

Investor Update



March 2021



Preliminary Matters

Cautionary Statements Regarding Forward-Looking Information

This presentation 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 presentation. Forward-looking statements involve a number of risks and uncertainties that are difficult to predict and are not guarantees of future performance. Among the general factors that could cause actual results and financial condition to differ materially from estimated results and financial condition are those factors listed in periodic reports filed by Kemper Corporation with the Securities and Exchange Commission (“SEC”). The COVID-19 outbreak and subsequent global pandemic (“Pandemic”) is an extraordinary event that creates unique uncertainties and risks. Kemper cannot provide any assurances as to the impacts of the Pandemic and related economic conditions on the Company’s operating and financial results.

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 presentation, including any such statements related to the Pandemic. The reader is advised, however, to consult any further disclosures Kemper makes on related subjects in its filings with the SEC.

Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures that the company believes are meaningful to investors. Non-GAAP financial measures have been reconciled to the most comparable GAAP financial measure.

A Leading Specialized Insurer

Taking advantage of a diversified portfolio of niche businesses....

KEMPER

Founded in 1990 and headquartered in Chicago,
with subsidiaries writing policies since 1911



~\$14B

Assets



~6.2M

Policies



~30,000

Agents/Brokers



~9,500

Employees

KEMPER Auto

Specialty P&C insurance providing
personal and commercial
automobile insurance products

KEMPER Personal Insurance

Preferred personal lines insurance
providing preferred automobile,
homeowners and other personal
insurance products

KEMPER Life & Health

Life and health insurance
providing life, supplemental
benefits, and other property
insurance products

....to create value for all our stakeholders

Create Long-Term Shareholder Value

Leverage competitive advantages to grow returns and BVPS¹ over time



Strategic focus:

Consumer-related businesses with opportunities that:

- Target niche markets
- Have limited, weak or unfocused competition
- Require unique expertise (underwriting, claim, distribution, analytics and other)

Deliver low double-digit ROE² over time

Key Company Highlights

Experienced Management Team with History of Delivering Favorable Results

Strong Brand with Diversified Businesses Built to Generate Long-term Revenue & Earnings Growth

Sustainable Competitive Advantages

Well Capitalized with Ample Liquidity and Focused Capital Deployment Principles

Consistent Capital Generation and Top Quartile Returns

The KEMPER logo features the word "KEMPER" in a bold, dark blue, sans-serif font. A small red square is positioned to the left of the letter "K".

Experienced Leaders with History of Delivering Results

Increased ability to attract and retain high caliber talent

Joe Lacher

President & Chief Executive Officer

- 25+ years of insurance industry experience; Joined Kemper in 2015
- Previous experience: Allstate, Travelers

Jim McKinney

EVP & Chief Financial Officer

- 15+ years of finance experience; Joined Kemper in November 2016
- Previous experience: Banc of California, AerCap, RBS Citizens, KPMG

John Boschelli

EVP & Chief Investment Officer

- 25+ years of insurance industry experience; Rejoined Kemper in 1997
- Held various investment, finance and accounting positions

Charles Brooks

EVP, Operations & Systems

- 25+ years of IT and operations experience; Joined Kemper in 2016
- Previous experience: ACE Group, Travelers and Accenture

Tom Evans

EVP, Secretary & General Counsel

- 30+ years of legal experience, majority in the insurance industry
- Joined Kemper in 1992; served in various legal roles

Mark Green

EVP, Business Dev. & Reinsurance

- 25+ years of insurance industry experience; Joined Kemper in 2016
- Previous experience: Allstate, AIX Group, Wells Fargo Ins., Chubb

Kimberly Holmes

EVP, Chief Actuary & Strat. Analytics Officer

- 25+ years of actuarial and analytics experience; Joined Kemper in 2019
- Previous experience: AXA, Endurance Risk Solutions, Enterprise Reinsurance

Christine Mullins

EVP, Chief Human Resources Officer

- 25+ years of human resources experience; Joined Kemper in 2016
- Previous experience: CEO.works, Zurich, Motorola

Duane Sanders

EVP & President, P&C

- 30+ years of insurance industry experience; Joined Kemper in 2018
- Previous experience: Travelers, Fortune Financial, Cigna, Progressive

Erich Sternberg

EVP & President, Life and Health

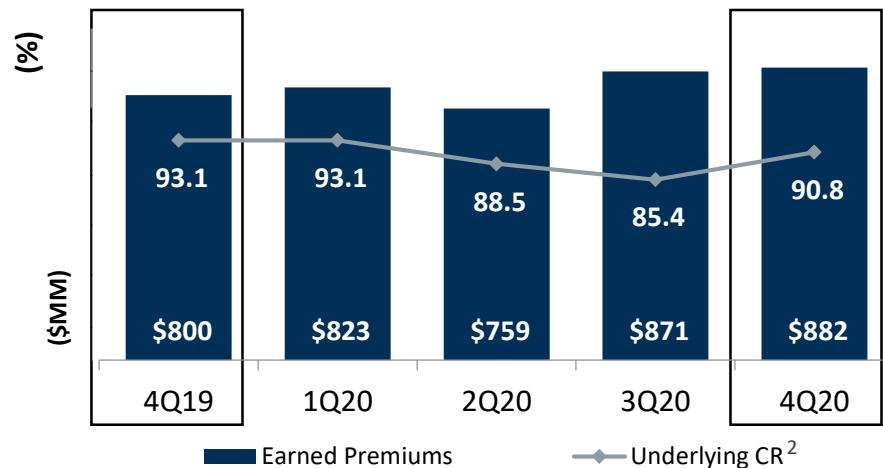
- 20+ years of insurance industry experience; Joined Kemper in 2020
- Previous experience: Starmount – a subsidiary of Unum, Clinique Int.

Specialty Property & Casualty Insurance Segment¹

Strong, profitable growth driven by strong foundations of the operating model

Key Highlights

- Seasoned auto writer providing insurance to this market for more than 65 years
- Acquired Infinity Property and Casualty Corporation in July 2018 and Alliance United in May 2015 and announced acquisition of American Access; all with emphasis on the Hispanic market
- Emphasis on specialized claims function to address market needs
- Growing new business through products with increased specialization and segmentation
- Distribution Channel: ~18,000 independent agents and brokers
- Key risks: frequency and severity / regulatory changes



State Groupings	Written Premium		Population CAGR	
	TTM (\$ million)	YoY Growth	'16-'19	Est. '20-'30
California	\$2,050	1.9%	0.3%	0.8%
Florida / Texas	\$853	24.5%	1.3%	1.6%
Expansion States	\$219	24.4%	1.0%	1.1%
Other	\$50	-	0.3%	0.4%
Total	\$3,172	8.4%		
US				0.6%
Hispanic				1.6%

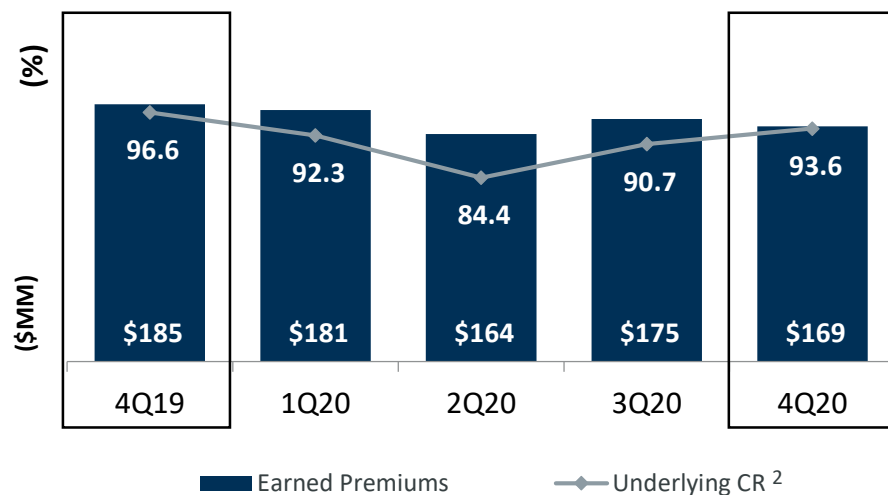
Strength of franchise creating value for policyholders and shareholders

