KEMPER Corp
Form 10-Q
November 05, 2015

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

FORM 10-Q

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For Quarterly Period Ended September 30, 2015
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)

Delaware (State or other jurisdiction of incorporation or organization)	95-4255452 (I.R.S. Employer Identification No.)
One East Wacker Drive, Chicago, Illinois (Address of principal executive offices)	60601 (Zip Code)

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

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 x 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 x No ¨

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

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller Reporting Company	¨

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

51,254,173 shares of common stock, $0.10 par value, were outstanding as of October 31, 2015.

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"), Quantitative and Qualitative Disclosures About Market Risk, 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" and ot and terms of similar meaning in connection with a discussion of future operating performance, financial performance or financial condition. 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, which speak only as of the date of this Quarterly Report on Form 10-Q.

Kemper bases these statements on current expectations and the current economic environment. 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. Many such factors will be important in determining the Company's actual future results and financial condition. The reader should consider the following list of general factors that could affect the Company's future results and financial condition, as well as those 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, 2014 (the "2014 Annual Report") as updated by Item 1A. of Part II of subsequently-filed Quarterly Reports on Form 10-Q, including this Quarterly Report on Form 10-Q.

Among the general factors that could cause actual results and financial condition to differ materially from estimated results and financial condition are:

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

- Developments in, and outcomes of, initiatives by state officials that could result in significant changes to unclaimed property laws, or significant changes to the interpretations of existing laws, and significant changes in claims handling practices with respect to life insurance policies, especially to the extent that such initiatives result in retroactive application of new requirements to existing life insurance policy contracts;
- 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 the provisions of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010 (collectively, the "Health Care Acts"), the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "DFA"), the Risk Management and Own Risk and Solvency Assessment Model Act ("RMORSA") and other new laws, regulations or court decisions interpreting existing laws and regulations or policy provisions;
- Uncertainties related to regulatory approval of insurance rates, policy forms, license applications and similar matters;
- Uncertainties related to regulatory approval of dividends from insurance subsidiaries, acquisitions of businesses and similar matters;

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) and their impact on the adequacy of loss reserves;
-

Changes in facts and circumstances affecting assumptions used in determining loss and loss adjustment expenses (“LAE”) reserves;

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Caution Regarding Forward-Looking Statements (continued)

- The impact of inflation on insurance claims, including, but not limited to, the effects 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 economies of scale, implementing significant business consolidations, reorganizations and technology initiatives and integrating acquired businesses;
- Absolute and relative performance of the Company's products or services;
- Heightened competition, including, with respect to pricing, entry of new competitors and alternate distribution channels, introduction of new technologies, the emergence of telematics, refinements of existing products and the development of new products by new and existing competitors;

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 industry trends and significant industry 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 information technology and data security, including, but not limited to, unauthorized disclosure or theft of personal data and the prevention of, or occurrence of, disruption of services; 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)

	Nine Months Ended		Three Months Ended	
	Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
Revenues:				
Earned Premiums	$1,468.1	$1,410.7	$536.7	$462.8
Net Investment Income	223.2	216.0	75.9	72.3
Other Income	2.3	0.8	0.8	0.5
Net Realized Gains on Sales of Investments	42.7	18.1	5.3	8.0
Other-than-temporary Impairment Losses:				
Total Other-than-temporary Impairment Losses	(12.5)	(8.7)	(3.3)	(3.8)
Portion of Losses Recognized in Other Comprehensive Income	—	—	—	—
Net Impairment Losses Recognized in Earnings	(12.5)	(8.7)	(3.3)	(3.8)
Total Revenues	1,723.8	1,636.9	615.4	539.8
Expenses:				
Policyholders' Benefits and Incurred Losses and Loss Adjustment Expenses	1,051.6	975.9	378.8	300.5
Insurance Expenses	468.1	472.0	161.1	158.6
Write-offs of Long-lived Assets	11.1	54.6	—	54.6
Loss from Early Extinguishment of Debt	9.1	—	—	—
Interest and Other Expenses	82.0	67.3	25.7	22.1
Total Expenses	1,621.9	1,569.8	565.6	535.8
Income from Continuing Operations before Income Taxes	101.9	67.1	49.8	4.0
Income Tax Benefit (Expense)	(23.0)	(17.8)	(11.8)	0.8
Income from Continuing Operations	78.9	49.3	38.0	4.8
Income (Loss) from Discontinued Operations	2.2	(0.2)	(0.1)	(0.1)
Net Income	$81.1	$49.1	$37.9	$4.7
Income from Continuing Operations Per Unrestricted Share:				
Basic	$1.52	$0.90	$0.73	$0.09
Diluted	$1.52	$0.90	$0.73	$0.09
Net Income Per Unrestricted Share:				
Basic	$1.56	$0.90	$0.73	$0.09
Diluted	$1.56	$0.90	$0.73	$0.09
Dividends Paid to Shareholders Per Share	$0.72	$0.72	$0.24	$0.24

