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KEMPER

Press Release

Kemper Reports Strong Fourth Quarter and Full Year 2019 Operating Results

CHICAGO, February 10, 2020 — Kemper Corporation (NYSE: KMPR) reported net income of $124.7 million, or $1.85 per diluted share, for the fourth quarter of 2019, compared to $6.5 million, or $0.10 per diluted share, for the fourth quarter of 2018. In the fourth quarter of 2019, net income included a $30.9 million after-tax gain, or $0.46 per diluted share, attributable to the change in fair value of equity and convertible securities. As adjusted for the acquisition of Infinity Property and Casualty Corporation ("as adjusted")[1], net income was $129.1 million, or $1.92 per diluted share, for the fourth quarter of 2019, compared to $27.0 million, or $0.41 per diluted share, for the fourth quarter of 2018.

Adjusted consolidated net operating income[1] was $97.9 million, or $1.45 per diluted share, for the fourth quarter of 2019, compared to $59.9 million, or $0.91 per diluted share, for the fourth quarter of 2018. These results increased primarily from the continued profitable growth in the Specialty Property & Casualty Insurance segment and Life & Health earnings.

Highlights of the quarter include:

- *Consolidated earned premiums increased by 8 percent, or $82.2 million in the quarter*
- *Specialty Property & Casualty Insurance segment's earned premiums increased by 11 percent, or $81.9 million in the quarter*

"This quarter was highlighted by continued strength of earnings, strong underlying profitability, and industry-leading growth in our Specialty Auto segment," said Joseph P. Lacher, Jr., president and CEO. "In addition, our recent dividend increase and ratings agency recognitions are further evidence of the strength and performance of our business model and balance sheet."

	Three Months Ended		Year Ended	
(Dollars in Millions, Except Per Share Amounts) (Unaudited)	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Net Income	$ 124.7	$ 6.5	$ 531.1	$ 190.1
Income from Continuing Operations	$ 124.7	$ 5.0	$ 531.1	$ 188.4
Adjusted Consolidated Net Operating Income[1]	$ 97.9	$ 59.9	$ 418.3	$ 258.4
Impact of Catastrophe Losses and Related Loss Adjustment Expense (LAE) on Net Income	*$ (12.8)*	*$ (19.5)*	*$ (61.0)*	*$ (75.8)*
Diluted Net Income Per Share From:				
Net Income	$ 1.85	$ 0.10	$ 7.96	$ 3.22
Income from Continuing Operations	$ 1.85	$ 0.08	$ 7.96	$ 3.19
Adjusted Consolidated Net Operating Income[1]	$ 1.45	$ 0.91	$ 6.27	$ 4.37
Impact of Catastrophe Losses and Related LAE on Net Income Per Share	*$ (0.19)*	*$ (0.30)*	*$ (0.91)*	*$ (1.30)*

[1] Non-GAAP financial measure. All Non-GAAP financial measures are denoted with footnote 1 throughout this release. See "Use of Non-GAAP Financial Measures" for additional information.

Capital

Total Shareholders' Equity at the end of the quarter was $3,972.3 million, an increase of $922.2 million, or 30 percent, since year-end 2018 primarily driven by net income, unrealized gains on the fixed maturity portfolio and proceeds from the issuance of stock partially offset by dividends paid to shareholders. Kemper ended the quarter with cash and investments at the holding company of $206.8 million, and the $400 million revolving credit agreement was undrawn.

During the fourth quarter of 2019, Kemper paid dividends of $18.7 million.

Kemper ended the quarter with a book value per share of $59.59, an increase of 27 percent from $47.10 at the end of 2018. Book value per share excluding net unrealized gains on fixed maturities[1] was $53.08, up 17 percent from $45.40 at the end of 2018, primarily driven by net income partially offset by dividends paid to shareholders.

On February 5, 2020, Kemper announced that its Board of Directors declared an increase in the company's common dividend per share to $0.30 per share, an increase in 7% of two cents over the previous quarterly dividend.