Preferred Property & Casualty Insurance Segment¹

Efforts to bring the Preferred segment to target profitability are ongoing

Key Highlights

- Offers stand-alone and packaged property and auto policies
- Addressing profitability through claims, rate and underwriting actions
- Distribution Channel: ~5,200 independent agents
- Key risks: auto frequency and severity / property catastrophe exposure
 - Aggregate reinsurance treaty reduces volatility from smaller weather events



Key Metrics (\$ in millions)

Auto

	4Q'20	Change to 4Q'19
Earned Premiums	\$107	(8.6)%
Policies In-Force (000)	219	(11.5)%

Home & Other

	4Q'20	Change to 4Q'19
Earned Premiums	\$62	(8.7)%
Policies In-Force (000)	198	(8.0)%

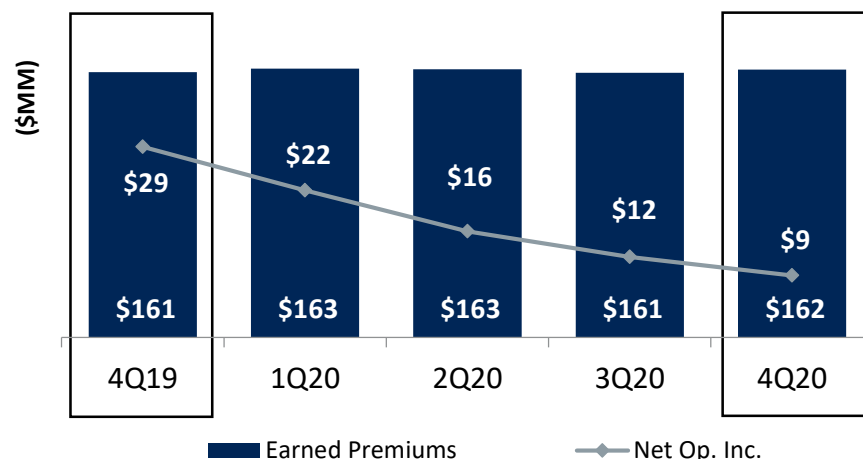
Business repositioning continues

Life & Health Insurance Segment

Life & Health Segment demonstrated stable premium growth amidst COVID-related impacts

Key Highlights

- Provide basic life, accident and health products in 49 states
 - Simple products with stable cash flows
 - Limited sensitivity to interest rate or stock market volatility
- Distribution Channel: 2,100 captive home service agents, ~3,500 independent agents and employer-sponsored voluntary benefit programs
- Key risks: mortality and morbidity



Key Metrics (\$ in millions)

L&H

	4Q'20	Change to 4Q'19
Net Operating Income	\$9.4	(67.5)%

Life

Face Value of In-Force	\$19,859	1.1%
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Policies In-Force (000)	3,357	(2.6)%
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Attractive specialty market that provides diversified cash flow and enhances capital management

Sustainable Competitive Advantages

Kemper's strategic initiatives reinforced by the company's core capabilities result in sustainable competitive advantages within its core markets

Low Cost Specialty Provider	<ul style="list-style-type: none">• Scale combined with specialized claims capabilities, customer service, and analytics• Lowers operating costs and enables delivery of customized products at affordable prices
Specialized Claims Capabilities	<ul style="list-style-type: none">• Large and efficient claims operation that adapts well to customer trends• Streamlined claims process results in efficient close rates and better loss cost management
Ease of Doing Business	<ul style="list-style-type: none">• Multi-lingual capabilities (customer service, claims, sales) cater to diverse customer base• Expansive network of ~30,000 independent agents; strong relationships within communities
Underwriting & Product Sophistication	<ul style="list-style-type: none">• Strong data and analytics / segmentation allows for more customized products• Enables lower cost model and competitive pricing
L&H Distribution	<ul style="list-style-type: none">• High-touch home services model builds customer relationships and promotes retention• Agents have deep understanding of customer needs
Strong Capital and Risk Profiles	<ul style="list-style-type: none">• Healthy balance sheet, strong capital position, ample liquidity provide financial flexibility• Thoughtful approach to ongoing capital management; focused on delivering returns in excess of cost of capital• Comprehensive enterprise risk management approach; operating model built to balance risk

Disciplined Approach to Risk and Capital Management

Diversified model enhances risk profile

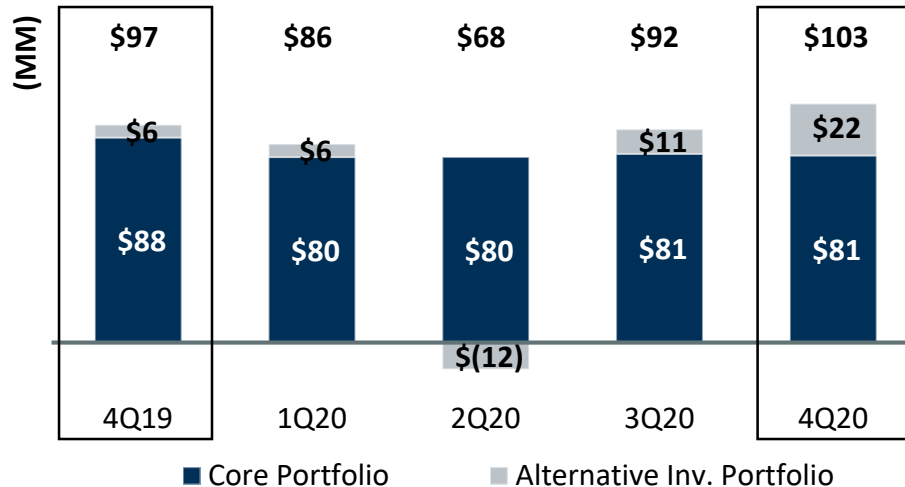
Enterprise Risk Management Framework

Dedicated risk function | strong risk governance | analytical approach to risk / capital

Insurance Products	<ul style="list-style-type: none">• P&C: Primarily short-tail personal lines focused with some short-tail small commercial auto• L&H: Simple, small face value mortality products• Effective reinsurance program and geographic and product spread of risk
Investments	<ul style="list-style-type: none">• Well diversified fixed maturity portfolio (over 90% of which is Investment Grade)• Manageable exposure to COVID exposed industries• Majority of assets can efficiently be converted to cash• Strong ALM framework
Operating Model	<ul style="list-style-type: none">• Diversified model provides stable and non-correlated cash flows which reduces overall risk profile• “A” (stable) financial strength ratings from A.M. Best and S&P demonstrates our commitment to disciplined risk and capital management
Capital Management	<ul style="list-style-type: none">• Low debt to capitalization and no near-term maturities; optimal debt / capital range of 17-22% (currently ~20%)• Focus on having capital and liquidity to maintain target credit ratings through the greater of a 1 in 200-year stress event or a 1 in 50-year stress event over the life of the liability

Diversified Portfolio with Consistent Returns

Net Investment Income¹

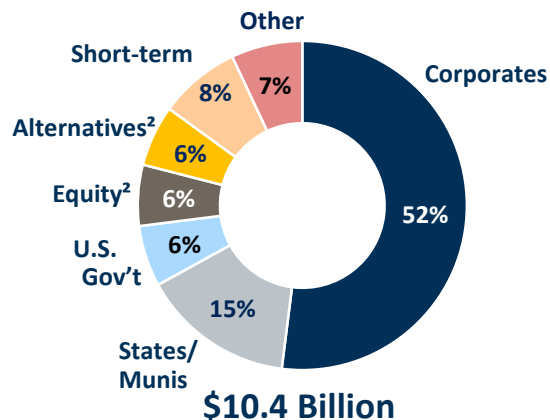


Overview

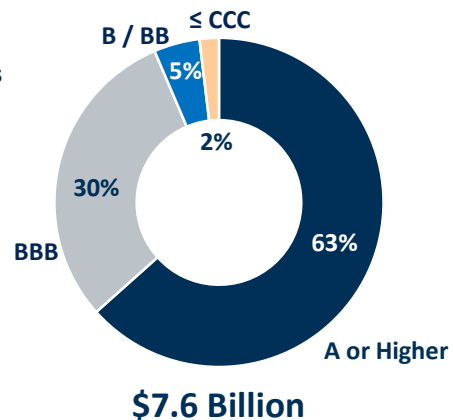
- Net investment income and portfolio yield benefitted from strong alternative investment income
- Investment portfolio is designed for growth of both income and total return
- Investment income supports long-term business objectives

