results. In the Life & Health Insurance segment, segment net operating income decreased by $13.4 million due primarily due to higher benefits. Higher sales volumes in both the Life and Health business lines resulted in increased earned premiums and corresponding variable expense. The benefits ratio deteriorated in the second quarter of 2019, compared to the same period in 2018, due primarily to an increase in Accident and Health policyholder benefits. See MD&A, "Life & Health Insurance," for discussion of the segment's results. The Company's results were also favorably impacted in 2019, compared to 2018, due to the recognition of a $20.1 million gain for the partial satisfaction of a final judgment against CSC and by an increase of $13.8 million in net realized gains on sales of investments, partially offset by an increased level of other than temporary impairment losses on investments, as well as a reduced level of transaction and integration costs associated with the Infinity acquisition. Additionally the Company's investment results were favorably impacted in 2019, compared to 2018, by a $19.8 million increase from the change in the fair value of equity and convertible securities. See MD&A, "Investment Results," and MD&A, "Expenses," for additional discussion.

Revenues

Earned Premiums were $2,191.4 million for the six months ended June 30, 2019, compared to $1,267.9 million for the same period in 2018, an increase of $923.5 million. Earned Premiums for the six months ended June 30, 2019 increased by $16.2 million, $896.9 million and $10.4 million in the Preferred Property & Casualty, Specialty Property & Casualty Insurance segment and Life & Health Insurance segment, respectively. Infinity accounted for $803.2 million of the increase in Earned Premiums in the Specialty Property & Casualty Insurance segment for the six months ended June 30, 2019. See MD&A, "Preferred Property & Casualty Insurance," MD&A, "Specialty Property & Casualty Insurance," and MD&A,"Life & Health Insurance," for discussion of the changes in each segment's earned premiums.

Earned Premiums were $1,116.6 million for the three months ended June 30, 2019, compared to $658.1 million for the same period in 2018, an increase of $458.5 million. Earned Premiums for the three months ended June 30, 2019 increased by $7.4 million, $446.0 million and $5.1 million in the Preferred Property & Casualty, Specialty Property & Casualty Insurance segment and Life & Health Insurance segment, respectively. Infinity accounted for $413.6 million of the increase in Earned Premiums in the Specialty Property & Casualty Insurance segment for the three months ended June 30, 2019. See MD&A, "Preferred Property & Casualty Insurance,", MD&A, "Specialty Property & Casualty Insurance," and MD&A,"Life & Health Insurance," for discussion of the changes in each segment's earned premiums.

Net Investment Income increased by $21.1 million for the six months ended June 30, 2019, compared to the same period in 2018, due primarily to a higher investment base, largely due to the inclusion of the Infinity investment portfolio beginning in July 2018, compared to the first six months of 2018, which period did not include the Infinity investment portfolio, partially offset by a lower rate of return from Alternative Investments. Net Investment Income from Alternative Investments related to Equity Method Limited Liability Investments decreased by $9.5 million. Income from limited liability investments included in either Equity Securities at Fair Value or Equity Securities at Modified Cost decreased by $1.4 million for the six months ended June 30, 2019, compared to the same period in 2018.

Net Investment Income increased by $17.6 million for the three months ended June 30, 2019, compared to the same period in 2018, due primarily to a higher investment base, largely due to the inclusion of the Infinity investment portfolio beginning in July 2018 , as compared to the three months ended June 30, 2018, which period did not include the Infinity investment portfolio.

Summary of Results (continued)

Other income increased $22.2 million and $21.5 million for the six and three months ended June 30, 2019, respectively, compared to the same periods in 2018, due primarily to the recognition of the $20.1 million gain for the partial satisfaction of a final judgment against CSC. The Company cannot make any assurance as to the final judgment that will actually be collected or when that it may be received. The unpaid balance of the final judgment is treated as a gain contingency for accounting purposes and, accordingly, is not recognized in these Condensed Consolidated Financial Statements. See Note 14, "Contingencies," to the Condensed Consolidated Financial Statements.

Net Realized Gains on Sales of Investments were $37.4 million for the six months ended June 30, 2019, compared to $6.4 million for the same period in 2018. Net Realized Gains on Sales of Investments were $21.3 million for the three months ended June 30, 2019, compared to $3.8 million for the same period in 2018.

Net Impairment Losses Recognized in Earnings were $10.3 million for the six months ended June 30, 2019, compared to $0.5 million for the same period in 2018. Net Impairment Losses Recognized in Earnings were $6.7 million for the three months ended June 30, 2019, compared to $0.0 million for the same period in 2018.

See MD&A, "Investment Results," under the sub-captions "Net Realized Gains on Sales of Investments" and "Net Impairment Losses Recognized in Earnings" for additional discussion. The Company cannot predict if or when similar investment gains or losses may occur in the future.

Non-GAAP Financial Measures

Underlying Losses and LAE and Underlying Combined Ratio

The following discussion of segment results uses the non-GAAP financial measures of (i) Underlying Losses and LAE and (ii) Underlying Combined Ratio. Underlying Losses and LAE (also referred to in the discussion as "Current Year Non-catastrophe Losses and LAE") exclude the impact of catastrophe losses, and loss and LAE reserve development from prior years from the Company's Incurred Losses and LAE, which is the most directly comparable GAAP financial measure. The Underlying Combined Ratio is computed by adding the Current Year Non-catastrophe Losses and LAE Ratio with the Insurance Expense Ratio. The most directly comparable GAAP financial measure is the Combined Ratio, which is computed by adding total incurred losses and LAE, including the impact of catastrophe losses and loss and LAE reserve development from prior years, with the Insurance Expense Ratio.

The Company believes Underlying Losses and LAE and the Underlying Combined Ratio are useful to investors and uses these financial measures to reveal the trends in the Company's Property & Casualty Insurance segment that may be obscured by catastrophe losses and prior year reserve development. These catastrophe losses may cause the Company's loss trends to vary significantly between periods as a result of their incidence of occurrence and magnitude and can have a significant impact on incurred losses and LAE and the combined ratio. Prior-year reserve developments are caused by unexpected loss development on historical reserves. Because reserve development relates to the re-estimation of losses from earlier periods, it has no bearing on the performance of the Company's insurance products in the current period. The Company believes it is useful for investors to evaluate these components separately and in the aggregate when reviewing the Company's underwriting performance.

Non-GAAP Financial Measures (continued)

Adjusted Consolidated Net Operating Income

Adjusted Consolidated Net Operating Income is an after-tax, non-GAAP financial measure and is computed by excluding from Income from Continuing Operations the after-tax impact of:

(i) Income (Loss) from Change in Fair Value of Equity and Convertible Securities;

(ii) Net Realized Gains on Sales of Investments;

(iii) Net Impairment Losses Recognized in Earnings related to investments;

(iv) Acquisition Related Transaction, Integration and Other Costs;

(v) Loss from Early Extinguishment of Debt; and

(vi) 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. There were no applicable significant non-recurring items that the Company excluded from the calculation of Adjusted Consolidated Net Operating Income for the six and three months ended June 30, 2019 or 2018.

The Company believes that Adjusted Consolidated Net Operating Income provides investors with a valuable measure of its ongoing performance because it reveals underlying operational performance trends that otherwise might be less apparent if the items were not excluded. Income (Loss) from Change in Fair Value of Equity and Convertible Securities, Net Realized Gains on Sales of Investments and 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. 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. Acquisition Related Transaction and Integration Costs may vary significantly between periods and are generally driven by the timing of acquisitions and business decisions which are unrelated to the insurance underwriting process. Significant non-recurring items are excluded because, by their nature, they are not indicative of the Company's business or economic trends.

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

Preferred Property & Casualty Insurance

Selected financial information for the Preferred Property & Casualty Insurance segment follows.

(Dollars in Millions)	Six Months Ended Jun 30, 2019	Six Months Ended Jun 30, 2018	Three Months Ended Jun 30, 2019	Three Months Ended Jun 30, 2018
Net Premiums Written	$ 377.1	$ 368.5	$ 197.5	$ 198.0
Earned Premiums	$ 374.1	$ 357.9	$ 188.5	$ 181.1
Net Investment Income	20.6	27.7	12.3	14.0
Total Revenues	394.7	385.6	200.8	195.1
Incurred Losses and LAE related to:				
Current Year:				
Non-catastrophe Losses and LAE	239.9	222.0	119.1	107.8
Catastrophe Losses and LAE	39.2	47.6	22.6	40.3
Prior Years:				
Non-catastrophe Losses and LAE	(9.4)	4.8	(4.3)	0.6
Catastrophe Losses and LAE	0.1	(7.2)	(0.9)	(1.8)
Total Incurred Losses and LAE	269.8	267.2	136.5	146.9
Insurance Expenses	115.2	110.5	57.9	56.9
Operating Profit	9.7	7.9	6.4	(8.7)
Income Tax Benefit (Expense)	(1.7)	(0.4)	(1.2)	2.7
Segment Net Operating Income (Loss)	$ 8.0	$ 7.5	$ 5.2	$ (6.0)
Ratios Based On Earned Premiums				
Current Year Non-catastrophe Losses and LAE Ratio	64.1%	62.1%	63.2%	59.5%
Current Year Catastrophe Losses and LAE Ratio	10.5	13.3	12.0	22.3
Prior Years Non-catastrophe Losses and LAE Ratio	(2.5)	1.3	(2.3)	0.3
Prior Years Catastrophe Losses and LAE Ratio	—	(2.0)	(0.5)	(1.0)
Total Incurred Loss and LAE Ratio	72.1	74.7	72.4	81.1
Insurance Expense Ratio	30.8	30.9	30.7	31.4
Combined Ratio	102.9%	105.6%	103.1%	112.5%
Underlying Combined Ratio				
Current Year Non-catastrophe Losses and LAE Ratio	64.1%	62.1%	63.2%	59.5%
Insurance Expense Ratio	30.8	30.9	30.7	31.4
Underlying Combined Ratio	94.9%	93.0%	93.9%	90.9%
Non-GAAP Measure Reconciliation				
Combined Ratio	102.9%	105.6%	103.1%	112.5%
Less:				
Current Year Catastrophe Losses and LAE Ratio	10.5	13.3	12.0	22.3
Prior Years Non-catastrophe Losses and LAE Ratio	(2.5)	1.3	(2.3)	0.3
Prior Years Catastrophe Losses and LAE Ratio	—	(2.0)	(0.5)	(1.0)
Underlying Combined Ratio	94.9%	93.0%	93.9%	90.9%

Preferred Property & Casualty Insurance (continued)

Catastrophe Frequency and Severity

(Dollars in Millions)	Six Months Ended Jun 30, 2019 Number of Events	Jun 30, 2019 Losses and LAE	Jun 30, 2018 Number of Events	Jun 30, 2018 Losses and LAE
Range of Losses and LAE Per Event:				
Below $5	25	$ 21.4	24	$ 22.9
$5 - $10	1	5.3	—	—
$10 - $15	1	12.5	2	24.8
$15 - $20	—	—	—	—
$20 - $25	—	—	—	—
Greater Than $25	—	—	—	—
Total	27	$ 39.2	26	$ 47.7

Insurance Reserves

(Dollars in Millions)	Jun 30, 2019	Dec 31, 2018
Insurance Reserves:		
Preferred Automobile	$ 264.5	$ 270.0
Homeowners	131.6	147.9
Other	34.0	35.0
Insurance Reserves	$ 430.1	$ 452.9
Insurance Reserves:		
Loss Reserves:		
Case	$ 278.5	$ 312.5
Incurred But Not Reported	120.2	110.0
Total Loss Reserves	398.7	422.5
LAE Reserves	31.4	30.4
Insurance Reserves	$ 430.1	$ 452.9

See MD&A, "Critical Accounting Estimates," of the 2018 Annual Report for additional information pertaining to the Company's process of estimating property and casualty insurance reserves for losses and LAE, development of property and casualty insurance losses and LAE from prior accident years, also referred to as "reserve development" in the discussion of segment results, estimated variability of property and casualty insurance reserves for losses and LAE, and a discussion of some of the variables that may impact development of property and casualty insurance losses and LAE and the estimated variability of property and casualty insurance reserves for losses and LAE.