Revenues

Total revenues for the fourth quarter of 2019 increased $189.0 million, or 17 percent, to $1,283.7 million, compared to the fourth quarter of 2018, driven by a $115.6 million increase attributable to the change in fair value of equity and convertible securities and $81.9 million of higher Specialty P&C earned premiums. Specialty P&C earned premiums increased primarily from higher policies in force. Net investment income increased $2.6 million to $93.9 million in the fourth quarter of 2019. Net realized investment gains were $2.8 million in the fourth quarter of 2019, compared to $16.4 million last year. Other income increased from $2.0 million to $3.7 million in the fourth quarter of 2019 primarily due to increased income from investments in corporate owned life insurance.

Segment Results

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

	Three Months Ended		Year Ended	
(Dollars in Millions) (Unaudited)	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Segment Net Operating Income:				
Specialty Property & Casualty Insurance	62.3	48.5	283.1	115.8
Preferred Property & Casualty Insurance	12.8	6.0	41.9	25.7
Life & Health Insurance	28.9	13.6	98.7	91.5
Total Segment Net Operating Income	104.0	68.1	423.7	233.0
Corporate and Other Net Operating Income (Loss)	(6.1)	(8.2)	(5.4)	25.4
Adjusted Consolidated Net Operating Income[1]	97.9	59.9	418.3	258.4
Net Income (Loss) From:				
Change in Fair Value of Equity and Convertible Securities	30.9	(60.4)	109.7	(50.8)
Net Realized Gains on Sales of Investments	2.2	13.0	33.1	20.9
Net Impairment Losses Recognized in Earnings	(1.3)	(1.8)	(10.9)	(3.6)
Acquisition Related Transaction, Integration and Other Costs	(5.0)	(5.7)	(14.5)	(36.5)
Loss from Early Extinguishment of Debt	—	—	(4.6)	—
Income from Continuing Operations	$ 124.7	$ 5.0	$ 531.1	$ 188.4

The Specialty Property & Casualty Insurance segment reported net operating income of $62.3 million for the fourth quarter of 2019, compared to $48.5 million in 2018. Results improved primarily from strong organic Personal Automobile growth. The segment's underlying combined ratio[1] was 93.8 percent compared to 94.5 percent in the fourth quarter of 2018.

The Preferred Property & Casualty Insurance segment reported net operating income of $12.8 million for the fourth quarter of 2019, compared to $6.0 million in 2018. Improved results were primarily due to lower incurred catastrophe losses and LAE and favorable development on prior year losses and LAE, partially offset by higher underlying losses and LAE and insurance expenses as a percentage of earned premiums. The Preferred Property & Casualty Insurance segment's underlying combined ratio[1] increased 2.0 percent points to 96.6 percent in the fourth quarter of 2019, driven by a deterioration in both the expense and underlying loss ratios[1].

The Life & Health Insurance segment reported net operating income of $28.9 million for the fourth quarter of 2019, compared to $13.6 million in 2018. Results increased primarily from an increase in earned premiums as well as decreases in policyholders' benefits and insurance expenses. The decrease in policyholders' benefits and incurred losses reflected a release in accrued reserves.

Unaudited condensed consolidated statements of income for the three months and year ended December 31, 2019 and 2018 are presented below.