Diversified & Highly-Rated Portfolio

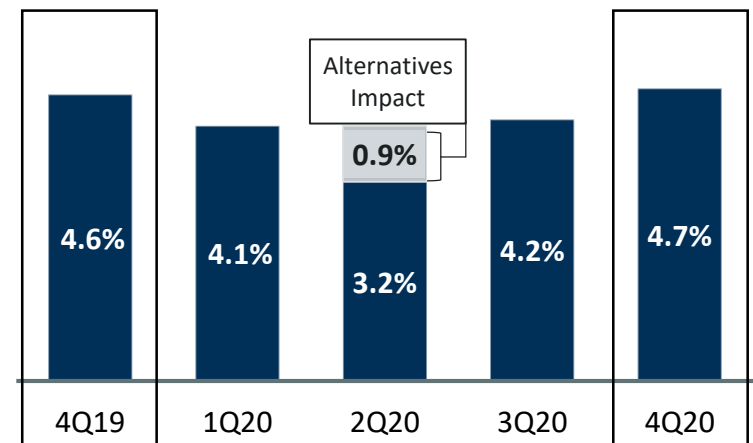
Portfolio Composition



Fixed Maturity Ratings



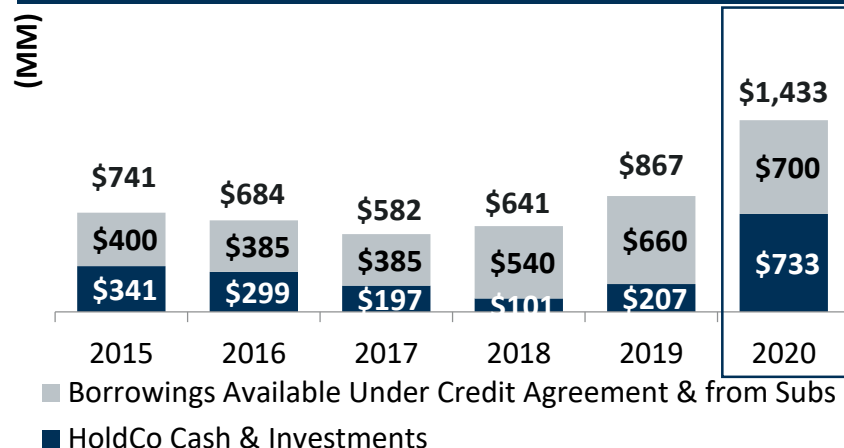
Pre-Tax Equiv. Annualized Book Yield¹



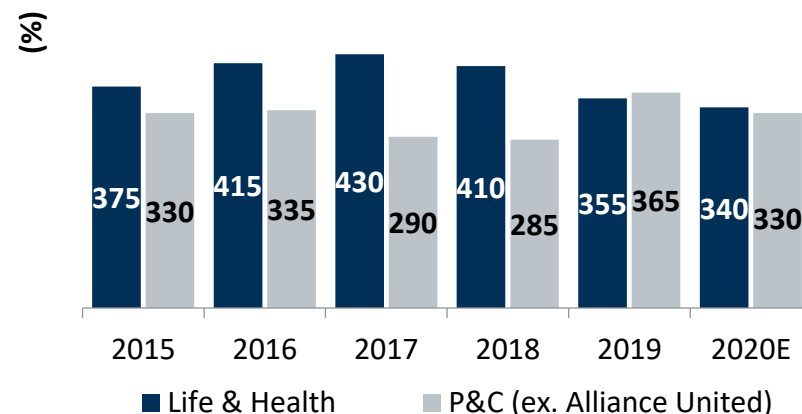
Strong Balance Sheet with Well-Funded Insurance Entities

Significant capital and liquidity positions

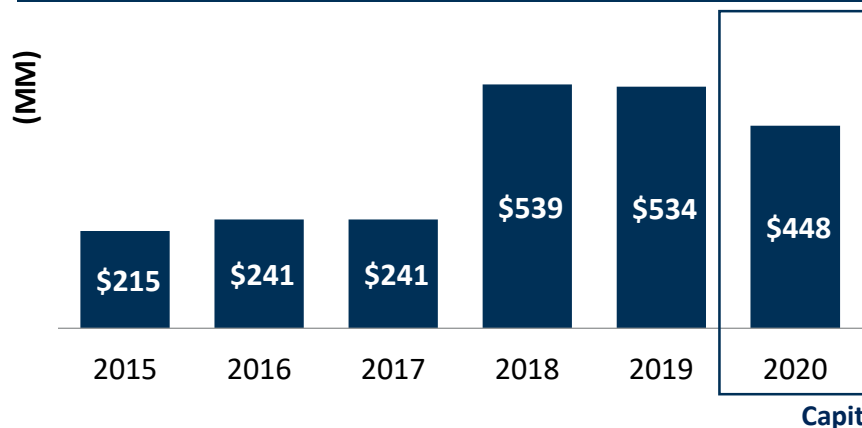
Parent Company Liquidity



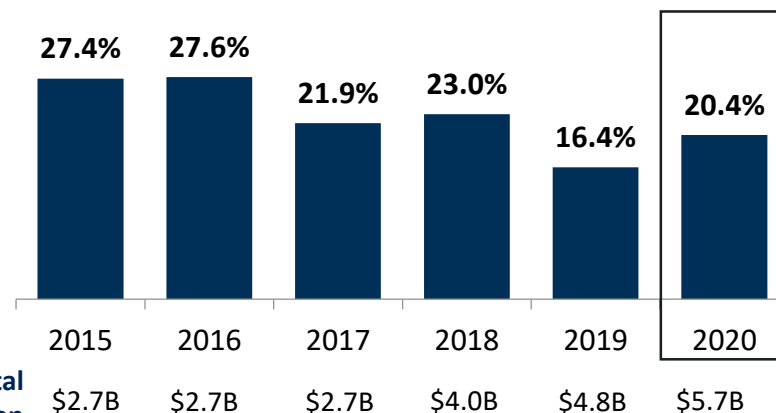
Risk-Based Capital Ratios



Cash Flow from Operating Activities



Debt-to-Capital <30%



Substantial financial flexibility for growth, investments and capital management

Capital Deployment Priorities

Dedicated to being good stewards of capital

1. Investment in the business

- Fund profitable organic growth at appropriate risk-adjusted returns
- Strategic investments and acquisitions that enhance our business and meet or exceed our ROE targets over time