Preferred Property & Casualty Insurance (continued)

Overall

Six Months Ended June 30, 2019 Compared to the Same Period in 2018

The Preferred Property & Casualty Insurance segment reported Segment Net Operating Income of $8.0 million for the six months ended June 30, 2019, compared to $7.5 million for the same period in 2018. Net operating results increased by $0.5 million due primarily to lower incurred catastrophe losses and LAE (excluding loss and LAE reserve development) and a favorable change in loss and LAE reserve development, partially offset by higher underlying losses and LAE as a percentage of earned premiums, particularly in the Company's homeowners business and lower net investment income.

Earned Premiums in the Preferred Property & Casualty Insurance segment increased by $16.2 million for the six months ended June 30, 2019 due primarily to higher average rates. All lines experienced an increase in average earned premium, although the overall impact on Earned Premiums was driven primarily by preferred automobile insurance and homeowners insurance, which had increases due to higher average earned premium of $14.0 million and $1.5 million, respectively. Other insurance experienced an increase in average earned premium of $1.4 million. Overall volume was down with higher volume in preferred automobile insurance of $5.7 million, offset by volume decreases in homeowners and other insurance of $4.4 million and $2.0 million, respectively.

Net Investment Income in the Preferred Property & Casualty Insurance segment decreased by $7.1 million for the six months ended June 30, 2019, compared to the same period in 2018, due primarily to a lower rate of return on Alternative Investments.

Underlying losses and LAE as a percentage of earned premiums were 64.1% in 2019, an increase of 2.0 percentage points, compared to 2018, driven primarily by a deterioration in homeowners insurance. Underlying losses and LAE exclude the impact of catastrophes and loss and LAE reserve development. Catastrophe losses and LAE (excluding reserve development) were $39.2 million in 2019, compared to $47.6 million in 2018, a decrease of $8.4 million. This decrease was due primarily to catastrophic events in 2019 with an overall lower loss and LAE (excluding reserve development), compared to 2018 and reduced exposures in the homeowners line. Favorable Loss and LAE reserve development (including catastrophe reserve development) was $9.3 million in 2019, compared to $2.4 million in 2018.

Insurance expenses were $115.2 million, or 30.8% of earned premiums, in 2019, a decrease of 0.1 percentage point compared to 2018.

The Preferred Property & Casualty Insurance segment's effective income tax rate differs from the federal statutory income tax rate due primarily to tax-exempt investment income and dividends received deductions.

Preferred Property & Casualty Insurance (continued)

Three Months Ended June 30, 2019 Compared to the Same Period in 2018

The Preferred Property & Casualty Insurance segment reported Segment Net Operating Income of $5.2 million for the three months ended June 30, 2019, compared to a loss of $6.0 million for the same period in 2018. Net operating results increased by $11.2 million due primarily to lower incurred catastrophe losses and LAE (excluding loss and LAE reserve development) and a favorable change in loss and LAE reserve development, partially offset by higher underlying losses and LAE as a percentage of earned premiums, particularly in the Company's homeowners business.

Earned Premiums in the Preferred Property & Casualty Insurance segment increased by $7.4 million for the three months ended June 30, 2019 due primarily to higher average rates. All lines experienced an increase in average earned premium, although the overall impact on Earned Premiums was driven primarily by preferred automobile insurance and other insurance, which had increases due to higher average earned premium of $7.2 million and $0.8 million, respectively. Homeowners insurance experienced an increase in average earned premium of $0.5 million. Overall premium volume declined driven by decreases in homeowners insurance and other insurance of $1.9 million and $1.2 million, respectively, partially offset by an increase in preferred automobile insurance of $2.0 million.

Net Investment Income in the Preferred Property & Casualty Insurance segment decreased by $1.7 million for the three months ended June 30, 2019, compared to the same period in 2018.

Underlying losses and LAE as a percentage of earned premiums were 63.2% in 2019, an increase of 3.7 percentage points, compared to 2018, driven primarily by a higher ratio in homeowners insurance. Underlying losses and LAE exclude the impact of catastrophes and loss and LAE reserve development. Catastrophe losses and LAE (excluding reserve development) were $22.6 million in 2019, compared to $40.3 million in 2018, a decrease of $17.7 million. Favorable Loss and LAE reserve development (including catastrophe reserve development) was $5.2 million in 2019, compared to $1.2 million in 2018.

Insurance expenses were $57.9 million, or 30.7% of earned premiums, in 2019, a decrease of 0.7 percentage points compared to 2018, driven primarily by homeowners insurance.

The Preferred Property & Casualty Insurance segment's effective income tax rate differs from the federal statutory income tax rate due primarily to tax-exempt investment income and dividends received deductions.

Preferred Property & Casualty Insurance (continued)

Preferred Personal Automobile Insurance

Selected financial information for the preferred personal automobile insurance product line follows.

(Dollars in Millions)	Six Months Ended Jun 30, 2019	Six Months Ended Jun 30, 2018	Three Months Ended Jun 30, 2019	Three Months Ended Jun 30, 2018
Net Premiums Written	$ 239.9	$ 227.1	$ 123.4	$ 120.9
Earned Premiums	$ 233.3	$ 213.6	$ 117.9	$ 108.7
Incurred Losses and LAE related to:				
Current Year:				
Non-catastrophe Losses and LAE	163.1	148.3	82.9	$ 74.7
Catastrophe Losses and LAE	4.2	4.5	1.7	3.9
Prior Years:				
Non-catastrophe Losses and LAE	(4.9)	(0.9)	(3.7)	(1.4)
Catastrophe Losses and LAE	(0.1)	(0.1)	—	(0.1)
Total Incurred Losses and LAE	$ 162.3	$ 151.8	$ 80.9	$ 77.1
Ratios Based On Earned Premiums				
Current Year Non-catastrophe Losses and LAE Ratio	69.9%	69.4%	70.3%	68.7%
Current Year Catastrophe Losses and LAE Ratio	1.8	2.1	1.4	3.6
Prior Years Non-catastrophe Losses and LAE Ratio	(2.1)	(0.4)	(3.1)	(1.3)
Prior Years Catastrophe Losses and LAE Ratio	—	—	—	(0.1)
Total Incurred Loss and LAE Ratio	69.6%	71.1%	68.6%	70.9%

Six Months Ended June 30, 2019 Compared to the Same Period in 2018

Earned Premiums on preferred automobile insurance increased by $19.7 million as higher average earned premiums accounted for an increase of $14.0 million, while volume accounted for a increase of $5.7 million. Incurred losses and LAE were $162.3 million, or 69.6% of earned premiums, in 2019, compared to $151.8 million, or 71.1% of earned premiums, in 2018. Incurred losses and LAE as a percentage of earned premiums decreased due primarily to a favorable change in loss and LAE reserve development. Underlying losses and LAE as a percentage of related earned premiums were 69.9% in 2019, compared to 69.4% in 2018, a deterioration of 0.5 percentage points due primarily to the impact of business mix in 2019. Catastrophe losses and LAE (excluding reserve development) were $4.2 million in 2019, compared to $4.5 million in 2018. Loss and LAE reserve development was favorable by $5.0 million in 2019, compared to favorable of $1.0 million in 2018.

Three Months Ended June 30, 2019 Compared to the Same Period in 2018

Earned Premiums on preferred automobile insurance increased by $9.2 million as higher average earned premium accounted for an increase of $7.2 million, while volume accounted for a increase of $2.0 million. Incurred losses and LAE were $80.9 million, or 68.6% of earned premiums, in 2019, compared to $77.1 million, or 70.9% of earned premiums, in 2018. Incurred losses and LAE as a percentage of earned premiums decreased due primarily to a favorable change in loss and LAE reserve development. Underlying losses and LAE as a percentage of related earned premiums were 70.3% in 2019, compared to 68.7% in 2018, a deterioration of 1.6 percentage points due primarily to the impact of business mix in 2019. Catastrophe losses and LAE (excluding reserve development) were $1.7 million in 2019, compared to $3.9 million in 2018. Loss and LAE reserve development was favorable by $3.7 million in 2019, compared to favorable of $1.5 million in 2018.

Preferred Property & Casualty Insurance (continued)

Homeowners Insurance

Selected financial information for the homeowners insurance product line follows.

(Dollars in Millions)	Six Months Ended		Three Months Ended	
	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Net Premiums Written	$ 118.3	$ 121.7	$ 64.2	$ 66.6
Earned Premiums	121.1	$ 124.0	60.8	$ 62.2
Incurred Losses and LAE related to:				
Current Year:				
Non-catastrophe Losses and LAE	$ 67.4	$ 64.0	31.6	$ 28.8
Catastrophe Losses and LAE	34.4	42.4	20.6	35.9
Prior Years:				
Non-catastrophe Losses and LAE	(0.2)	8.3	0.9	2.7
Catastrophe Losses and LAE	—	(6.4)	(1.0)	(1.3)
Total Incurred Losses and LAE	$ 101.6	$ 108.3	$ 52.1	$ 66.1
Ratios Based On Earned Premiums				
Current Year Non-catastrophe Losses and LAE Ratio	55.7%	51.6%	51.9%	46.4%
Current Year Catastrophe Losses and LAE Ratio	28.4	34.2	33.9	57.7
Prior Years Non-catastrophe Losses and LAE Ratio	(0.2)	6.7	1.5	4.3
Prior Years Catastrophe Losses and LAE Ratio	—	(5.2)	(1.6)	(2.1)
Total Incurred Loss and LAE Ratio	83.9%	87.3%	85.7%	106.3%

Six Months Ended June 30, 2019 Compared to the Same Period in 2018

Earned Premiums in homeowners insurance decreased by $2.9 million as higher average earned premium accounted for an increase of $1.5 million, while volume accounted for a decrease of $4.4 million. Incurred losses and LAE were $101.6 million, or 83.9% of earned premiums, in 2019, compared to $108.3 million, or 87.3% of earned premiums, in 2018. Incurred losses and LAE as a percentage of earned premiums decreased due primarily to lower incurred catastrophe losses and LAE (excluding loss and LAE reserve development) and a favorable change in loss and LAE reserve development partially offset by higher underlying losses and LAE as a percentage of earned premiums. Underlying losses and LAE as a percentage of earned premiums were 55.7% in 2019, compared to 51.6% in 2018, a deterioration of 4.1 percentage points due primarily to a higher occurrence of non-catastrophe large losses in 2019 compared to 2018. Catastrophe losses and LAE (excluding reserve development) were $34.4 million in 2019, compared to $42.4 million in 2018. This decrease was due primarily to catastrophic events in 2019 with an overall lower loss and LAE (excluding reserve development), compared to 2018. Loss and LAE reserve development was favorable by $0.2 million in 2019, compared to adverse development of $1.9 million in 2018.