(Dollars in Millions, Except Per Share Amounts)	Three Months Ended Dec 31, 2019	Three Months Ended Dec 31, 2018	Year Ended Dec 31, 2019	Year Ended Dec 31, 2018
Revenues:				
Earned Premiums	$ 1,145.8	$ 1,063.6	$ 4,472.4	$ 3,384.4
Net Investment Income	93.9	91.3	364.3	340.9
Other Income	3.7	2.0	35.5	42.2
Income from Change in Fair Value of Equity and Convertible Securities	39.2	(76.4)	138.9	(64.3)
Net Realized Gains on Sales of Investments	2.8	16.4	41.9	26.4
Other-than-temporary Impairment Losses:				
Total Other-than-temporary Impairment Losses	(1.7)	(2.2)	(13.7)	(4.5)
Portion of Losses Recognized in Other Comprehensive Income	—	—	(0.1)	—
Net Impairment Losses Recognized in Earnings	(1.7)	(2.2)	(13.8)	(4.5)
Total Revenues	1,283.7	1,094.7	5,039.2	3,725.1
Expenses:				
Policyholders' Benefits and Incurred Losses and Loss Adjustment Expenses	814.9	772.8	3,188.3	2,466.5
Insurance Expenses	265.4	273.2	1,019.7	900.5
Loss from Early Extinguishment of Debt	—	—	5.8	—
Interest and Other Expenses	46.5	42.6	163.8	159.0
Total Expenses	1,126.8	1,088.6	4,377.6	3,526.0
Income from Continuing Operations before Income Taxes	156.9	6.1	661.6	199.1
Income Tax Expense	(32.2)	(1.1)	(130.5)	(10.7)
Income from Continuing Operations	124.7	5.0	531.1	188.4
Income from Discontinued Operations	—	1.5	—	1.7
Net Income	$ 124.7	$ 6.5	$ 531.1	$ 190.1
Income from Continuing Operations Per Unrestricted Share:				
Basic	$ 1.87	$ 0.08	$ 8.04	$ 3.22
Diluted	$ 1.85	$ 0.08	$ 7.96	$ 3.19
Net Income Per Unrestricted Share:				
Basic	$ 1.87	$ 0.10	$ 8.04	$ 3.25
Diluted	$ 1.85	$ 0.10	$ 7.96	$ 3.22
Weighted-average Outstanding (Shares in Thousands):				
Unrestricted Shares - Basic	66,649.7	64,748.2	65,880.9	58,149.4
Unrestricted Shares and Equivalent Shares - Diluted	67,160.5	65,448.8	66,548.1	58,751.9
Dividends Paid to Shareholders Per Share	$ 0.28	$ 0.24	$ 1.03	$ 0.96

Unaudited business segment revenues for the three months and year ended December 31, 2019 and 2018 are presented below.

	Three Months Ended		Year Ended	
(Dollars in Millions)	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
REVENUES:				
Specialty Property & Casualty Insurance:				
Earned Premiums:				
Specialty Automobile	733.1	660.5	2,825.6	1,889.5
Commercial Automobile	66.6	57.3	252.8	137.9
Total Earned Premiums	799.7	717.8	3,078.4	2,027.4
Net Investment Income	28.3	22.6	107.5	63.4
Other Income	0.8	0.8	7.0	2.4
Total Specialty Property & Casualty Insurance Revenues	828.8	741.2	3,192.9	2,093.2
Preferred Property & Casualty Insurance:				
Earned Premiums:				
Preferred Automobile	$ 117.2	$ 115.2	$ 470.2	$ 440.2
Homeowners	58.7	63.6	241.3	250.1
Other Personal	9.3	10.0	38.8	40.4
Total Earned Premiums	185.2	188.8	750.3	730.7
Net Investment Income	11.5	14.0	44.1	61.8
Total Preferred Property & Casualty Insurance Revenues	196.7	202.8	794.4	792.5
Life & Health Insurance:				
Earned Premiums:				
Life	95.6	94.1	384.6	378.4
Accident & Health	48.5	45.5	190.9	177.5
Property	16.8	17.4	68.2	70.4
Total Earned Premiums	160.9	157.0	643.7	626.3
Net Investment Income	52.0	51.7	206.4	210.9
Other Income	2.9	1.1	8.5	4.0
Total Life & Health Insurance Revenues	215.8	209.8	858.6	841.2
Total Segment Revenues	1,241.3	1,153.8	4,845.9	3,726.9
Income (Loss) from Change in Fair Value of Equity and Convertible Securities	39.2	(76.4)	138.9	(64.3)
Net Realized Gains on Sales of Investments	2.8	16.4	41.9	26.4
Net Impairment Losses Recognized in Earnings	(1.7)	(2.2)	(13.8)	(4.5)
Other	2.1	3.1	26.3	40.6
Total Revenues	$ 1,283.7	$ 1,094.7	$ 5,039.2	$ 3,725.1