2. Return capital to shareholders

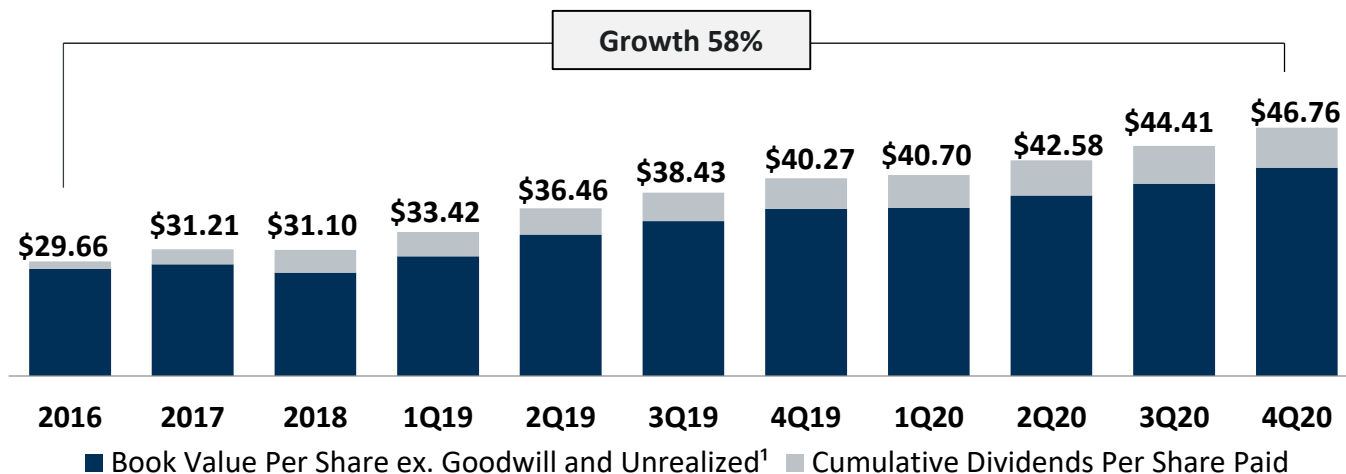
- Repurchase shares opportunistically
- Maintain competitive dividends

Capital deployment and management focused on maximizing shareholder value

Consistent Capital Generation and Attractive Returns

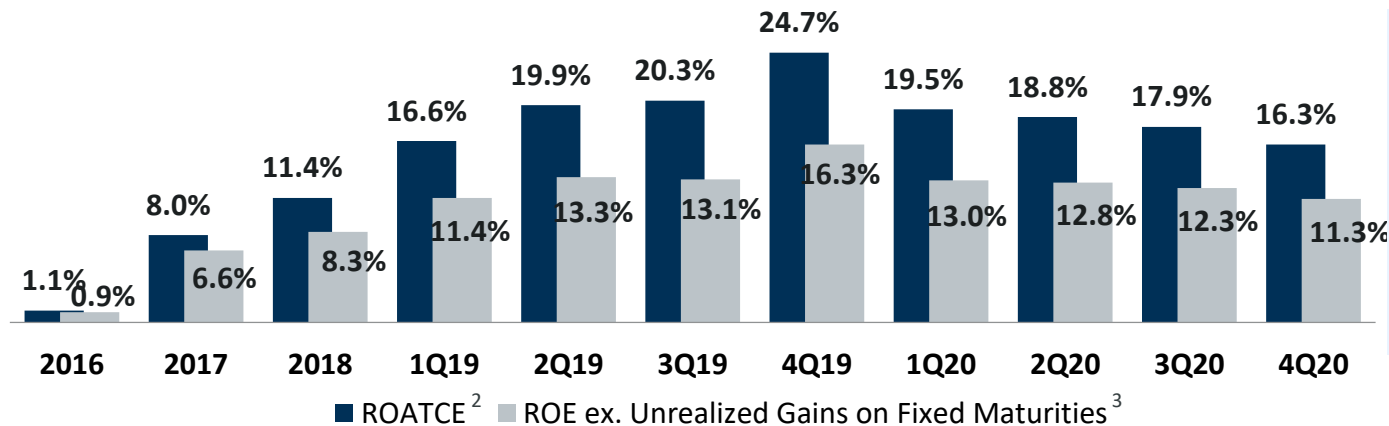
Steady growth through various economic cycles

Total Adjusted Return of BVPS Ex. Unrealized Gains on Fixed Maturities and Goodwill



- Strong execution and solid operating results have led to consistent book value growth and shareholder returns
- Book value growth reflects efficient capital deployment decisions and focus on intrinsic value creation

Return on Shareholders' Equity



- Attractive returns on equity through economic cycles
- ROATCE measure appropriately captures how investors are compensated on tangible equity

Key Company Highlights

Experienced Management Team with History of Delivering Favorable Results

Strong Brand with Diversified Businesses Built to Generate Long-term Revenue & Earnings Growth

Sustainable Competitive Advantages

Well Capitalized with Ample Liquidity and Focused Capital Deployment Principles

Consistent Capital Generation and Top Quartile Returns

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KEMPER

Appendix

Fourth Quarter 2020 Highlights

Solid results and premium growth in a challenging environment

Shareholder Value Creation

Delivered double-digit ROE and 10% growth in adjusted consolidated net operating EPS

- Net income of \$98 million and adjusted consolidated net operating income¹ of \$106 million; earnings per share of \$1.46 on a diluted basis; adjusted consolidated net operating EPS¹ of \$1.59
- 10% ROAE², 16% ROATCE² excluding net unrealized gains on fixed maturities and goodwill¹
- Book value per share ex. net unrealized gains on fixed maturities and goodwill¹ grew 15% year-over-year
- Successfully executed the transfer of ~45% of Kemper's approximately \$660 million pension liability
- Expanding specialty auto footprint with announced acquisition of American Access

4th Quarter Overview

Top-line growth slightly impacted by operating environment; long-term trajectory remains intact

- Overall net earned premium growth of 6%
- Specialty P&C continues to produce solid earnings partially enhanced by favorable frequency trends; 4.3% growth in PIF (ex. Classic Car sale) reflects state shutdowns impacting shopping behavior
- In line with domestic trends, Life & Health results continue to be impacted by COVID-related mortality

Financial Strength

Strong capital and liquidity position provides significant financial flexibility

- Diversified operations create sustainable earnings strength throughout economic cycles, delivering attractive returns to shareholders
- Holding company continues to be a source of strength for subsidiaries: greater than \$700 million in assets and \$1.4 billion of liquidity
- Debt-to-capital ratio of 20.4% is within target range of 17-22%

American Access Will Accelerate Specialty Auto Growth

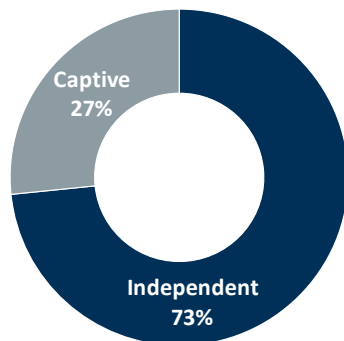
Company profile aligns with our strategy; 1Q 2021 expected close

Enhancing Specialty Market Capabilities

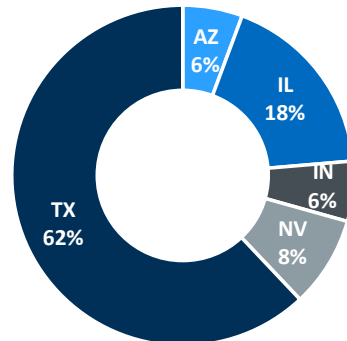
- \$370 million cash transaction for a platform that has historically produced consistent and sustainable margins and cash flows
- Expands customer reach with a focus on low limit auto policies and broadens Hispanic customer base (>75% of customers)
- Accelerates geographic expansion and strengthens agency network
- Acquisition aligns with previously communicated capital deployment guidance
 - Scalable model that provides additional growth opportunities across new and existing geographies
 - Value accretive transaction – anticipated high single digit run-rate earnings increase; tangible book value expected to return to current levels within one year