Three Months Ended June 30, 2019 Compared to the Same Period in 2018

Earned Premiums in homeowners insurance decreased by $1.4 million as higher average earned premium accounted for an increase of $0.5 million, while volume accounted for a decrease of $1.9 million. Incurred losses and LAE were $52.1 million, or 85.7% of earned premiums, in 2019, compared to $66.1 million, or 106.3% of earned premiums, in 2018. Incurred losses and LAE as a percentage of earned premiums decreased due primarily to lower incurred catastrophe losses, partially offset by higher underlying losses and LAE. Underlying losses and LAE as a percentage of earned premiums were 51.9% in 2019, compared to 46.4% in 2018, a deterioration of 5.5 percentage points due primarily from adverse intra-year development of first quarter non-catastrophe large losses. Catastrophe losses and LAE (excluding reserve development) were $20.6 million in 2019, compared to $35.9 million in 2018. This decrease was due primarily to catastrophic events in 2019 with an overall lower loss and LAE (excluding reserve development), compared to 2018. Loss and LAE reserve development was favorable by $0.1 million in 2019, compared to adverse development of $1.4 million in 2018.

Preferred Property & Casualty Insurance (continued)

Other Personal Insurance

Other personal insurance products include umbrella, dwelling fire, inland marine, earthquake, boat owners and other liability coverages. Selected financial information for other personal insurance product lines follows.

	Six Months Ended		Three Months Ended	
(Dollars in Millions)	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Net Premiums Written	$ 18.9	$ 19.7	$ 9.9	$ 10.5
Earned Premiums	$ 19.7	$ 20.3	$ 9.8	$ 10.2
Incurred Losses and LAE related to:				
Current Year:				
Non-catastrophe Losses and LAE	$ 9.4	$ 9.7	$ 4.6	$ 4.3
Catastrophe Losses and LAE	0.6	0.7	0.3	0.5
Prior Years:				
Non-catastrophe Losses and LAE	(4.3)	(2.6)	(1.5)	(0.7)
Catastrophe Losses and LAE	0.2	(0.7)	0.1	(0.4)
Total Incurred Losses and LAE	$ 5.9	$ 7.1	$ 3.5	$ 3.7
Ratios Based On Earned Premiums				
Current Year Non-catastrophe Losses and LAE Ratio	47.7%	47.8%	46.9%	42.2%
Current Year Catastrophe Losses and LAE Ratio	3.0	3.4	3.1	4.9
Prior Years Non-catastrophe Losses and LAE Ratio	(21.8)	(12.8)	(15.3)	(6.9)
Prior Years Catastrophe Losses and LAE Ratio	1.0	(3.4)	1.0	(3.9)
Total Incurred Loss and LAE Ratio	29.9%	35.0%	35.7%	36.3%

Six Months Ended June 30, 2019 Compared to the Same Period in 2018

Earned Premiums on other personal insurance decreased by $0.6 million as lower volume accounted for a decrease of $2.0 million, while higher average earned premium accounted for an increase of $1.4 million. Incurred losses and LAE were $5.9 million, or 29.9% of earned premiums, in 2019, compared to $7.1 million, or 35.0% of earned premiums, in 2018. Incurred losses and LAE as a percentage of earned premiums decreased primarily due to a favorable change in loss and LAE reserve development. Underlying losses and LAE as a percentage of earned premiums were 47.7% in 2019, compared to 47.8% in 2018. Catastrophe losses and LAE (excluding reserve development) were $0.6 million in 2019, compared to $0.7 million in 2018. Favorable loss and LAE reserve development was $4.1 million in 2019, compared to $3.3 million in 2018.

Three Months Ended June 30, 2019 Compared to the Same Period in 2018

Earned Premiums on other personal insurance decreased by $0.4 million as lower volume accounted for a decrease of $1.2 million, while higher average earned premium accounted for an increase of $0.8 million. Incurred losses and LAE were $3.5 million, or 35.7% of earned premiums, in 2019, compared to $3.7 million, or 36.3% of earned premiums, in 2018. Underlying losses and LAE as a percentage of earned premiums were 46.9% in 2019, compared to 42.2% in 2018, an increase of 4.7 percentage points due to normal period to period volatility. Catastrophe losses and LAE (excluding reserve development) were $0.3 million in 2019, compared to $0.5 million in 2018. Favorable loss and LAE reserve development was $1.4 million in 2019, compared to $1.1 million in 2018.

Specialty Property & Casualty Insurance

Selected financial information for the Specialty Property & Casualty Insurance segment follows

(Dollars in Millions)	Six Months Ended Jun 30, 2019	Six Months Ended Jun 30, 2018	Three Months Ended Jun 30, 2019	Three Months Ended Jun 30, 2018
Net Premiums Written	$1,613.8	$ 657.3	$ 804.7	$ 338.9
Earned Premiums	$ 1,495.3	$ 598.4	$ 766.0	$ 320.0
Net Investment Income	50.4	20.1	28.9	10.2
Other Income	1.8	0.7	1.0	0.4
Total Revenues	1,547.5	619.2	795.9	330.6
Incurred Losses and LAE related to:				
Current Year:				
Non-catastrophe Losses and LAE	1,123.5	459.5	579.2	247.2
Catastrophe Losses and LAE	5.0	2.3	4.4	2.1
Prior Years:				
Non-catastrophe Losses and LAE	(26.9)	3.6	(8.6)	4.1
Catastrophe Losses and LAE	0.1	(0.3)	(0.1)	—
Total Incurred Losses and LAE	1,101.7	465.1	574.9	253.4
Insurance Expenses	265.7	96.9	140.9	49.0
Other Expenses	1.3	—	0.7	—
Operating Profit	178.8	57.2	79.4	28.2
Income Tax Expense	(36.5)	(11.4)	(16.7)	(5.8)
Segment Net Operating Income	$ 142.3	$ 45.8	$ 62.7	$ 22.4
Ratios Based On Earned Premiums				
Current Year Non-catastrophe Losses and LAE Ratio	75.2%	76.8%	75.6%	77.2%
Current Year Catastrophe Losses and LAE Ratio	0.3	0.4	0.6	0.7
Prior Years Non-catastrophe Losses and LAE Ratio	(1.8)	0.6	(1.1)	1.3
Prior Years Catastrophe Losses and LAE Ratio	—	(0.1)	—	—
Total Incurred Loss and LAE Ratio	73.7	77.7	75.1	79.2
Insurance Expense Ratio	17.8	16.2	18.4	15.3
Combined Ratio	91.5%	93.9%	93.5%	94.5%
Underlying Combined Ratio				
Current Year Non-catastrophe Losses and LAE Ratio	75.2%	76.8%	75.6%	77.2%
Insurance Expense Ratio	17.8	16.2	18.4	15.3
Underlying Combined Ratio	93.0%	93.0%	94.0%	92.5%
Non-GAAP Measure Reconciliation				
Combined Ratio	91.5%	93.9%	93.5%	94.5%
Less:				
Current Year Catastrophe Losses and LAE Ratio	0.3	0.4	0.6	0.7
Prior Years Non-catastrophe Losses and LAE Ratio	(1.8)	0.6	(1.1)	1.3
Prior Years Catastrophe Losses and LAE Ratio	—	(0.1)	—	—
Underlying Combined Ratio	93.0%	93.0%	94.0%	92.5%

Specialty Property & Casualty Insurance (continued)

Insurance Reserves

(Dollars in Millions)	Jun 30, 2019	Dec 31, 2018
Insurance Reserves:		
Non-Standard Automobile	$ 1,229.7	$ 1,177.2
Commercial Automobile	218.9	209.8
Insurance Reserves	$ 1,448.6	$ 1,387.0
Insurance Reserves:		
Loss Reserves:		
Case	$ 721.6	$ 692.8
Incurred But Not Reported	587.8	556.2
Total Loss Reserves	1,309.4	1,249.0
LAE Reserves	139.2	138.0
Insurance Reserves	$ 1,448.6	$ 1,387.0

See MD&A, “Critical Accounting Estimates,” of the 2018 Annual Report for additional information pertaining to the Company’s process of estimating property and casualty insurance reserves for losses and LAE, development of property and casualty insurance losses and LAE from prior accident years, also referred to as “reserve development” in the discussion of segment results, estimated variability of property and casualty insurance reserves for losses and LAE, and a discussion of some of the variables that may impact development of property and casualty insurance losses and LAE and the estimated variability of property and casualty insurance reserves for losses and LAE.

Specialty Property & Casualty Insurance (continued)

Overall

Six Months Ended June 30, 2019 Compared to the Same Period in 2018

The Specialty Property & Casualty Insurance segment reported Segment Net Operating Income of $142.3 million for the six months ended June 30, 2019, compared to $45.8 million for the same period in 2018. Segment net operating results improved by $96.5 million due primarily to the acquisition of Infinity as well as favorable loss and LAE reserve development and improved underlying losses and LAE as a percentage of earned premiums.

Earned Premiums in the Specialty Property & Casualty Insurance segment increased by $896.9 million for the six months ended June 30, 2019. Infinity accounted for $803.2 million of the increase, while higher volume and higher average earned premium on Kemper's legacy business accounted for increases of $75.2 million and $18.5 million, respectively. Both of the segment's product lines experienced an increase in average earned premium, although the overall impact on Earned Premiums was driven primarily by specialty personal automobile insurance which had increases due to higher average earned premium of $17.6 million. Higher volume on Kemper's legacy's business was driven by specialty personal automobile insurance, which had a volume increase of $80.6 million, partially offset by volume decreases in legacy Kemper commercial automobile insurance of $5.4 million.

Net Investment Income in the Specialty Property & Casualty Insurance segment increased by $30.3 million for the six months ended June 30, 2019, compared to the same period in 2018, due primarily to a higher investment base, largely due to the inclusion of the Infinity investment portfolio beginning in July 2018, compared to the first six months of 2018, which period did not include the Infinity investment portfolio.

Underlying losses and LAE as a percentage of earned premiums were 75.2% in 2019, an improvement of 1.6 percentage points, compared to 2018, driven primarily by the inclusion of results from Infinity's personal automobile insurance. Underlying losses and LAE exclude the impact of catastrophes and loss and LAE reserve development. Catastrophe losses and LAE (excluding reserve development) were $5.0 million in 2019, compared to $2.3 million in 2018, an increase of $2.7 million. Favorable loss and LAE reserve development (including catastrophe reserve development) was $26.8 million in 2019, compared to adverse development of $3.3 million in 2018.

Insurance expenses were $265.7 million, or 17.8% of earned premiums, in 2019, an increase of 1.6 percentage points compared to 2018, driven primarily by the amortization of Infinity purchase accounting adjustments.

The Specialty Property & Casualty Insurance segment's effective income tax rate differs from the federal statutory income tax rate due primarily to tax-exempt investment income and dividends received deductions.

Specialty Property & Casualty Insurance (continued)

Three Months Ended June 30, 2019 Compared to the Same Period in 2018

The Specialty Property & Casualty Insurance segment reported Segment Net Operating Income of $62.7 million for the three months ended June 30, 2019, compared to $22.4 million for the same period in 2018. Segment net operating results improved by $40.3 million due primarily primarily to the acquisition of Infinity as well as an improved underlying losses and LAE as a percentage of earned premiums.