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

	Dec 31, 2019	Dec 31, 2018
Assets:		
Investments:		
Fixed Maturities at Fair Value	$ 6,922.1	$ 6,424.2
Equity Securities at Fair Value	907.3	684.4
Equity Securities at Modified Cost	41.9	41.5
Equity Method Limited Liability Investments at Cost Plus Cumulative Undistributed Earnings	220.4	187.0
Convertible Securities at Fair Value	37.3	31.5
Short-term Investments at Cost which Approximates Fair Value	470.9	286.1
Other Investments	444.5	414.8
Total Investments	9,044.4	8,069.5
Cash	136.8	75.1
Receivables from Policyholders	1,117.1	1,007.1
Other Receivables	219.7	245.4
Deferred Policy Acquisition Costs	537.7	470.0
Goodwill	1,114.0	1,112.4
Current Income Tax Assets	44.7	38.9
Other Assets	774.7	526.5
Total Assets	$ 12,989.1	$ 11,544.9
Liabilities and Shareholders' Equity:		
Insurance Reserves:		
Life & Health	$ 3,502.0	$ 3,491.9
Property & Casualty	1,969.8	1,874.9
Total Insurance Reserves	5,471.8	5,366.8
Unearned Premiums	1,545.5	1,424.3
Policyholder Contract Liabilities	309.8	76.8
Deferred Income Tax Liabilities	178.2	26.2
Liabilities for Unrecognized Tax Benefits	—	4.4
Accrued Expenses and Other Liabilities	733.1	687.3
Debt at Amortized Cost	778.4	909.0
Total Liabilities	9,016.8	8,494.8
Shareholders' Equity:		
Common Stock	6.7	6.5
Paid-in Capital	1,819.2	1,666.3
Retained Earnings	1,810.3	1,355.5
Accumulated Other Comprehensive Income	336.1	21.8
Total Shareholders' Equity	3,972.3	3,050.1
Total Liabilities and Shareholders' Equity	$ 12,989.1	$ 11,544.9

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

(Dollars in Millions)	Three Months Ended Dec 31, 2019	Three Months Ended Dec 31, 2018	Year Ended Dec 31, 2019	Year Ended Dec 31, 2018
Results of Operations				
Net Premiums Written	$ 782.5	$ 674.7	$3,211.3	$2,067.4
Earned Premiums	$ 799.7	$ 717.8	$3,078.4	$2,027.4
Net Investment Income	28.3	22.6	107.5	63.4
Other Income	0.8	0.8	7.0	2.4
Total Revenues	828.8	741.2	3,192.9	2,093.2
Incurred Losses and LAE related to:				
Current Year:				
Non-catastrophe Losses and LAE	599.5	530.3	2,302.4	1,517.4
Catastrophe Losses and LAE	3.8	1.0	11.1	4.7
Prior Years:				
Non-catastrophe Losses and LAE	(4.1)	—	(35.1)	2.0
Catastrophe Losses and LAE	0.2	—	0.5	(0.3)
Total Incurred Losses and LAE	599.4	531.3	2,278.9	1,523.8
Insurance Expenses	150.7	148.0	555.6	421.7
Other Expenses	0.2	0.4	2.5	2.1
Operating Income	78.5	61.5	355.9	145.6
Income Tax Benefit	(16.2)	(13.0)	(72.8)	(29.8)
Segment Net Operating Income	$ 62.3	$ 48.5	$ 283.1	$ 115.8
Ratios Based On Earned Premiums				
Current Year Non-catastrophe Losses and LAE Ratio	75.0%	73.9%	74.7%	74.9%
Current Year Catastrophe Losses and LAE Ratio	0.5	0.1	0.4	0.2
Prior Years Non-catastrophe Losses and LAE Ratio	(0.5)	—	(1.1)	0.1
Prior Years Catastrophe Losses and LAE Ratio	—	—	—	—
Total Incurred Loss and LAE Ratio	75.0	74.0	74.0	75.2
Insurance Expense Ratio	18.8	20.6	18.0	20.8
Combined Ratio	93.8%	94.6%	92.0%	96.0%
Underlying Combined Ratio[1]				
Current Year Non-catastrophe Losses and LAE Ratio	75.0%	73.9%	74.7%	74.9%
Insurance Expense Ratio	18.8	20.6	18.0	20.8
Underlying Combined Ratio[1]	93.8%	94.5%	92.7%	95.7%
Non-GAAP Measure Reconciliation				
Combined Ratio	93.8%	94.6%	92.0%	96.0%
Current Year Catastrophe Losses and LAE Ratio	0.5	0.1	0.4	0.2
Prior Years Non-catastrophe Losses and LAE Ratio	(0.5)	—	(1.1)	0.1
Prior Years Catastrophe Losses and LAE Ratio	—	—	—	—
Underlying Combined Ratio[1]	93.8%	94.5%	92.7%	95.7%