Business Mix

Agency Channel Distribution

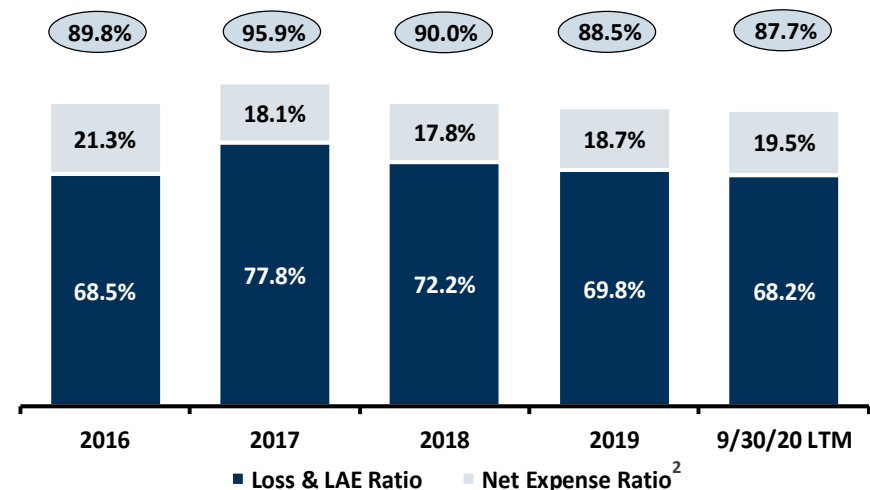


Geographic Mix



LTM Net Written Premium: \$359 million

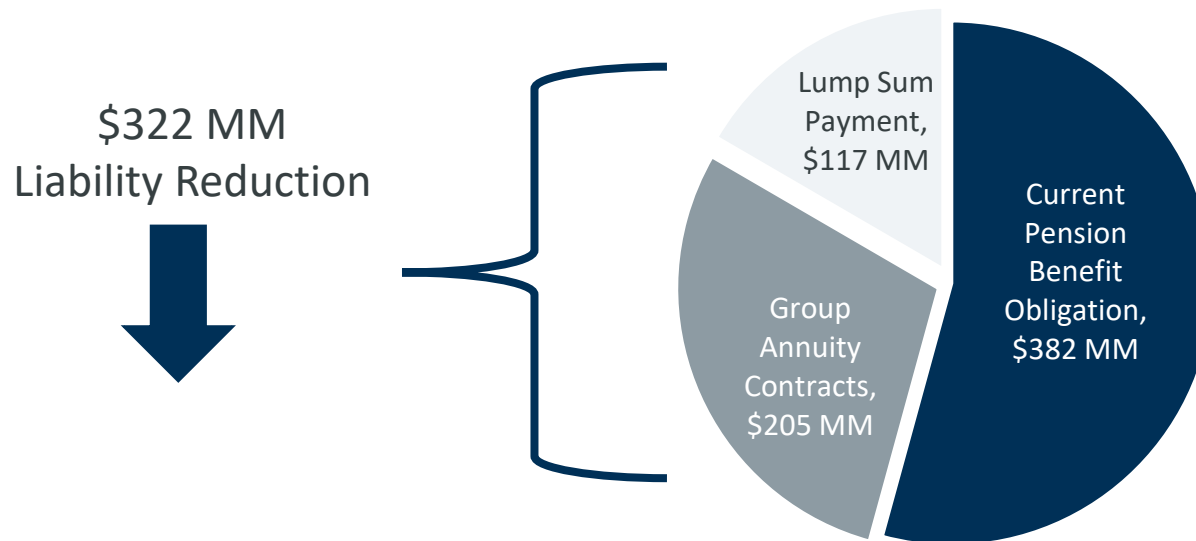
GAAP Combined Ratio



Reduced Pension Liability Exposure

Further de-risked non-strategic pension obligation – Ongoing Plan funding > ~100%

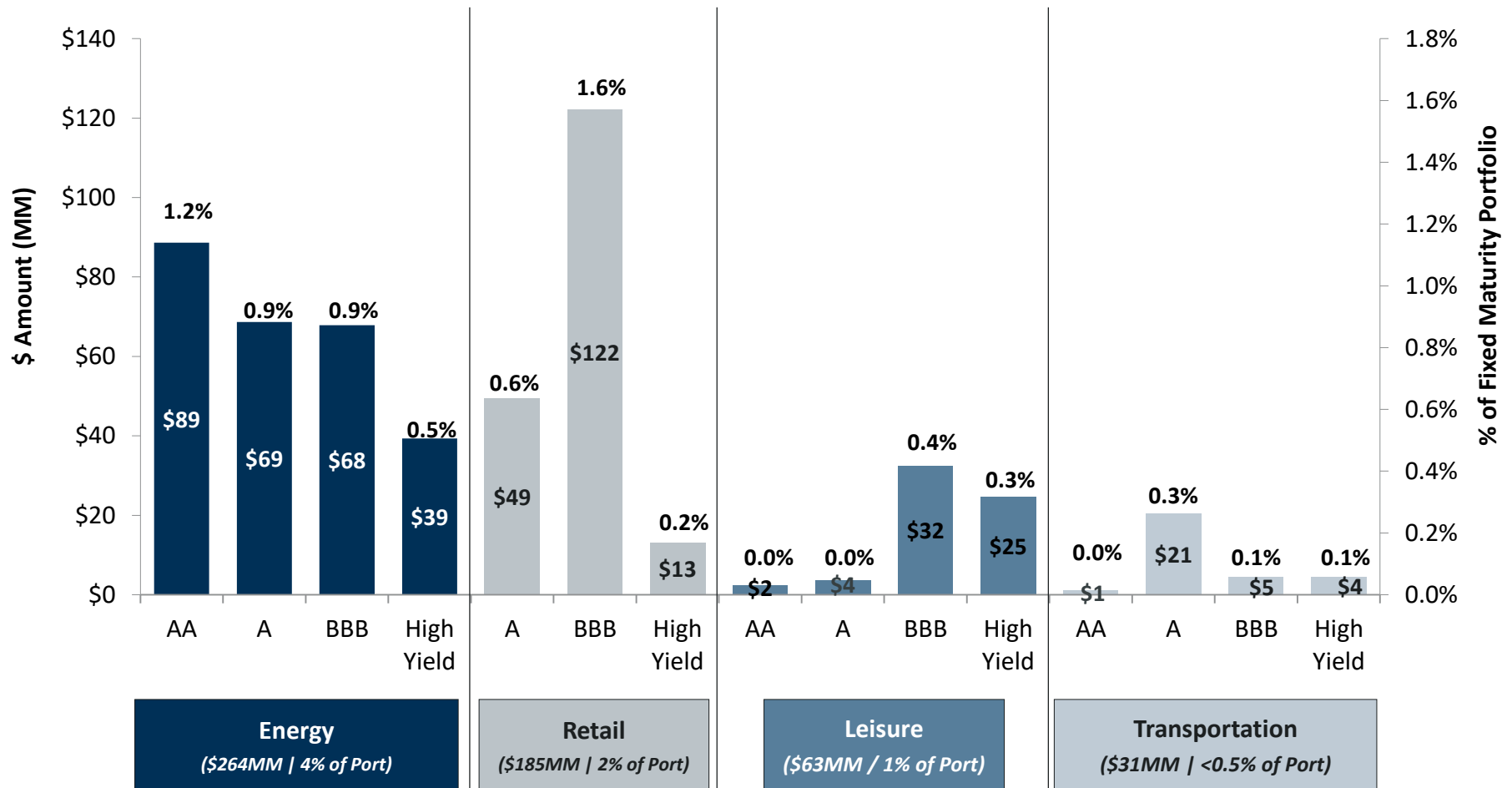
- During the quarter, took advantage of the favorable environment to further reduce Kemper's pension benefit obligation to \$382 million from \$660 million at the end of 2019
- Exposure reduction accomplished through annuity purchases and lump-sum payments
- Transactions resulted in a \$51 million (after-tax) noncash settlement charge recorded through the "Total Insurance Expenses" line item



Took advantage of an attractive pension environment to reduce non-value-added risk and further strengthen an already strong balance sheet