Earned Premiums in the Specialty Property & Casualty Insurance segment increased by $446.0 million for the three months ended June 30, 2019. Infinity accounted for $413.6 million of the increase, while higher volume and higher average earned premium on Kemper's legacy business accounted for increases of $26.2 million and $6.2 million, respectively. Both of the segment's product lines experienced an increase in average earned premium, although the overall impact on Earned Premiums was driven primarily by specialty personal automobile insurance which had increases due to higher average earned premium of $5.9 million. Higher volume on Kemper's legacy business was driven by specialty personal automobile insurance, which had a volume increase of $29.7 million, partially offset by volume decreases in legacy Kemper commercial automobile insurance of $3.7 million.

Net Investment Income in the Specialty Property & Casualty Insurance segment increased by $18.7 million for the three months ended June 30, 2019, compared to the same period in 2018, due primarily to higher levels of investments, largely due to the inclusion of the Infinity investment prortfolio beginning in July 2018.

Underlying losses and LAE as a percentage of earned premiums were 75.6% in 2019, a decrease of 1.6% percentage points, compared to 2018, driven primarily by the inclusion of results from Infinity's personal automobile insurance. Underlying losses and LAE exclude the impact of catastrophes and loss and LAE reserve development. Catastrophe losses and LAE (excluding reserve development) were $4.4 million in 2019, compared to $2.1 million in 2018, an increase of $2.3 million. Favorable Loss and LAE reserve development (including catastrophe reserve development) was $8.7 million in 2019, compared to adverse development of $4.1 million in 2018.

Insurance expenses were $140.9 million, or 18.4% of earned premiums, in 2019, an increase of 3.1 percentage points compared to 2018, driven primarily by the amortization of Infinity purchase accounting adjustments.

The Specialty Property & Casualty Insurance segment's effective income tax rate differs from the federal statutory income tax rate due to tax-exempt investment income and dividends received deductions.

Specialty Property & Casualty Insurance (continued)

Specialty Personal Automobile Insurance

Selected financial information for the specialty personal automobile insurance product line follows.

(Dollars in Millions)	Six Months Ended Jun 30, 2019	Six Months Ended Jun 30, 2018	Three Months Ended Jun 30, 2019	Three Months Ended Jun 30, 2018
Net Premiums Written	$ 1,476.7	$ 630.3	$ 734.5	$ 325.4
Earned Premiums	$ 1,373.3	$ 573.7	$ 703.7	$ 307.5
Incurred Losses and LAE related to:				
Current Year:				
Non-catastrophe Losses and LAE	$ 1,035.8	$ 440.6	$ 537.0	$ 237.8
Catastrophe Losses and LAE	4.6	1.9	4.1	1.7
Prior Years:				
Non-catastrophe Losses and LAE	(18.1)	4.4	(3.7)	4.2
Catastrophe Losses and LAE	0.1	(0.2)	—	—
Total Incurred Losses and LAE	$ 1,022.4	$ 446.7	$ 537.4	$ 243.7
Ratios Based On Earned Premiums				
Current Year Non-catastrophe Losses and LAE Ratio	75.4%	76.8%	76.3%	77.3%
Current Year Catastrophe Losses and LAE Ratio	0.3	0.3	0.6	0.6
Prior Years Non-catastrophe Losses and LAE Ratio	(1.3)	0.8	(0.5)	1.4
Prior Years Catastrophe Losses and LAE Ratio	—	—	—	—
Total Incurred Loss and LAE Ratio	74.4%	77.9%	76.4%	79.3%

Six Months Ended June 30, 2019 Compared to the Same Period in 2018

Earned Premiums on specialty personal automobile insurance increased by $799.6 million. Infinity accounted for $701.2 million of the increase, while higher volume and higher average earned premium on Kemper's legacy business accounted for increases of $80.8 million and $17.6 million, respectively. Incurred losses and LAE were $1,022.4 million, or 74.4% of earned premiums, in 2019, compared to $446.7 million, or 77.9% of earned premiums, in 2018. Incurred losses and LAE as a percentage of earned premiums decreased due primarily to favorable change in loss and LAE reserve development and lower underlying losses and LAE as a percentage of earned premiums. Underlying losses and LAE as a percentage of related earned premiums were 75.4% in 2019, compared to 76.8% in 2018, an improvement of 1.4 percentage points, due primarily to higher average earned premium in excess of loss trends. Catastrophe losses and LAE (excluding reserve development) were $4.6 million in 2019, compared to $1.9 million in 2018. Loss and LAE reserve development was favorable by $18.0 million in 2019, compared to $4.2 million adverse development in 2018.

Three Months Ended June 30, 2019 Compared to the Same Period in 2018

Earned Premiums on specialty personal automobile insurance increased by $396.2 million. Infinity accounted for $360.4 million of the increase, while higher volume and higher average earned premium on Kemper's legacy business accounted for increases of $29.9 million and $5.9 million, respectively. Incurred losses and LAE were $537.4 million, or 76.4% of earned premiums, in 2019, compared to $243.7 million, or 79.3% of earned premiums, in 2018. Incurred losses and LAE as a percentage of earned premiums decreased due primarily to lower underlying losses and LAE as a percentage of earned premiums and favorable change in loss and LAE reserve development. Underlying losses and LAE as a percentage of related earned premiums were 76.3% in 2019, compared to 77.3% in 2018, an improvement of 1.0% percentage points, due primarily to higher average earned premium in excess of loss trends. Catastrophe losses and LAE (excluding reserve development) were $4.1 million in 2019, compared to $1.7 million in 2018. Loss and LAE reserve development was favorable by $3.7 million in 2019, compared to $4.2 million adverse development in 2018.

Specialty Property & Casualty Insurance (continued)

Commercial Automobile Insurance

Selected financial information for the commercial automobile insurance product line follows.

(Dollars in Millions)	Six Months Ended Jun 30, 2019	Six Months Ended Jun 30, 2018	Three Months Ended Jun 30, 2019	Three Months Ended Jun 30, 2018
Net Premiums Written	$ 137.1	$ 27.0	$ 70.2	$ 13.5
Earned Premiums	$ 122.0	$ 24.7	$ 62.3	$ 12.5
Incurred Losses and LAE related to:				
Current Year:				
Non-catastrophe Losses and LAE	$ 87.7	$ 18.9	$ 42.2	$ 9.4
Catastrophe Losses and LAE	0.4	0.4	0.3	0.4
Prior Years:				
Non-catastrophe Losses and LAE	(8.8)	(0.8)	(4.9)	(0.1)
Catastrophe Losses and LAE	—	(0.1)	(0.1)	—
Total Incurred Losses and LAE	$ 79.3	$ 18.4	$ 37.5	$ 9.7
Ratios Based On Earned Premiums				
Current Year Non-catastrophe Losses and LAE Ratio	71.9%	76.5%	67.7%	75.2%
Current Year Catastrophe Losses and LAE Ratio	0.3	1.6	0.5	3.2
Prior Years Non-catastrophe Losses and LAE Ratio	(7.2)	(3.2)	(7.9)	(0.8)
Prior Years Catastrophe Losses and LAE Ratio	—	(0.4)	(0.1)	—
Total Incurred Loss and LAE Ratio	65.0%	74.5%	60.2%	77.6%

Six Months Ended June 30, 2019 Compared to the Same Period in 2018

Earned Premiums on commercial automobile insurance increased by $97.3 million. Infinity accounted for $101.8 million of the increase, while higher average earned premium on Kemper's legacy business accounted for $0.9 million, partially offset by lower volume of $5.4 million. Incurred losses and LAE were $79.3 million, or 65.0% of earned premiums, in 2019, compared to $18.4 million, or 74.5% of earned premiums, in 2018. Incurred losses and LAE as a percentage of earned premiums decreased due primarily to lower underlying losses and LAE as a percentage of earned premiums. Underlying losses and LAE as a percentage of earned premiums were 71.9% in 2019, compared to 76.5% in 2018, a decrease of 4.6 percentage points due primarily to lower frequency of claims and higher average earned premiums. Favorable loss and LAE reserve development was $8.8 million in 2019, compared to favorable development of $0.9 million in 2018.

Three Months Ended June 30, 2019 Compared to the Same Period in 2018

Earned Premiums on commercial automobile insurance increased by $49.8 million. Infinity accounted for $53.2 million of the increase, while higher average earned premium on Kemper's legacy business accounted for $0.3 million, partially offset by lower volume of $3.7 million. Incurred losses and LAE were $37.5 million, or 60.2% of earned premiums, in 2019, compared to $9.7 million, or 77.6% of earned premiums, in 2018. Incurred losses and LAE as a percentage of earned premiums decreased due primarily to lower underlying losses and LAE as a percentage of earned premiums and a favorable change in loss and LAE reserve development. Underlying losses and LAE as a percentage of earned premiums were 67.7% in 2019, compared to 75.2% in 2018, a decrease of 7.5 percentage points due primarily to lower frequency of claims and higher average earned premiums. Favorable loss and LAE reserve development was $5.0 million in 2019, compared to favorable development of $0.1 million in 2018.

Life & Health Insurance

Selected financial information for the Life & Health Insurance segment follows.

(Dollars in Millions)	Six Months Ended Jun 30, 2019	Six Months Ended Jun 30, 2018	Three Months Ended Jun 30, 2019	Three Months Ended Jun 30, 2018
Earned Premiums	$ 322.0	$ 311.6	$ 162.1	$ 157.0
Net Investment Income	104.7	108.2	53.0	54.5
Other Income	2.7	1.7	1.6	0.9
Total Revenues	429.4	421.5	216.7	212.4
Policyholders' Benefits and Incurred Losses and LAE	218.9	204.1	113.5	99.2
Insurance Expenses	165.1	153.3	87.1	79.4
Operating Profit	45.4	64.1	16.1	33.8
Income Tax Expense	(9.0)	(13.3)	(2.8)	(7.1)
Segment Net Operating Income	$ 36.4	$ 50.8	$ 13.3	$ 26.7

Insurance Reserves

(Dollars in Millions)	Jun 30, 2019	Dec 31, 2018
Insurance Reserves:		
Future Policyholder Benefits	$ 3,429.4	$ 3,400.4
Incurred Losses and LAE Reserves:		
Life	121.4	130.5
Accident and Health	30.2	27.8
Property	4.2	4.4
Total Incurred Losses and LAE Reserves	155.8	162.7
Insurance Reserves	$ 3,585.2	$ 3,563.1

Overall

Six Months Ended June 30, 2019 Compared to the Same Period in 2018

Earned Premiums in the Life & Health Insurance segment increased by $10.4 million for the six months ended June 30, 2019, compared to the same period in 2018, due primarily to higher volume from accident and health insurance products as well as life insurance products.

Net Investment Income decreased by $3.5 million for the six months ended June 30, 2019, compared to the same period in 2018, due primarily to a lower rate of return from Alternative Investments.

Policyholders' Benefits and Incurred Losses and LAE increased by $14.8 million in 2019, compared to the same period in 2018, due primarily to an increase in policyholders' benefits, higher than expected severity on accident and health insurance claims and higher volume of life and accident and health insurance business.

Expenses in the Life & Health Insurance segment increased by $11.8 million due primarily to higher commissions on increased volume within the business and investments in the business.

Segment Net Operating Income in the Life & Health Insurance segment was $36.4 million for the six months ended June 30, 2019, compared to $50.8 million in 2018.

Life and Health Insurance (continued)

Three Months Ended June 30, 2019 Compared to the Same Period in 2018

Earned Premiums in the Life & Health Insurance segment increased by $5.1 million for the three months ended June 30, 2019, compared to the same period in 2018, due primarily to higher volume from accident and health insurance as well as life insurance products.