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

(Dollars in Millions)	Three Months Ended Dec 31, 2019	Three Months Ended Dec 31, 2018	Year Ended Dec 31, 2019	Year Ended Dec 31, 2018
Results of Operations				
Net Premiums Written	$ 172.6	$ 184.7	$ 739.3	$ 748.8
Earned Premiums	$ 185.2	$ 188.8	$ 750.3	$ 730.7
Net Investment Income	11.5	14.0	44.1	61.8
Total Revenues	196.7	202.8	794.4	792.5
Incurred Losses and LAE related to:				
Current Year:				
Non-catastrophe Losses and LAE	120.2	120.8	481.8	459.4
Catastrophe Losses and LAE	11.9	21.4	63.0	87.3
Prior Years:				
Non-catastrophe Losses and LAE	(7.1)	(3.0)	(17.6)	(0.1)
Catastrophe Losses and LAE	(3.1)	(0.8)	(18.4)	(8.2)
Total Incurred Losses and LAE	121.9	138.4	508.8	538.4
Insurance Expenses	58.7	57.8	233.3	225.5
Operating Income	16.1	6.6	52.3	28.6
Income Tax Expense	(3.3)	(0.6)	(10.4)	(2.9)
Segment Net Operating Income	$ 12.8	$ 6.0	$ 41.9	$ 25.7
Ratios Based On Earned Premiums				
Current Year Non-catastrophe Losses and LAE Ratio	64.9%	64.0%	64.2%	62.9%
Current Year Catastrophe Losses and LAE Ratio	6.4	11.3	8.4	11.9
Prior Years Non-catastrophe Losses and LAE Ratio	(3.8)	(1.6)	(2.3)	—
Prior Years Catastrophe Losses and LAE Ratio	(1.7)	(0.4)	(2.5)	(1.1)
Total Incurred Loss and LAE Ratio	65.8	73.3	67.8	73.7
Insurance Expense Ratio	31.7	30.6	31.1	30.9
Combined Ratio	97.5%	103.9%	98.9%	104.6%
Underlying Combined Ratio[1]				
Current Year Non-catastrophe Losses and LAE Ratio	64.9%	64.0%	64.2%	62.9%
Insurance Expense Ratio	31.7	30.6	31.1	30.9
Underlying Combined Ratio[1]	96.6%	94.6%	95.3%	93.8%
Non-GAAP Measure Reconciliation				
Combined Ratio	97.5%	103.9%	98.9%	104.6%
Current Year Catastrophe Losses and LAE Ratio	6.4	11.3	8.4	11.9
Prior Years Non-catastrophe Losses and LAE Ratio	(3.8)	(1.6)	(2.3)	—
Prior Years Catastrophe Losses and LAE Ratio	(1.7)	(0.4)	(2.5)	(1.1)
Underlying Combined Ratio[1]	96.6%	94.6%	95.3%	93.8%

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

(Dollars in Millions)	Three Months Ended Dec 31, 2019	Three Months Ended Dec 31, 2018	Year Ended Dec 31, 2019	Year Ended Dec 31, 2018
Results of Operations				
Earned Premiums	$ 160.9	$ 157.0	$ 643.7	$ 626.3
Net Investment Income	52.0	51.7	206.4	210.9
Other Income	2.9	1.1	8.5	4.0
Total Revenues	215.8	209.8	858.6	841.2
Policyholders' Benefits and Incurred Losses and LAE	95.0	103.1	402.7	404.2
Insurance Expenses	85.3	88.4	334.0	321.1
Operating Profit	35.5	18.3	121.9	115.9
Income Tax Expense	(6.6)	(4.7)	(23.2)	(24.4)
Segment Net Operating Income	$ 28.9	$ 13.6	$ 98.7	$ 91.5

Use of Non-GAAP Financial Measures

Adjusted Consolidated Net Operating Income[1]

Adjusted Consolidated Net Operating Income[1] is an after-tax, non-GAAP financial measure computed by excluding from Income from Continuing Operations the after-tax impact of 1) loss from change in fair value of equity and convertible securities, 2) net realized gains on sales of investments, 3) net impairment losses recognized in earnings related to investments, 4) acquisition related transaction, integration and other costs, 5) loss from early extinguishment of debt and 6) significant non-recurring or infrequent items that may not be indicative of ongoing operations. Significant non-recurring items are excluded when (a) the nature of the charge or gain is such that it is reasonably unlikely to recur within two years and (b) there has been no similar charge or gain within the prior two years. The most directly comparable GAAP financial measure is Income from Continuing Operations.