Investment Portfolio Exposure to COVID Impacted Categories

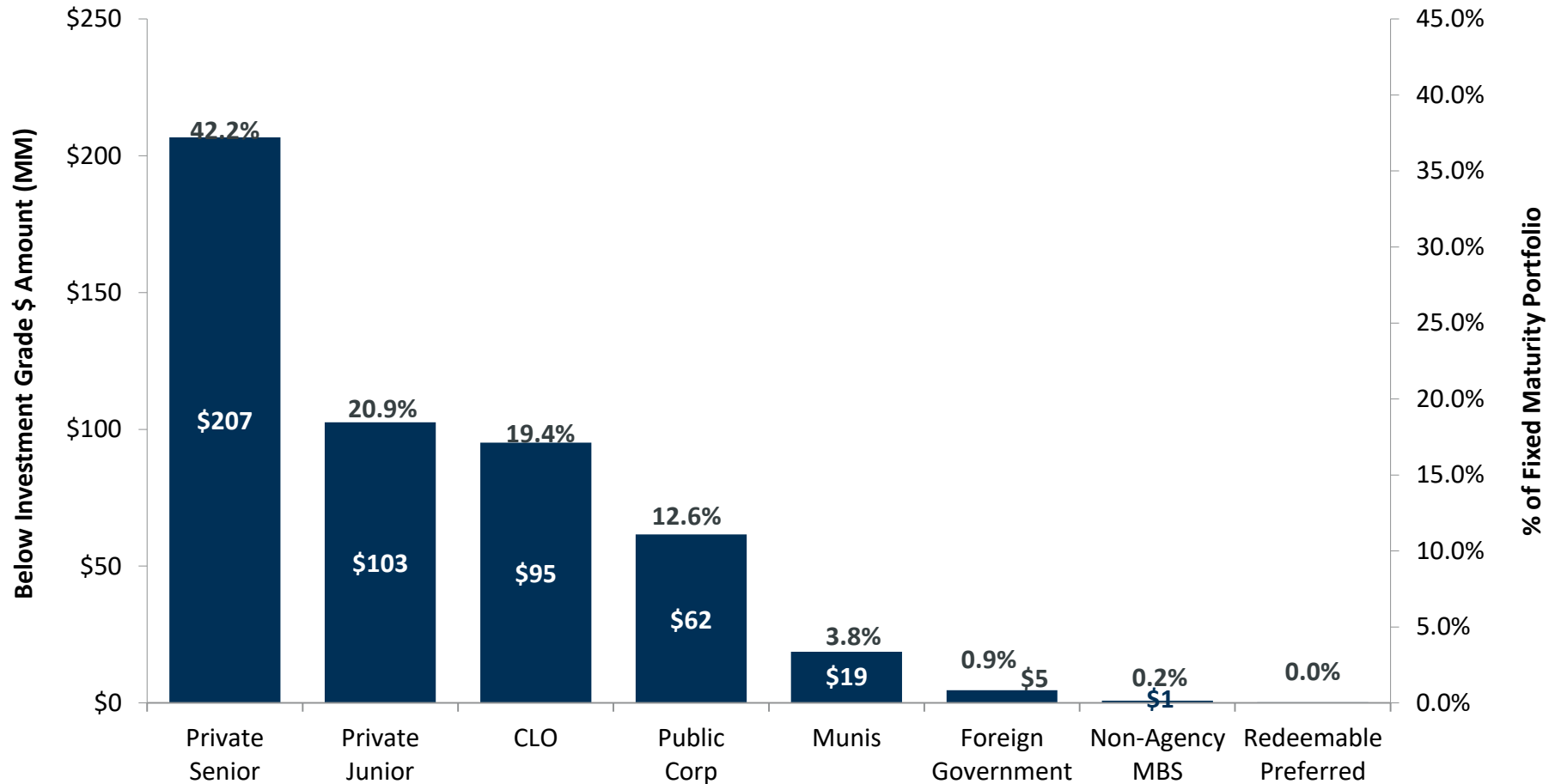
Fixed income investments in COVID exposed industry sectors is manageable



Exposure to COVID sectors is well diversified across high quality assets;
1% of fixed maturity portfolio is in high yield COVID exposed sector investments

Below Investment Grade Fixed Maturities Portfolio of \$490 Million

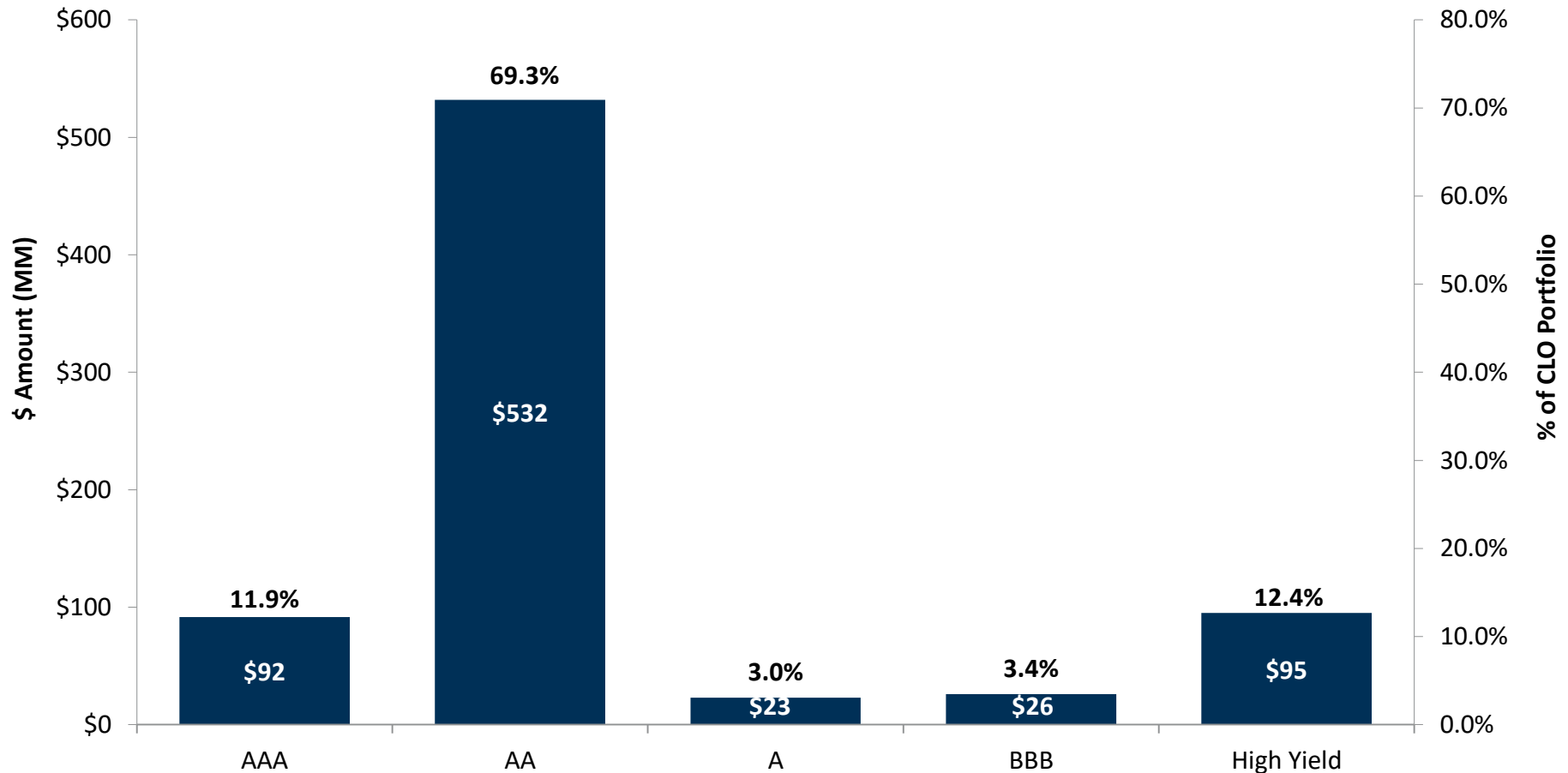
Portfolio is diversified across different asset types



Below investment grade portfolio represents roughly 6% of our fixed maturities portfolio

CLO Composition (\$768 Million)