Net Investment Income decreased by $1.5 million for the three months ended June 30, 2019, compared to the same period in 2018, due primarily to a lower rate of return from Alternative Investments.

Policyholders' Benefits and Incurred Losses and LAE increased by $14.3 million in 2019, compared to the same period in 2018, due primarily to an increase in policyholders' benefits, higher than expected severity on accident and health insurance claims and higher volume of life and accident and health insurance business.

Expenses in the Life & Health Insurance segment increased by $7.7 million due primarily to higher commissions on increased volume within the business and investments in the business.

Segment Net Operating Income in the Life & Health Insurance segment was $13.3 million for the three months ended June 30, 2019, compared to $26.7 million in 2018.

Life Insurance

Selected financial information for the life insurance product line follows.

(Dollars in Millions)	Six Months Ended Jun 30, 2019	Six Months Ended Jun 30, 2018	Three Months Ended Jun 30, 2019	Three Months Ended Jun 30, 2018
Earned Premiums	$ 192.8	$ 189.1	$ 97.0	$ 95.4
Net Investment Income	100.9	104.1	51.0	52.4
Other Income	2.6	1.6	1.6	0.9
Total Revenues	296.3	294.8	149.6	148.7
Policyholders' Benefits and Incurred Losses and LAE	148.7	142.8	75.9	69.4
Insurance Expenses	106.6	98.6	56.7	51.2
Operating Profit	41.0	53.4	17.0	28.1
Income Tax Expense	(8.1)	(11.1)	(3.0)	(6.0)
Total Product Line Net Operating Income	$ 32.9	$ 42.3	$ 14.0	$ 22.1

Six Months Ended June 30, 2019 Compared to the Same Period in 2018

Earned premiums on life insurance increased by $3.7 million in 2019, compared to 2018, due primarily to higher volume. Policyholders' benefits and Incurred Losses and LAE on life insurance were $148.7 million in 2019, compared to $142.8 million in 2018, an increase of $5.9 million that was due primarily to an increase in policyholders' benefits. Insurance Expenses increased by $8.0 million in 2019, compared to 2018, due primarily to higher commissions on increased volume and investments in the business.

Three Months Ended June 30, 2019 Compared to the Same Period in 2018

Earned premiums on life insurance increased by $1.6 million in 2019, compared to 2018, primarily due to higher volume. Policyholders' benefits and Incurred Losses and LAE on life insurance were $75.9 million in 2019, compared to $69.4 million in 2018, an increase of $6.5 million that was due primarily to an increase in policyholders' benefits. Insurance Expenses increased by $5.5 million in 2019, compared to 2018, due primarily to higher commissions on increased volume and investments in the business.

Life and Health Insurance (continued)

Accident and Health Insurance

Selected financial information for the accident and health insurance product line follows.

(Dollars in Millions)	Six Months Ended Jun 30, 2019	Six Months Ended Jun 30, 2018	Three Months Ended Jun 30, 2019	Three Months Ended Jun 30, 2018
Earned Premiums	$ 94.8	$ 87.1	$ 47.9	$ 43.8
Net Investment Income	3.0	3.1	1.5	1.6
Other Income	0.1	0.1	—	—
Total Revenues	97.9	90.3	49.4	45.4
Policyholders' Benefits and Incurred Losses and LAE	56.9	49.3	30.6	24.1
Insurance Expenses	43.2	39.2	22.4	19.7
Operating Profit	(2.2)	1.8	(3.6)	1.6
Income Tax Expense	0.5	(0.4)	0.8	(0.3)
Total Product Line Net Operating Income	$ (1.7)	$ 1.4	$ (2.8)	$ 1.3

Six Months Ended June 30, 2019 Compared to the Same Period in 2018

Earned premiums on accident and health insurance increased by $7.7 million in 2019, compared to 2018, due primarily to higher volume on accident and health insurance products. Incurred accident and health insurance losses were $56.9 million, or 60.0% of accident and health insurance earned premiums, in 2019, compared to $49.3 million, or 56.6% of accident and health insurance earned premiums, in 2018, an increase of 3.4 percentage points, due primarily to higher severity than expected for certain health products. Insurance Expenses increased by $4.0 million in 2019, compared to 2018, due primarily to premium growth.

Three Months Ended June 30, 2019 Compared to the Same Period in 2018

Earned premiums on accident and health insurance increased by $4.1 million in 2019, compared to 2018, due primarily to higher volume on accident and health insurance products. Incurred accident and health insurance losses were $30.6 million, or 63.9% of accident and health insurance earned premiums in 2019, compared to $24.1 million, or 55.0% of accident and health insurance earned premiums in 2018, an increase of 8.9 percentage points, due primarily to higherseverity than expected for certain health products. Insurance Expenses increased by $2.7 million in 2019, compared to 2018, due primarily to premium growth.

Life and Health Insurance (continued)

Property Insurance

Selected financial information for the property insurance product line follows.

(Dollars in Millions)	Six Months Ended Jun 30, 2019	Six Months Ended Jun 30, 2018	Three Months Ended Jun 30, 2019	Three Months Ended Jun 30, 2018
Earned Premiums	$ 34.4	$ 35.4	$ 17.2	$ 17.8
Net Investment Income	0.8	1.0	0.5	0.5
Total Revenues	35.2	36.4	17.7	18.3
Incurred Losses and LAE related to:				
Current Year:				
Non-catastrophe Losses and LAE	9.8	9.6	4.7	4.5
Catastrophe Losses and LAE	2.1	1.3	1.8	1.1
Prior Years:				
Non-catastrophe Losses and LAE	0.8	1.0	0.2	0.1
Catastrophe Losses and LAE	0.6	0.1	0.3	—
Total Incurred Losses and LAE	13.3	12.0	7.0	5.7
Insurance Expenses	15.3	15.5	8.0	8.5
Operating Profit	6.6	8.9	2.7	4.1
Income Tax Expense	(1.4)	(1.8)	(0.6)	(0.8)
Total Product Line Net Operating Income	$ 5.2	$ 7.1	$ 2.1	$ 3.3
Ratios Based On Earned Premiums				
Current Year Non-catastrophe Losses and LAE Ratio	28.6%	27.1%	27.3%	25.2%
Current Year Catastrophe Losses and LAE Ratio	6.1	3.7	10.5	6.2
Prior Years Non-catastrophe Losses and LAE Ratio	2.3	2.8	1.2	0.6
Prior Years Catastrophe Losses and LAE Ratio	1.7	0.3	1.7	—
Total Incurred Loss and LAE Ratio	38.7%	33.9%	40.7%	32.0%

Six Months Ended June 30, 2019 Compared to the Same Period in 2018

Earned premiums on property insurance decreased by $1.0 million in 2019, compared to 2018. Incurred losses and LAE on property insurance were $13.3 million, or 38.7% of property insurance earned premiums, in 2019, compared to $12.0 million, or 33.9% of property insurance earned premiums, in 2018. Current year non-catastrophe losses and LAE on property insurance were $9.8 million, or 28.6% of property insurance earned premiums, in 2019, compared to $9.6 million, or 27.1% of property insurance earned premiums, in 2018, an increase of 1.5 percentage points due primarily to higher frequency of claims and severity of losses. Catastrophe losses and LAE (excluding development) were $2.1 million in 2019, compared to $1.3 million in 2018. Adverse loss and LAE reserve development was $1.4 million in 2019, compared to $1.1 million in 2018.

Three Months Ended June 30, 2019 Compared to the Same Period in 2018

Earned premiums on property insurance decreased by $0.6 million in 2019, compared to 2018. Incurred losses and LAE on property insurance were $7.0 million, or 40.7% of property insurance earned premiums, in 2019, compared to $5.7 million, or 32.0% of property insurance earned premiums, in 2018. Current year non-catastrophe losses and LAE on property insurance were $4.7 million, or 27.3% of property insurance earned premiums, in 2019, compared to $4.5 million, or 25.2% of property insurance earned premiums, in 2018, an increase of 2.1 percentage points due primarily to higher frequency of claims and severity of losses. Catastrophe losses and LAE (excluding development) were $1.8 million in 2019, compared to $1.1 million in 2018. Adverse loss and LAE reserve development was $0.5 million in 2019, compared to $0.1 million in 2018.

Investment Results

Investment Income

Net Investment Income

Net Investment Income for the six and three months ended June 30, 2019 and 2018 was:

	Six Months Ended		Three Months Ended	
(Dollars in Millions)	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Investment Income:				
Interest on Fixed Income Securities	$ 152.0	$ 126.8	$ 75.6	$ 64.4
Dividends on Equity Securities Excluding Alternative Investments	9.4	4.5	6.9	2.6
Alternative Investments:				
Equity Method Limited Liability Investments	(1.0)	8.5	2.6	1.4
Limited Liability Investments Included in Equity Securities	7.7	9.1	5.1	5.2
Total Alternative Investments	6.7	17.6	7.7	6.6
Short-term Investments	4.4	2.0	2.6	1.2
Loans to Policyholders	11.0	11.0	5.7	5.5
Real Estate	4.7	4.8	2.2	2.4
Other	0.3	0.4	0.3	0.4
Total Investment Income	188.5	167.1	101.0	83.1
Investment Expenses:				
Real Estate	4.7	4.9	2.3	2.6
Other Investment Expenses	5.1	4.6	2.7	2.1
Total Investment Expenses	9.8	9.5	5.0	4.7
Net Investment Income	$ 178.7	$ 157.6	$ 96.0	$ 78.4

Net Investment Income was $178.7 million and $157.6 million for the six months ended June 30, 2019 and 2018, respectively. Net Investment Income increased by $21.1 million in 2019 due primarily to a higher investment base with the addition of the Infinity investment portfolio of approximately $1,668.1 million as of July 2018 and throughout the first six months of 2019, as compared to the first six months of 2018, which excluded such investments, partially offset by a lower rate of return from Alternative Investments.

Net Investment Income was $96.0 million and $78.4 million for the three months ended June 30, 2019 and 2018, respectively. Net Investment Income increased by $17.6 million in 2019 due primarily to a higher investment base with the addition of the Infinity investment portfolio as of July 2018 and through out the first six months of 2019 , as compared to the first three months of 2018, which excluded such investments.