Kemper believes that Adjusted Consolidated Net Operating Income[1] 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. 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, Integration and Other 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.

A reconciliation of Income from Continuing Operations to Adjusted Consolidated Net Operating Income[1] for the three months and year ended December 31, 2019 and 2018 is presented below.

(Dollars in Millions) (Unaudited)	Three Months Ended Dec 31, 2019	Three Months Ended Dec 31, 2018	Year Ended Dec 31, 2019	Year Ended Dec 31, 2018
Income from Continuing Operations	$ 124.7	$ 5.0	$ 531.1	$ 188.4
Less Net Income (Loss) From:				
Change in Fair Value of Equity and Convertible Securities	30.9	(60.4)	109.7	(50.8)
Net Realized Gains on Sales of Investments	2.2	13.0	33.1	20.9
Net Impairment Losses Recognized in Earnings	(1.3)	(1.8)	(10.9)	(3.6)
Acquisition Related Transaction, Integration and Other Costs	(5.0)	(5.7)	(14.5)	(36.5)
Loss from Early Extinguishment of Debt	—	—	(4.6)	—
Adjusted Consolidated Net Operating Income[1]	$ 97.9	$ 59.9	$ 418.3	$ 258.4

Diluted Adjusted Consolidated Net Operating Income Per Unrestricted Share[1]

Diluted Adjusted Consolidated Net Operating Income Per Unrestricted Share[1] is a non-GAAP financial measure computed by dividing Adjusted Consolidated Net Operating Income[1] attributed to unrestricted shares by the weighted-average unrestricted shares and equivalent shares outstanding. The most directly comparable GAAP financial measure is Diluted Income from Continuing Operations Per Unrestricted Share.

A reconciliation of Diluted Income from Continuing Operations Per Unrestricted Share to Diluted Adjusted Consolidated Net Operating Income Per Unrestricted Share[1] for the three months and year ended December 31, 2019 and 2018 is presented below.

(Unaudited)	Three Months Ended Dec 31, 2019	Three Months Ended Dec 31, 2018	Year Ended Dec 31, 2019	Year Ended Dec 31, 2018
Diluted Income from Continuing Operations Per Unrestricted Share	$ 1.85	$ 0.08	$ 7.96	$ 3.19
Less Net Income (Loss) Per Unrestricted Share From:				
Change in Fair Value of Equity and Convertible Securities	0.46	(0.92)	1.64	(0.86)
Net Realized Gains on Sales of Investments	0.03	0.20	0.50	0.35
Net Impairment Losses Recognized in Earnings	(0.02)	(0.02)	(0.16)	(0.06)
Acquisition Related Transaction, Integration and Other Costs	(0.07)	(0.09)	(0.22)	(0.61)
Loss from Early Extinguishment of Debt	—	—	(0.07)	—
Diluted Adjusted Consolidated Net Operating Income Per Unrestricted Share[1]	$ 1.45	$ 0.91	$ 6.27	$ 4.37

Book Value Per Share Excluding Net Unrealized Gains on Fixed Maturities[1]

Book Value Per Share Excluding Net Unrealized Gains on Fixed Maturities[1] is a ratio that uses a non-GAAP financial measure. It is calculated by dividing shareholders' equity after excluding the after-tax impact of net unrealized gains on fixed income securities by total Common Shares Issued and Outstanding. Book Value Per Share is the most directly comparable GAAP financial measure. Kemper uses the trends in book value per share, excluding the after-tax impact of net unrealized gains on fixed income securities, in conjunction with book value per share to identify and analyze the change in net worth attributable to management efforts between periods. Kemper believes the non-GAAP financial measure is useful to investors because it eliminates the effect of items that can fluctuate significantly from period to period and are generally driven by economic developments, primarily capital market conditions, the magnitude and timing of which are not influenced by management. Kemper believes it enhances understanding and comparability of performance by highlighting underlying business activity and profitability drivers.

A reconciliation of the numerator used in the computation of Book Value Per Share Excluding Net Unrealized Gains on Fixed Maturities[1] and Book Value Per Share at December 31, 2019 and December 31, 2018 is presented below.