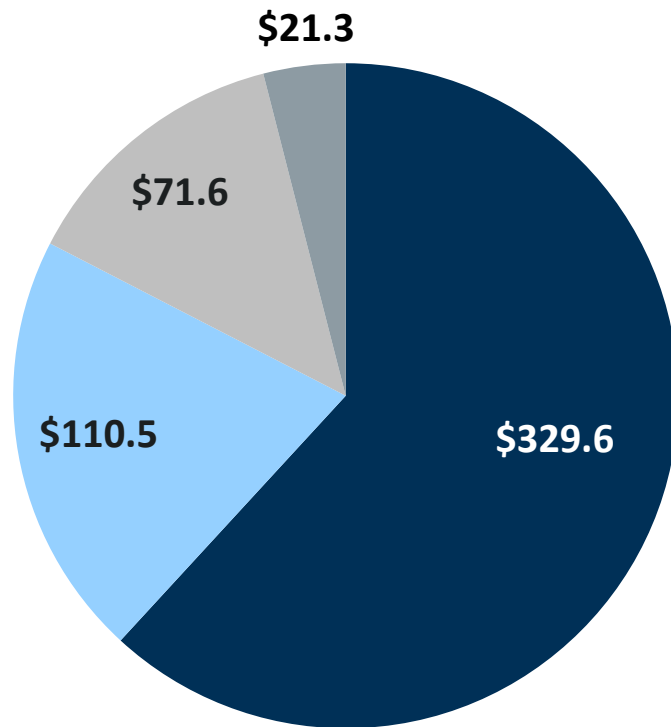
CLOs represent 7.4% of investment portfolio



Well-diversified CLO book with 84% of holdings classified 'A' or higher

Alternative Investment Portfolio of \$533 Million

Portfolio is highly diversified with strategies focused on private credit, private equity and hedge funds



■ Private Credit ■ Private Equity
■ Hedge Funds ■ Tax Equity Funds

Private Credit

~3% of total investments (62% of Alts portfolio)

Diversification across date of investment, industry and geography

Private Equity

~ 1% of total investments (21% of Alts portfolio)

Diversification across date of investment, industry and geography

Hedge Funds

< 1% of total investments (13% of Alts portfolio)

Diversified in strategies with focus on minimum correlation to public markets and additional liquidity relative to Private Credit and Private Equity strategies

Tax Equity Funds

< 1% of total investments (4% of Alts portfolio)

Alternative investment portfolio is ~5% of total investments and diversified across underlying investment strategies with primary focus on current income generation

2021 Reinsurance Program

Both programs were renewed with no significant change

Catastrophe Reinsurance Program (Multi-Year)

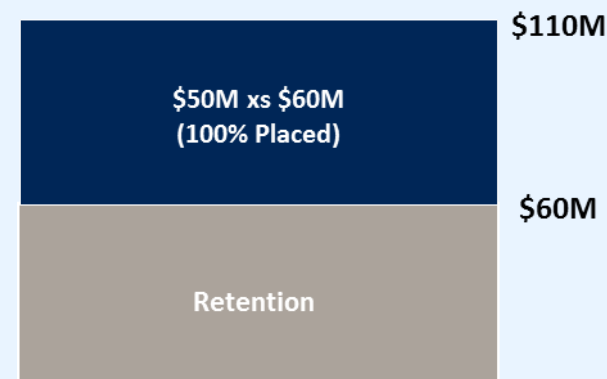
1-Year Term Placed 1/1/21 \$25M xs \$250M 95% Placed			Retention 5% of \$225M xs \$50M
3-Year Term Placed 1/1/19 \$100M xs \$150M 31.67% Placed	3-Year Term Placed 1/1/20 \$100M xs \$150M 31.67% Placed	3-Year Term Placed 1/1/21 \$100M xs \$150M 31.67% Placed*	
3-Year Term Placed 1/1/19 \$100M xs \$50M 31.67% Placed	3-Year Term Placed 1/1/20 \$100M xs \$50M 31.67% Placed	3-Year Term Placed 1/1/21 \$100M xs \$50M 31.67% Placed*	
Retention 100% of first \$50M			

- Policy placed at 1/1/21 similar to prior three years
- Total coverage: 95% of \$225 million excess of \$50 million

Aggregate Catastrophe Program

- Same coverage as 2020 program
- Intended to reduce volatility from high-frequency, low severity events
- Coverage
 - \$50 million in excess of \$60 million
 - \$500k deductible per storm
 - Perils: All perils, excluding named storms (e.g., hurricanes) and earthquakes
 - Covered Line: Property, Fire and Dwelling

2021 Aggregate Catastrophe Reinsurance Program



Non-GAAP Financial Measures

Non-GAAP Financial Measures

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

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

	For the Periods Ended										
	<u>4Q'20</u>	<u>3Q'20</u>	<u>2Q'20</u>	<u>1Q'20</u>	<u>4Q'19</u>	<u>3Q'19</u>	<u>2Q'19</u>	<u>1Q'19</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Book Value Per Share	\$ 69.74	\$ 66.47	\$ 64.15	\$ 57.54	\$ 59.59	\$ 58.43	\$ 55.34	\$ 51.13	\$ 47.10	\$ 41.11	\$ 38.52
Less: Net Unrealized Gains on Fixed Maturities Per Share	(11.07)	(9.84)	(9.02)	(4.01)	(6.51)	(6.92)	(5.52)	(3.72)	(1.70)	(5.54)	(3.52)
Book Value Per Share Excluding Net Unrealized Gains on Fixed Maturities	\$ 58.67	\$ 56.63	\$ 55.13	\$ 53.53	\$ 53.08	\$ 51.51	\$ 49.82	\$ 47.41	\$ 45.40	\$ 35.57	\$ 35.00
Less: Goodwill	(17.02)	(17.03)	(17.06)	(17.04)	(16.72)	(16.71)	(16.74)	(17.12)	(17.18)	(6.28)	(6.30)
Book Value Per Share Excluding Net Unrealized Gains on Fixed Maturities and Goodwill	\$ 41.65	\$ 39.60	\$ 38.07	\$ 36.49	\$ 36.36	\$ 34.80	\$ 33.08	\$ 30.29	\$ 28.22	\$ 29.29	\$ 28.70

Non-GAAP Financial Measures

Return on Equity

	For the Periods Ended										
	<u>4Q'20</u>	<u>3Q'20</u>	<u>2Q'20</u>	<u>1Q'20</u>	<u>4Q'19</u>	<u>3Q'19</u>	<u>2Q'19</u>	<u>1Q'19</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Rolling 12 Month Return on Average Shareholders' Equity (5 Point Avg)	9.8%	10.8%	11.4%	11.8%	14.8%	12.1%	12.4%	10.8%	7.7%	5.9%	0.8%
Less: Net Unrealized Gains on Fixed Maturities	1.5%	1.5%	1.4%	1.2%	1.5%	1.0%	0.9%	0.6%	0.6%	0.7%	0.1%
Rolling 12 Month Return on Average Shareholders' Equity Excluding Net Unrealized Gains on Fixed Maturities (5 Point Avg)	11.3%	12.3%	12.8%	13.0%	16.3%	13.1%	13.3%	11.4%	8.3%	6.6%	0.9%
Less: Goodwill	5.0%	5.6%	6.0%	6.5%	8.4%	7.2%	6.6%	5.2%	3.1%	1.4%	0.2%
Rolling 12 Month Return on Average Shareholders' Equity Excluding Net Unrealized Gains on Fixed Maturities and Goodwill (5 Point Avg)	16.3%	17.9%	18.8%	19.5%	24.7%	20.3%	19.9%	16.6%	11.4%	8.0%	1.1%

Non-GAAP Financial Measures

Reconciliation of COLI investment into Net Investment Income. Prior to 1Q 2020, COLI was reported in “Other Income.” Starting in the 1Q 2020, COLI was reported in net investment income.

	For the Period Ended
<u>Consolidated</u>	<u>4Q'19</u>
Reported Net Investment Income	\$ 93.9
COLI Investment Income	\$ 3.6
Total Adjusted Net Investment Income	\$ 97.5
Reported Pre-Tax Equivalent Book Yield	4.5%
COLI Pre-Tax Equivalent Book Yield	0.1%
Total Pre-Tax Equivalent Book Yield	4.6%
<u>Life and Health</u>	
Reported Net Investment Income	\$ 52.0
COLI Investment Income	\$ 2.7
Total Adjusted Net Investment Income	\$ 54.7

Non-GAAP Financial Measures

Adjusted Consolidated Net Operating Income is an after-tax, non-GAAP financial measure computed by excluding from Net Income the after-tax impact of 1) income (loss) from change in fair value of equity and convertible securities, 2) net realized gains on sales of investments, 3) impairment losses 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 Net Income.