Investment Results (continued)

Total Comprehensive Investment Gains (Losses)

The components of Total Comprehensive Investment Gains (Losses) for the six and three months ended June 30, 2019 and 2018 were:

(Dollars in Millions)	Six Months Ended Jun 30, 2019	Six Months Ended Jun 30, 2018	Three Months Ended Jun 30, 2019	Three Months Ended Jun 30, 2018
Recognized in Condensed Consolidated Statements of Income:				
Income from Change in Fair Value of Equity and Convertible Securities	$ 89.9	$ 1.1	$ 25.5	$ 0.4
Gains on Sales	42.1	10.5	23.4	5.8
Losses on Sales	(4.7)	(4.1)	(2.1)	(2.0)
Net Impairment Losses Recognized in Earnings	(10.3)	(0.5)	(6.7)	—
Net Gains Recognized in Condensed Consolidated Statements of Income	117.0	7.0	40.1	4.2
Recognized in Other Comprehensive Income (Loss)	322.1	(181.9)	159.3	(59.6)
Total Comprehensive Investment Gains (Losses)	$ 439.1	$ (174.9)	$ 199.4	$ (55.4)

Income from Change in Fair Value of Equity and Convertible Securities

The components of Income from Change in Fair Value of Equity and Convertible Securities for the six and three months ended June 30, 2019 and 2018 were:

(Dollars in Millions)	Six Months Ended Jun 30, 2019	Six Months Ended Jun 30, 2018	Three Months Ended Jun 30, 2019	Three Months Ended Jun 30, 2018
Preferred Stocks	$ 4.2	$ (2.6)	$ 1.1	$ (1.0)
Common Stocks	1.6	0.2	0.3	0.2
Other Equity Interests:				
Exchange Traded Funds	79.3	(3.3)	23.0	(1.0)
Limited Liability Companies and Limited Partnerships	1.3	6.8	0.6	2.2
Total Other Equity Interests	80.6	3.5	23.6	1.2
Income from Change in Fair Value of Equity Securities	86.4	1.1	25.0	0.4
Income from Change in Fair Value of Convertible Securities	3.5	—	0.5	—
Income from Change in Fair Value of Equity and Convertible Securities	$ 89.9	$ 1.1	$ 25.5	$ 0.4

Investment Results (continued)

Net Realized Gains on Sales of Investments

The components of Net Realized Gains on Sales of Investments for the six and three months ended June 30, 2019 and 2018 were:

	Six Months Ended		Three Months Ended	
(Dollars in Millions)	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Fixed Maturities:				
Gains on Sales	$ 37.8	$ 5.3	$ 22.7	$ 1.2
Losses on Sales	(4.5)	(4.0)	(1.9)	(1.9)
Equity Securities:				
Gains on Sales	4.3	5.2	0.7	4.6
Losses on Sales	(0.2)	—	(0.2)	—
Other:				
Losses on Sales	—	(0.1)	—	(0.1)
Net Realized Gains on Sales of Investments	$ 37.4	$ 6.4	$ 21.3	$ 3.8
Gross Gains on Sales	$ 42.1	$ 10.5	$ 23.4	$ 5.8
Gross Losses on Sales	(4.7)	(4.1)	(2.1)	(2.0)
Net Realized Gains on Sales of Investments	$ 37.4	$ 6.4	$ 21.3	$ 3.8

Net Impairment Losses Recognized in Earnings

The Company regularly reviews its investment portfolio for factors that may indicate that a decline in the fair value of an investment is other than temporary. Losses arising from other-than-temporary declines in fair values are reported in the Condensed Consolidated Statements of Income in the period that the declines are determined to be other than temporary. The components of Net Impairment Losses Recognized in Earnings in the Condensed Consolidated Statements of Income for the six and three months ended June 30, 2019 and 2018 were:

	Six Months Ended				Three Months Ended			
	Jun 30, 2019		Jun 30, 2018		Jun 30, 2019		Jun 30, 2018	
(Dollars in Millions)	Amount	Number of Issuers	Amount	Number of Issuers	Amount	Number of Issuers	Amount	Number of Issuers
Fixed Maturities	$ (9.9)	7	$ (0.3)	1	$ (6.3)	2	$ —	—
Equity Securities	(0.4)	1	(0.2)	2	(0.4)	1	—	—
Net Impairment Losses Recognized in Earnings	$ (10.3)		$ (0.5)		$ (6.7)		$ —	

Investment Quality and Concentrations

The Company's fixed maturity investment portfolio is comprised primarily of high-grade municipal, corporate and agency bonds. At June 30, 2019, 92% of the Company's fixed maturity investment portfolio was rated investment-grade, which the Company defines as a security issued by a high quality obligor with at least a relatively stable credit profile and where it is highly likely that all contractual payments of principal and interest will timely occur and carry a rating from the National Association of Insurance Commissioners ("NAIC") of 1 or 2. Securities with a rating of 1 or 2 from the NAIC typically are rated by one of more Nationally Recognized Statistical Rating Organizations and either have a rating of AAA, AA, A or BBB from Standard & Poor's ("S&P"); a rating of Aaa, Aa, A or Baa from Moody's Investors Service ("Moody's"); or a rating of AAA, AA, A or BBB from Fitch Ratings.

Investment Quality and Concentrations (continued)

The following table summarizes the credit quality of the Company's fixed maturity investment portfolio at June 30, 2019 and December 31, 2018:

		Jun 30, 2019		Dec 31, 2018	
NAIC Rating	Rating	Fair Value in Millions	Percentage of Total	Fair Value in Millions	Percentage of Total
1	AAA, AA, A	$ 4,204.6	64.3%	$ 4,156.6	64.7%
2	BBB	1,803.9	27.6	1,752.6	27.3
3-4	BB, B	386.1	5.9	333.7	5.2
5-6	CCC or Lower	145.6	2.2	181.3	2.8
Total Investments in Fixed Maturities		$ 6,540.2	100.0%	$ 6,424.2	100.0%

Gross unrealized losses on the Company's investments in below-investment-grade fixed maturities were $7.8 million and $17.1 million at June 30, 2019 and December 31, 2018, respectively.

The following table summarizes the fair value of the Company's investments in governmental fixed maturities at June 30, 2019 and December 31, 2018:

	Jun 30, 2019		Dec 31, 2018	
(Dollars in Millions)	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
U.S. Government and Government Agencies and Authorities	$ 854.9	9.7%	$ 865.7	10.7%
States and Political Subdivisions:				
States	470.9	5.3	479.7	5.9
Political Subdivisions	136.5	1.5	147.8	1.8
Revenue Bonds	909.0	10.3	991.6	12.3
Foreign Governments	15.3	0.2	5.9	0.1
Total Investments in Governmental Fixed Maturities	$ 2,386.6	27.0%	$ 2,490.7	30.8%

The following table summarizes the fair value of the Company's investments in non-governmental fixed maturities by industry at June 30, 2019 and December 31, 2018.

	Jun 30, 2019		Dec 31, 2018	
(Dollars in Millions)	Fair Value	Percentage of Total Investments	Fair Value	Percentage of Total Investments
Finance, Insurance and Real Estate	$ 1,322.2	15.0%	$ 1,269.3	15.7%
Manufacturing	1,276.1	14.4	1,270.0	15.7
Services	561.1	6.3	516.4	6.4
Transportation, Communication and Utilities	553.0	6.3	449.0	5.6
Retail Trade	182.1	2.1	164.8	2.0
Mining	156.1	1.8	158.6	2.0
Wholesale Trade	74.5	0.8	78.4	1.0
Agriculture, Forestry and Fishing	14.3	0.2	13.7	0.2
Other	14.2	0.2	13.3	0.2
Total Investments in Non-governmental Fixed Maturities	$ 4,153.6	47.1%	$ 3,933.5	48.8%

Investment Quality and Concentrations (continued)

The following table summarizes the fair value of the Company's investments in non-governmental fixed maturities by range of amount invested at June 30, 2019.

(Dollars in Millions)	Number of Issuers	Aggregate Fair Value
Below $5	443	$ 975.9
$5 -$10	179	1,231.5
$10 - $20	102	1,411.9
$20 - $30	21	501.1
Greater Than $30	1	33.2
Total	746	$ 4,153.6

The Company's short-term investments primarily consist of U.S. treasury bills, money market funds and overnight interest bearing accounts. At June 30, 2019, the Company had $383.9 million invested in U.S. treasury bills, $234.0 million invested in money market funds which primarily invest in U.S. Treasury securities and $24.6 million invested in overnight interest bearing accounts with one of the Company's custodial banks.

The following table summarizes the fair value of the Company's ten largest investment exposures, excluding investments in U.S. Government and Government Agencies and Authorities and Short-term Investments, at June 30, 2019:

(Dollars in Millions)	Fair Value	Percentage of Total Investments
Fixed Maturities:		
States including their Political Subdivisions:		
Texas	$ 125.5	1.4%
Georgia	94.1	1.1
Colorado	76.1	0.9
Louisiana	73.6	0.8
Michigan	69.3	0.8
California	64.7	0.7
Equity Securities at Fair Value—Other Equity Interests:		
Vanguard Long-Term Corp Bond ETF	101.4	1.1
iShares® Core MSCI Total International Stock ETF	76.9	0.9
iShares Long-Term Corporate Bond ETF	66.6	0.8
Vanguard Total Stock Market ETF	65.0	0.7
Total	$ 813.2	9.2%

Investments in Limited Liability Companies and Limited Partnerships

The Company owns investments in various limited liability investment companies and limited partnerships that primarily invest in mezzanine debt, hedge funds and distressed debt. The Company's investments in these limited liability investment companies and limited partnerships are reported either as Equity Method Limited Liability Investments, Other Equity Interests and included in Equity Securities at Fair Value, or Equity Securities at Modified Cost depending on the accounting method used to report the investment. Additional information pertaining to these investments at June 30, 2019 and December 31, 2018 is presented below.

Asset Class	Unfunded Commitment in Millions Jun 30, 2019	Reported Value in Millions Jun 30, 2019	Reported Value in Millions Dec 31, 2018
Reported as Equity Method Limited Liability Investments at Cost Plus Cumulative Undistributed Earnings:			
Mezzanine Debt	$ 61.5	$ 126.2	$ 99.6
Senior Debt	21.3	16.6	15.4
Distressed Debt	—	28.3	34.5
Secondary Transactions	15.5	16.6	21.2
Leveraged Buyout	—	0.1	4.2
Growth Equity	—	5.3	5.4
Real Estate	—	20.0	—
Other	—	6.6	6.7
Total Equity Method Limited Liability Investments	98.3	219.7	187.0
Reported as Other Equity Interests at Fair Value:			
Mezzanine Debt	103.3	120.4	111.7
Senior Debt	20.7	41.3	34.3
Distressed Debt	12.2	14.6	14.5
Secondary Transactions	7.1	5.7	6.7
Hedge Funds	—	3.1	14.7
Leveraged Buyout	2.4	4.6	4.2
Other	5.9	6.8	5.9
Total Reported as Other Equity Interests at Fair Value	151.6	196.5	192.0
Reported as Equity Securities at Modified Cost:			
Mezzanine Debt	—	1.5	1.5
Other	0.1	16.6	22.1
Total Reported as Equity Securities at Modified Cost	0.1	18.1	23.6
Total Investments in Limited Liability Companies and Limited Partnerships	$ 250.0	$ 434.3	$ 402.6

The Company expects that it will be required to fund its commitments over the next several years.

Insurance Expenses and Interest and Other Expenses

Insurance Expenses and Interest and Other Expenses for the six and three months ended June 30, 2019 and 2018 were:

	Six Months Ended		Three Months Ended	
(Dollars in Millions)	Jun 30, 2019	Jun 30, 2018	Jun 30, 2019	Jun 30, 2018
Insurance Expenses:				
Commissions	$ 357.8	$ 233.4	$ 183.8	$ 123.1
General Expenses	137.8	88.6	75.4	42.9
Taxes, Licenses and Fees	49.7	30.6	24.5	16.1
Total Costs Incurred	545.3	352.6	283.7	182.1
Policy Acquisition Costs:				
Deferred	(249.7)	(202.6)	(120.9)	(106.1)
Amortized	199.0	179.5	99.2	93.7
Net Policy Acquisition Costs Amortized	(50.7)	(23.1)	(21.7)	(12.4)
Amortization of VOBA	3.7	1.8	1.5	1.5
Insurance Expenses	498.3	331.3	263.5	171.2
Interest Expense	23.3	15.9	11.8	8.0
Other Expenses:				
Loss on Cash Flow Hedge	—	0.2	—	—
Acquisition Related Transaction, Integration and Other Costs	6.8	9.8	1.2	3.6
Other	49.3	28.8	25.0	14.1
Other Expenses	56.1	38.8	26.2	17.7
Interest and Other Expenses	79.4	54.7	38.0	25.7
Total Expenses	$ 577.7	$ 386.0	$ 301.5	$ 196.9

Insurance Expenses were $498.3 million for the six months ended June 30, 2019, compared to $331.3 million for the same period in 2018. Insurance Expenses increased by $167.0 million in 2019, of which $142.3 million was due to the inclusion of Infinity. Insurance Expenses on Kemper's legacy business increased due primarily to business growth.