(Dollars in Millions) (Unaudited)	Dec 31, 2019	Dec 31, 2018
Shareholders' Equity	$ 3,972.3	$ 3,050.1
Net Unrealized Gains on Fixed Maturities	434.0	110.4
Shareholders' Equity Excluding Net Unrealized Gains on Fixed Maturities[1]	$ 3,538.3	$ 2,939.7

Underlying Combined Ratio[1]

Underlying Combined Ratio[1] is a non-GAAP financial measure that 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. Kemper believes the underlying combined ratio is useful to investors and is used by management to reveal the trends in Kemper's property and casualty insurance businesses that may be obscured by catastrophe losses and prior-year reserve development. These catastrophe losses may cause loss trends to vary significantly between periods as a result of their incidence of occurrence and magnitude, and can have a significant impact on incurred losses and LAE and the combined ratio. Prior-year reserve development is caused by unexpected loss development on historical reserves. Because reserve development relates to the re-estimation of losses from earlier periods, it has no bearing on the performance of the company's insurance products in the current period. Kemper believes it is useful for investors to evaluate these components separately and in the aggregate when reviewing its underwriting performance. The underlying combined ratio[1] should not be considered a substitute for the combined ratio and does not reflect the overall underwriting profitability of our business.

As Adjusted for Acquisition[1]

As Adjusted for Acquisition[1] amounts are non-GAAP financial measures. For three months ended December 31, 2019 and December 31, 2018, as adjusted amounts are computed by subtracting the impact of purchase accounting adjustments from the comparable consolidated GAAP financial measure reported by Kemper. The Company believes computing and presenting results on an adjusted basis are useful to investors and are used by management to provide meaningful and comparable year-over-year comparisons.

A reconciliation of the As Adjusted for Acquisition[1] non-GAAP financial measures used in this press release to the comparable GAAP financial measure for the three months ended December 31, 2019 is presented below.

(Dollars in Millions, Except Per Share Amounts) (Unaudited)	Kemper Consolidated GAAP Financial Measure	Less Impact of Purchase Accounting Adjustments	As Adjusted for Acquisition[1]
Net Income	$ 124.7	$ (4.4)	$ 129.1
Net Income Per Share - Diluted	$ 1.85	$ (0.07)	$ 1.92
Specialty Property & Casualty Insurance Segment:			
Segment Net Operating Income	$ 62.3	$ (4.7)	$ 67.0

A reconciliation of the As Adjusted for Acquisition[1] non-GAAP financial measures used in this press release to the comparable GAAP financial measure for the three months ended December 31, 2018 is presented below.

(Dollars in Millions) (Unaudited)	Kemper Consolidated GAAP Financial Measure	Less Impact of Purchase Accounting Adjustments	As Adjusted for Acquisition[1]
Net Income	$ 6.5	$ (20.5)	$ 27.0
Net Income Per Share - Diluted	$ 0.10	$ (0.31)	$ 0.41
Specialty Property & Casualty Insurance Segment:			
Segment Net Operating Income	$ 48.5	$ (20.8)	$ 69.3

Conference Call

Kemper will discuss its fourth quarter 2019 results in a conference call on Monday, February 10, at 5:00 p.m. Eastern (4:00 p.m. Central) Time. Kemper's conference call will be accessible via the internet and by telephone. The phone number for Kemper's conference call is **844.826.3041**. To listen via webcast, register online at the investor section of kemper.com at least 15 minutes prior to the webcast to download and install any necessary software.

A replay of the call will be available online at the investor section of kemper.com.

More detailed financial information can be found in Kemper's Investor Financial Supplement and Earnings Call Presentation for the fourth quarter of 2019, which is available at the investor section of kemper.com.

About Kemper

The Kemper family of companies is one of the nation's leading specialized insurers. With nearly $13 billion in assets, Kemper is improving the world of insurance by providing affordable and easy-to-use personalized solutions to individuals, families and businesses through its Auto, Personal Insurance, Life and Health brands. Kemper serves over 6.4 million policies, is represented by more than 30,000 agents and brokers, and has over 8,900 associates dedicated to meeting the ever-changing needs of its customers.

Learn more about Kemper.

Cautionary Statements Regarding Forward-Looking Information

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

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

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