Kemper believes that Adjusted Consolidated Net Operating Income (Loss) 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 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.

Non-GAAP Financial Measures

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

Kemper believes that Diluted Adjusted Consolidated Net Operating Income Per Unrestricted Share 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 from change in fair value of equity and convertible securities, net realized gains on sales of investments, impairment losses related to investments, acquisition related transaction, integration and other costs and loss from early extinguishment of debt included in Kemper's results may vary significantly between periods and are generally driven by business decisions and external economic developments such as capital market conditions that impact the values of the company's investments, the timing of which is unrelated to the insurance underwriting process.

	For the Three Months Ended				
Per Unrestricted Share	4Q20	3Q20	2Q20	1Q20	4Q19
Net Income - Diluted	\$ 1.46	\$ 1.83	\$ 1.91	\$ 0.95	\$ 1.85
Net (Income) Loss From:					
Change in Fair Value of Equity & Convertible Securities	(0.86)	(0.53)	(0.86)	1.39	(0.46)
Net Realized Gains on Sales of Investments	-	(0.12)	(0.14)	(0.19)	(0.03)
Impairment Losses	(0.01)	0.01	0.08	0.14	0.02
Acquisition Related Transaction, Integration and Other Costs	0.24	0.17	0.21	0.14	0.07
Debt Extinguishment, pension and other charges	0.76	-	-	-	-
Adj. Consolidated Net Operating Income - Diluted	<u>\$ 1.59</u>	<u>\$ 1.36</u>	<u>\$ 1.20</u>	<u>\$ 2.43</u>	<u>\$ 1.45</u>

Non-GAAP Financial Measures

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

Non-GAAP Financial Measures

Underlying Combined Ratio – Continued

For the Three Months Ended

	4Q20	3Q20	2Q20	1Q20	4Q19
Specialty P&C Insurance					
Combined Ratio as Reported	91.7%	86.3%	91.0%	94.5%	93.8%
Current Year Catastrophe Loss and LAE Ratio	(0.6%)	(0.2%)	(0.6%)	0.0%	(0.5%)
Prior Years Non-Catastrophe Losses and LAE	0.2%	(0.2%)	(1.3%)	(0.6%)	0.5%
Prior Years Catastrophe Losses and LAE Ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Underlying Combined Ratio	91.3%	85.9%	89.1%	93.9%	93.8%
Preferred P&C Insurance					
Combined Ratio as Reported	96.2%	129.9%	102.2%	92.6%	97.5%
Current Year Catastrophe Loss and LAE Ratio	3.1%	(35.5%)	(12.6%)	(2.7%)	(6.4%)
Prior Years Non-Catastrophe Losses and LAE	(5.6%)	(3.6%)	(5.0%)	1.8%	3.8%
Prior Years Catastrophe Losses and LAE Ratio	(0.1%)	(0.1%)	(0.2%)	0.6%	1.7%
Underlying Combined Ratio	93.6%	90.7%	84.4%	92.3%	96.6%
Preferred Auto					
Combined Ratio as Reported	112.3%	103.5%	100.1%	99.5%	103.6%
Current Year Catastrophe Loss and LAE Ratio	(0.4%)	(1.6%)	(2.0%)	(0.2%)	(1.3%)
Prior Years Non-Catastrophe Losses and LAE	(9.2%)	(5.3%)	(9.8%)	(1.9%)	2.4%
Prior Years Catastrophe Losses and LAE Ratio	0.4%	0.2%	0.3%	0.1%	(0.2%)
Underlying Combined Ratio	103.1%	96.8%	88.6%	97.5%	104.5%
Preferred Home & Other					
Combined Ratio as Reported	68.6%	175.6%	105.4%	80.7%	87.0%
Current Year Catastrophe Loss and LAE Ratio	9.2%	(94.1%)	(28.8%)	(7.0%)	(15.3%)
Prior Years Non-Catastrophe Losses and LAE	0.6%	(0.6%)	2.3%	8.3%	6.3%
Prior Years Catastrophe Losses and LAE Ratio	(0.8%)	(0.5%)	(1.1%)	1.5%	4.9%
Underlying Combined Ratio	77.6%	80.4%	77.8%	83.5%	82.9%

Non-GAAP Financial Measures

As Adjusted for Acquisition – Continued

Specialty P&C Insurance Segment

	Three Months Ended				
	31-Dec-20	30-Sep-20	30-Jun-20	31-Mar-20	31-Dec-19
Earned Premiums					
Kemper Specialty P&C - GAAP As Reported	\$ 882.4	\$ 871.4	\$ 759.0	\$ 822.5	\$ 799.7
Current Year Non-CAT Losses and LAE					
Kemper Specialty P&C - GAAP As Reported	\$ 626.2	\$ 589.0	\$ 515.8	\$ 619.8	\$ 599.5
Less: Impact of Purchase Accounting					
Amortization of Fair Value Adjustment to Infinity's Unpaid Loss and LAE	0.4	0.3	0.8	0.7	0.8
As Adjusted ¹	\$ 625.8	\$ 588.7	\$ 515.0	\$ 619.1	\$ 598.7
Insurance Expenses					
Kemper Specialty P&C - GAAP As Reported	\$ 179.1	\$ 159.5	\$ 161.2	\$ 152.1	\$ 150.7
Less: Impact of Purchase Accounting	4.1	4.2	4.5	5.2	5.2
As Adjusted ¹	\$ 175.0	\$ 155.3	\$ 156.7	\$ 146.9	\$ 145.5
As Adjusted ¹ Underlying Combined Ratio					
As Adjusted ¹ Underlying Loss & LAE Ratio	70.9%	67.6%	67.8%	75.3%	74.9%
As Adjusted ¹ Expense Ratio	19.8%	17.8%	20.6%	17.9%	18.2%
As Adjusted ¹ Underlying Combined Ratio	90.8%	85.4%	88.5%	93.1%	93.1%

Non-GAAP Financial Measures

As Adjusted for Acquisition – Continued

Specialty Personal Automobile Insurance					
	Three Months Ended				
	31-Dec-20	30-Sep-20	30-Jun-20	31-Mar-20	31-Dec-19
Earned Premiums					
Kemper Specialty Auto - GAAP As Reported	\$ 796.1	\$ 792.2	\$ 689.8	\$ 753.2	\$ 733.1
Current Year Non-CAT Losses and LAE					
Kemper Specialty Auto - GAAP As Reported	\$ 569.1	\$ 543.4	\$ 472.4	\$ 576.0	\$ 557.5
Less: Impact of Purchase Accounting					
Amortization of Fair Value Adjustment to Infinity's Unpaid Loss and LAE	0.3	0.2	0.6	0.6	0.6
As Adjusted ¹	\$ 568.8	\$ 543.2	\$ 471.8	\$ 575.4	\$ 556.9
Insurance Expenses					
Kemper Specialty Auto - GAAP As Reported	\$ 162.8	\$ 145.6	\$ 146.7	\$ 139.2	\$ 138.1
Less: Impact of Purchase Accounting	3.3	3.2	3.5	4.5	4.5
As Adjusted ¹	\$ 159.5	\$ 142.4	\$ 143.2	\$ 134.7	\$ 133.6
As Adjusted¹ Underlying Combined Ratio					
As Adjusted ¹ Underlying Loss & LAE Ratio	71.4%	68.6%	68.4%	76.4%	76.0%
As Adjusted ¹ Expense Ratio	20.0%	18.0%	20.8%	17.9%	18.2%
As Adjusted ¹ Underlying Combined Ratio	91.5%	86.5%	89.2%	94.3%	94.2%