Insurance Expenses were $263.5 million for the three months ended June 30, 2019, compared to $171.2 million for the same period in 2018. Insurance Expenses increased by $92.3 million in 2019, of which $77.3 million was due to the inclusion of Infinity. Insurance Expenses on Kemper's legacy business increased due primarily to growth of business, partially offset by cost reduction initiatives.

Interest and Other Expenses was $79.4 million for the six months ended June 30, 2019, compared to $54.7 million for the same period in 2018. Interest expense increased by $7.4 million in 2019 due primarily to the assumption of Infinity's debt. See MD&A, "Liquidity and Capital Resources," and Note 5, "Debt," to the Condensed Consolidated Financial Statements for additional discussion of debt activity. Other expenses increased by $17.3 million in 2019 due primarily to an increase in Other Expenses including compensation related costs and professional fees.

Interest and Other Expenses was $38.0 million for the three months ended June 30, 2019, compared to $25.7 million for the same period in 2018. Interest expense increased by $3.9 million in 2019 due primarily to the assumption of Infinity's debt. See MD&A, "Liquidity and Capital Resources," and Note 5, "Debt," to the Condensed Consolidated Financial Statements for additional discussion of debt activity. Other expenses increased by $8.4 million in 2019 due primarily to an increase in Other Expenses including compensation related costs and professional fees.

Income Taxes

The federal corporate statutory income tax rate was 21% for the six months ended June 30, 2019 and June 30, 2018. The Company's effective income tax rate from continuing operations differs from the federal corporate income tax rate due primarily to tax-exempt investment income, dividends received deductions, a permanent difference between the amount of long-term equity-based equity compensation expense recognized under GAAP and the amount deductible in the computation of Federal taxable income, and a permanent difference associated with nondeductible executive compensation.

Tax-exempt investment income and dividends received deductions collectively were $10.5 million for the six months ended June 30, 2019, compared to $9.9 million for the same period in 2018. Tax-exempt investment income and dividends received deductions collectively were $5.2 million for the three months ended June 30, 2019, compared to $5.1 million for the same period in 2018.

The amount of expense recognized for long-term equity-based compensation expense under U.S. GAAP was $17.6 million lower than the amount that would be deductible under the Internal Revenue Code (the "IRC") for the six months ended June 30, 2019, compared to $4.0 million lower for the same period in 2018. The amount of expense recognized for long-term equity-based compensation expense under U.S. GAAP was $16.6 million lower than the amount that would be deductible under the IRC for the three months ended June 30, 2019, compared to $1.8 million lower for the same period in 2018.

The amount of nondeductible executive compensation was $2.9 million and $1.5 million for the six and three months ended June 30, 2019, respectively.

Recently Issued Accounting Pronouncements

The Company has adopted all recently issued accounting pronouncements with effective dates prior to July 1, 2019. Other than the adoption of ASU 2016-02, 2016-02, *Leases—(Topic 842),* as discussed in Note 1, "Basis of Presentation," to the Condensed Consolidated Financial Statements, the impact of adopting new accounting guidance was not material. With the possible exceptions of (i) ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, (ii) ASU 2018-12, *Financial Services—Insurance (Topic 944):Targeted Improvements to the Accounting for Long-Duration Contracts*, (iii) ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments,* and (iv) ASU 2019-05, *Financial Instruments—Credit Losses (Topic 326): Targeted Transition Relief*, the Company does not expect the adoption of all other recently issued accounting pronouncements with effective dates after June 30, 2019 to have a material impact on the Company's financial statements and/or disclosures. See Note 1, "Basis of Presentation," to the Condensed Consolidated Financial Statements for additional discussion of recently adopted accounting pronouncements.

Liquidity and Capital Resources

Common Stock Offering

On June 7, 2019 the Company completed a public offering (the "Offering") and issued 1,552,500 shares of common stock, at $83.00 per share. Gross proceeds from the Offering were $128.9 million. Transaction costs, including the underwriting discount, were $1.7 million, of which $0.3 million was accrued for and reflected in Accrued Expenses and Other Liabilities on the Company's Condensed Consolidated Balance Sheet at June 30, 2019. The Company used the net proceeds of $127.2 million, together with a portion of the proceeds from the New Term Loan (see Note 5, Debt) to redeem all $150.0 million in aggregate outstanding principal of its 7.375% Subordinated Debentures due 2054, in July 2019.

Amended and Extended Credit Agreement and Term Loan Facility

On June 8, 2018, the Company entered into an amended and extended credit agreement and term loan facility. The amended and extended credit agreement increased the borrowing capacity of the existing unsecured credit agreement to $300.0 million and extended the maturity date to June 8, 2023. The term loan facility included a delayed draw feature with borrowing capacity of $250.0 million and a maturity date two years from the borrowing date (see discussion below under the heading, "Repayment of Term Loan Due 2020," for additional information regarding the initial borrowing and subsequent repayment of this delayed-draw term loan). Furthermore, the amended and extended credit agreement provided for an accordion feature whereby the Company can increase either the revolving credit or term loan borrowing capacity by $100.0 million. On June 4, 2019, the Company utilized the accordion feature under its credit agreement to increase its revolving credit borrowing capacity by $100.0 million resulting in the available revolving credit commitments increasing from $300.0 million to $400.0 million. The Company incurred $0.1 million in additional debt issuance costs in connection with the utilization of the accordion feature, which, in addition to the $1.1 million of remaining unamortized costs under the revolving credit agreement, will be amortized under the remaining term of the revolving credit agreement. There were no outstanding borrowings under the revolving credit agreement at either June 30, 2019 or December 31, 2018.

Long-term Debt

The Company designates debt obligations as either short-term or long-term based on maturity date at issuance, or in the case of the 2022 Senior Notes, based on the date of assumption. Total amortized cost of Long-term Debt outstanding at June 30, 2019 and December 31, 2018 was:

(Dollars in Millions)	Jun 30, 2019	Dec 31, 2018
Term Loan due June 29, 2020	$ —	$ 34.9
5.0% Senior Notes due September 19, 2022	280.6	281.5
4.35% Senior Notes due February 15, 2025	448.5	448.4
7.375% Subordinated Debentures due February 27, 2054	144.2	144.2
Total Long-term Debt Outstanding	$ 873.3	$ 909.0

Repayment of Term Loan Due 2020

On June 29, 2018, the Company borrowed $250.0 million under its delayed-draw term loan facility dated June 8, 2018, to facilitate the funding of the acquisition of Infinity. The proceeds from the term loan facility, net of debt issuance costs, were $249.4 million. On December 28, 2018, the Company repaid $215.0 million of the outstanding term loan. On May 31, 2019, the remaining outstanding balance of $35.0 million was repaid.

Term Loan Due 2023

On June 4, 2019, the Company entered into a delayed-draw term loan facility with a borrowing capacity of $50.0 million and a maturity date four years from the borrowing date (the "2023 Term Loan"). The 2023 Term Loan was undrawn at June 30, 2019. On July 5, 2019, the Company borrowed $50.0 million with the final maturity date of July 5, 2023, with a mutual option to extend the maturity date by one year.

5.0% Senior Notes Due 2022

Infinity's liabilities at the acquisition date included $275.0 million principal amount, 5.0% Senior Notes due September 19, 2022 ("2022 Senior Notes"). The 2022 Senior Notes were recorded at fair value as of the acquisition date, $282.1 million, with the $7.1 million premium being amortized as a reduction to interest expense over the remaining term, resulting in an effective interest rate of 4.36%. On November 30, 2018, Kemper executed a guarantee to fully and unconditionally guarantee the payment and performance obligations of the 2022 Senior Notes.

4.35 % Senior Notes Due 2025

Kemper has $450.0 million of 4.35% senior notes due February 15, 2025 (the "2025 Senior Notes") outstanding as of June 30, 2019. Kemper initially issued $250.0 million of the notes in February of 2015 and issued an additional $200 million of the notes in June of 2017. The additional notes are fungible with the initial notes issued in 2015, and together are treated as part of a single series for all purposes under the indenture governing the 2025 Senior Notes. The 2025 Senior Notes are unsecured and may be redeemed in whole at any time or in part from time to time at Kemper's option at specified redemption prices.

Redemption of 7.375% Subordinated Debentures Due 2054

On June 7, 2019, Kemper issued a notice of redemption for the entire $150.0 million aggregate principal outstanding of its 7.375% Subordinated Debentures due 2054 (the “7.375% Subordinated Debentures”) at a redemption price equal to 100% of their principal, plus accrued and unpaid interest on the redemption date. On July 8, 2019, Kemper completed the redemption, and the 7.375% Subordinated Debentures were repaid in full. The Company expects to recognize a loss on early extinguishment of debt of $5.8 million in its third quarter Condensed Consolidated Statement of Operations.

The Company used the proceeds received from the Company’s June 7, 2019 common stock offering, as well as, a portion of the proceeds from its July 5, 2019 borrowing under the 2023 Term Loan, to repay the 7.375% Subordinated Debentures. See to Note 5, “Debt,” and Note 9, “Stockholders’ Equity,” to the Condensed Consolidated Financial Statements for additional information.

Collateralized Investment Borrowings

Kemper’s subsidiaries, United Insurance Company of America (“United Insurance”) and Trinity Universal Insurance Company (“Trinity”), are members of the Federal Home Loan Bank (“FHLB”) of Chicago and Dallas, respectively. As a requirement of membership in the FHLB, United Insurance and Trinity maintain a certain level of investment in FHLB common stock and additional amounts based on the level of outstanding borrowings. The Company’s investment in FHLB common stock are reported at cost and included in Equity Securities at Modified Cost. The carrying value of FHLB of Chicago common stock was $3.1 million and $0.8 million at June 30, 2019 and December 31, 2018, respectively. The carrying value of FHLB of Dallas common stock was $3.3 million at both June 30, 2019 and December 31, 2018.

In March of 2018, United Insurance received advances of $10.0 million from the FHLB of Chicago. These advances, made in connection with the start-up of the Company’s Collateralized Investment Borrowing program, were collateralized by U.S Government Agency securities held in a custodial account with the FHLB of Chicago with a fair value of $15.7 million at December 31, 2018. These advances were repaid in March of 2019.

United Insurance had outstanding advances from the FHLB of Chicago totaling $155.0 million at June 30, 2019. These advances were made in connection with the Company’s Collateralized Investment Borrowing program. The proceeds related to these advances were used to purchase fixed maturity securities to earn incremental net investment income. With respect to these advances, United Insurance held pledged securities in a custodial account with the FHLB of Chicago with a fair value of $177.6 million at June 30, 2019. The fair value of the collateral pledged must be maintained at certain specified levels above the borrowed amount, which can vary depending on the assets pledged. If the fair value of the collateral declines below these specified levels of the amount borrowed, United Insurance would be required to pledge additional collateral or repay outstanding borrowings.

See Note 5, Debt, to the Condensed Consolidated Financial Statements.

Subsidiary Dividends and Capital Contributions

Various state insurance laws restrict the ability of Kemper’s insurance subsidiaries to pay dividends without regulatory approval. Such insurance laws generally restrict the amount of dividends paid in an annual period to the greater of statutory net income from the previous year or 10% of statutory capital and surplus. Kemper made an $85 million capital contribution to one of its insurance subsidiaries during the first six months of 2019 and Kemper’s direct insurance subsidiaries paid $244 million in dividends to Kemper during the first six months of 2019. Kemper estimates that its direct insurance subsidiaries would be able to pay approximately $82 million in additional dividends to Kemper during the remainder of 2019 without prior regulatory approval.

Dividends to Shareholders

Kemper paid a quarterly dividend to shareholders of $0.25 per common share in the second quarter of 2019. Dividends and dividend equivalents paid were $32.8 million for the six months ended June 30, 2019.

Sources and Uses of Funds

Kemper directly held cash and investments totaling $312.7 million at June 30, 2019, compared to $100.6 million at December 31, 2018. A portion of the cash and investments held by Kemper at June 30, 2019 were used to repay the outstanding principal balance of $150.0 million, plus accrued interest, related to the Company’s 7.375% Subordinated Debentures on July 8, 2019.

Liquidity and Capital Resources (continued)

The primary sources of funds available for the repayment of the Company's indebtedness, repurchases of common stock, future shareholder dividend payments and the payment of interest on Kemper's senior notes, subordinated debentures and term loan, include cash and investments directly held by Kemper, receipt of dividends from Kemper's insurance subsidiaries and borrowings under the credit agreement and from subsidiaries.

The primary sources of funds for Kemper's insurance subsidiaries are premiums, investment income, proceeds from the sales and maturity of investments, advances from the FHLBs of Dallas and Chicago, and capital contributions from Kemper. The primary uses of funds are the payment of policyholder benefits under life insurance contracts, claims under property and casualty insurance contracts and accident and health insurance contracts, the payment of commissions and general expenses, the purchase of investments and repayments of advances from the FHLBs of Dallas and Chicago. Generally, there is a time lag between when premiums are collected and when policyholder benefits and insurance claims are paid.

In 2016, the Company's Life & Health segment voluntarily began implementing a comprehensive process under which it cross-references its life insurance policies against death verification databases to identify potential instances where the beneficiaries may not have filed a claim following the death of an insured and initiate an outreach process to identify and contact beneficiaries and settle claims.

During periods of growth, property and casualty insurance companies typically experience positive operating cash flows and are able to invest a portion of their operating cash flows to fund future policyholder benefits and claims. During periods in which premium revenues decline, insurance companies may experience negative cash flows from operations and may need to sell investments to fund payments to policyholders and claimants. In addition, if the Company's property and casualty insurance subsidiaries experience several significant catastrophic events over a relatively short period of time, investments may have to be sold in advance of their maturity dates to fund payments, which could result in either investment gains or losses. Management believes that its property and casualty insurance subsidiaries maintain adequate levels of liquidity in the event that they were to experience several future catastrophic events over a relatively short period of time.

Net Cash Provided by Operating Activities was $236.5 million for the six months ended June 30, 2019, compared to $191.4 million for the same period in 2018.

Net Cash provided by Financing Activities was $206.4 million for the six months ended June 30, 2019, compared to net cash used of $344.6 million for the same period in 2018. Net proceeds from Collateralized Investment Borrowings provided $145.1 million of cash for the six months ended June 30, 2019. Net proceeds from borrowing under the term loan facility provided $249.4 million of cash for the six months ended June 30, 2018. Kemper used $32.8 million of cash to pay dividends for the six months ended June 30, 2019, compared to $24.9 million of cash used to pay dividends in the same period of 2018. The quarterly dividend rate was $0.25 per common share for the first and second quarter of 2019 and $0.24 for each quarter of 2018.

Cash available for investment activities in total is dependent on cash flow from Operating Activities and Financing Activities and the level of cash the Company elects to maintain. Net Cash Used by Investing Activities was $413.6 million for the six months ended June 30, 2019, compared to Net Cash Provided by Investing Activities of $68.2 million for the same period in 2018. Short-term investments investing activities used $353.4 million of cash for the six months ended June 30, 2019, compared to providing $67.6 million of cash for the same period in 2018. Fixed Maturities investing activities provided cash of $237.5 million for the six months ended June 30, 2019, compared to using $26.2 million of cash for the same period in 2018. Equity and Convertible Securities investing activities used net cash of $149.0 million for the six months ended June 30, 2019, compared to net cash used of $61.0 million for the same period in 2018. Equity Method Limited Liability Investments investing activities used net cash of $37.9 million for the six months ended June 30, 2019, compared to net cash used of $6.4 million for the same period in 2018. Net cash used for the acquisition and development of software and long-lived assets was $30.7 million for the six months ended June 30, 2019, compared to $32.8 million for the same period in 2018.

Critical Accounting Estimates

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

Critical Accounting Estimates (continued)

The Company's critical accounting policies most sensitive to estimates include the valuation of investments, the valuation of reserves for property and casualty insurance incurred losses and LAE, the assessment of recoverability of goodwill and the valuation of pension benefit obligations. The Company's critical accounting policies are described in the MD&A included in the 2018 Annual Report. There has been no material changes to the information disclosed in the 2018 Annual Report with respect to these critical accounting estimates and the Company's critical accounting policies except for the classification and measurement of equity investments as discussed further below.

Equity Investments

Equity investments include common stocks, non-redeemable preferred stocks, exchange traded funds, money market mutual funds and limited liability companies and investment partnerships in which the Company's interests are deemed minor. Equity investments with readily determinable fair values are recorded at fair value on the Consolidated Balance Sheet with changes in fair value reported as Income (Loss) from Change in Fair Value of Equity and Convertible Securities. Dividend income on investments in common and non-redeemable preferred stocks is recognized on the ex-dividend date. The Company holds certain equity investments without readily determinable fair values at cost, less impairment, if any, plus or minus changes resulting from observable price changes in orderly transaction for the identical or a similar investment of the same issuer on the Consolidated Balance Sheet as Equity Securities at Modified Cost. Changes in carrying value of Modified Cost investments due to observable price changes are recorded as Income (Loss) from Change in Fair Value of Equity Securities.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the Company's disclosures about market risk in Item 7, "Quantitative and Qualitative Disclosures About Market Risk of Part II of the 2018 Annual Report. Accordingly, no disclosures about market risk have been made in Item 3 of this Form 10-Q.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

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

(b) Changes in internal controls.

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

PART II - OTHER INFORMATION

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

Item 1. Legal Proceedings

Information concerning pending legal proceedings is incorporated herein by reference to Note 14, “Contingencies,” to the Condensed Consolidated Financial Statements in Part I of this Form 10-Q.

Item 1A. Risk Factors

Except for the deletion in its entirety of the risk factor entitled “*To be successful, the combined company following the Infinity Merger must retain and motivate key employees, including those experienced with post-acquisition integration, and failure to do so could seriously harm the combined company.*” and the addition of the risk factor below, that was previously included in Item 1A. of Part II, of the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2019, there were no significant changes in the risk factors included in Item 1A. of Part I of the 2018 Annual Report.

Risk Factor Added

To realize all of the anticipated results contemplated by the Infinity Merger, the combined company must complete the successful integration of the Kemper and Infinity business operations, and failure to do so could prevent the Company from achieving the full benefits it had expected in connection with the Infinity Merger.

The success of the integration, and of the combined company following the Infinity Merger, has been substantially dependent on the skills, experience and efforts of management and other key personnel for each of Kemper and Infinity. Although the dependency on specific individuals, including senior management of Infinity, has decreased since the date of the acquisition as the businesses have been integrated, the Company will need to continue to devote significant management attention and resources to the integration of the operations of the businesses. There is no assurance that key managers will remain with the Company, and it is possible that unforeseen expenses or delays may occur in connection with particular integration efforts. The anticipated benefits, including synergies, cost savings and growth opportunities, may not be achieved within the expected time frames, or at all. As a result, Kemper cannot assure shareholders that the Company will realize the full benefits anticipated from the Infinity Merger.

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

On August 6, 2014, Kemper’s Board of Directors authorized the repurchase of up to $300 million of Kemper’s common stock. As of June 30, 2019, the remaining share repurchase authorization was $243.7 million under the repurchase program. The Company did not repurchase any shares during the three months ended June 30, 2019.

Item 6. Exhibits

The Exhibit Index that follows has been filed as part of this report. Exhibit numbers correspond to the numbering system in Item 601 of Regulation S-K.

Exhibit Index

The following exhibits are either filed as a part hereof or are incorporated by reference. Exhibit numbers followed by an asterisk (*) indicate exhibits that are management contracts or compensatory plans or arrangements.

		Incorporated by Reference				
Exhibit Number	Exhibit Description	Form	File Number	Exhibit	Filing Date	Filed or Furnished Herewith
10.1*	Non- Employee Director Restricted Stock Unit Award Agreement	8-K	001-18298	10.1	May 1, 2019	
10.2	Term Loan Credit Agreement, dated as of June 4, 2019	8-K	001-18298	10.1	June 7, 2019	
31.1	Certification of Chief Executive Officer Pursuant to SEC Rule 13a-14(a)					X
31.2	Certification of Chief Financial Officer Pursuant to SEC Rule 13a-14(a)					X
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished pursuant to Item 601(b)(32) of Regulation S-K)					X
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished pursuant to Item 601(b)(32) of Regulation S-K)					X
101.1	XBRL Instance Document					X
101.2	XBRL Taxonomy Extension Schema Document					X
101.3	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.4	XBRL Taxonomy Extension Label Linkbase Document					X
101.5	XBRL Taxonomy Extension Presentation Linkbase Document					X
101.6	XBRL Taxonomy Extension Definition Linkbase Document					X

Signatures

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

Kemper Corporation

Date: August 5, 2019	/S/ JOSEPH P. LACHER, JR.
	Joseph P. Lacher, Jr.
	President and Chief Executive Officer **(Principal Executive Officer)**
Date: August 5, 2019	/S/ JAMES J. MCKINNEY
	James J. McKinney
	Executive Vice President and Chief Financial Officer **(Principal Financial Officer)**
Date: August 5, 2019	/S/ RICHARD ROESKE
	Richard Roeske
	Vice President and Chief Accounting Officer **(Principal Accounting Officer)**

Exhibit 31.1

CERTIFICATIONS

I, Joseph P. Lacher, Jr., certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2019

/S/ JOSEPH P. LACHER, JR.

Joseph P. Lacher, Jr.
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, James J. McKinney, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 5, 2019

/S/ JAMES J. MCKINNEY

James J. McKinney
Executive Vice President and Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Kemper Corporation (the "Company") for the quarterly period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Joseph P. Lacher, Jr., as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

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

/S/ JOSEPH P. LACHER, JR.

Name:	Joseph P. Lacher, Jr.
Title:	President and Chief Executive Officer
Date:	August 5, 2019

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Kemper Corporation (the "Company") for the quarterly period ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), James J. McKinney, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

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

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

	/S/ JAMES J. MCKINNEY
Name:	James J. McKinney
Title:	Executive Vice President and Chief Financial Officer
Date:	August 5, 2019