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
(Dollars in millions)
(Unaudited)

	Nine Months Ended		Three Months Ended	
	Sep 30, 2015	Sep 30, 2014	Sep 30, 2015	Sep 30, 2014
Net Income	$81.1	$49.1	$37.9	$4.7
Other Comprehensive Income (Loss) Before Income Taxes:				
Unrealized Holding Gains (Losses)	(130.7)	220.5	—	2.9
Foreign Currency Translation Adjustments	(1.1)	(0.7)	(0.3)	(0.5)
Amortization of Net Unrecognized Postretirement Benefit Costs	17.3	5.9	5.8	2.0
Other Comprehensive Income (Loss) Before Income Taxes	(114.5)	225.7	5.5	4.4
Other Comprehensive Income Tax Benefit (Expense)	40.8	(79.6)	(1.8)	(1.6)
Other Comprehensive Income (Loss)	(73.7)	146.1	3.7	2.8
Total Comprehensive Income	$7.4	$195.2	$41.6	$7.5

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)

	Sep 30, 2015 (Unaudited)	Dec 31, 2014
Assets:		
Investments:		
Fixed Maturities at Fair Value (Amortized Cost: 2015 - $4,496.0; 2014 - $4,341.7)	$4,844.9	$4,777.6
Equity Securities at Fair Value (Cost: 2015 - $509.8; 2014 - $561.5)	535.7	632.2
Equity Method Limited Liability Investments at Cost Plus Cumulative Undistributed Earnings	179.4	184.8
Fair Value Option Investments	166.1	53.3
Short-term Investments at Cost which Approximates Fair Value	295.9	342.2
Other Investments	451.0	449.6
Total Investments	6,473.0	6,439.7
Cash	147.1	76.1
Receivables from Policyholders	347.9	295.3
Other Receivables	198.9	187.0
Deferred Policy Acquisition Costs	325.8	303.3
Goodwill	323.0	311.8
Current and Deferred Income Tax Assets	22.3	—
Other Assets	237.6	220.2
Total Assets	$8,075.6	$7,833.4
Liabilities and Shareholders’ Equity:		
Insurance Reserves:		
Life and Health	$3,327.8	$3,273.7
Property and Casualty	852.9	733.9
Total Insurance Reserves	4,180.7	4,007.6
Unearned Premiums	629.4	536.9
Liabilities for Income Taxes	3.7	36.5
Debt at Amortized Cost (Fair Value: 2015 - $792.7; 2014 - $804.4)	750.4	752.1
Accrued Expenses and Other Liabilities	486.8	409.6
Total Liabilities	6,051.0	5,742.7
Shareholders’ Equity:		
Common Stock, $0.10 Par Value, 100 Million Shares Authorized; 51,318,171 Shares Issued and Outstanding at September 30, 2015 and 52,418,246 Shares Issued and Outstanding at December 31, 2014	5.1	5.2
Paid-in Capital	651.9	660.1
Retained Earnings	1,218.6	1,202.7
Accumulated Other Comprehensive Income	149.0	222.7
Total Shareholders’ Equity	2,024.6	2,090.7
Total Liabilities and Shareholders’ Equity	$8,075.6	$7,833.4

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)

	Nine Months Ended	
	Sep 30, 2015	Sep 30, 2014
Operating Activities:		
Net Income	$81.1	$49.1
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Increase in Deferred Policy Acquisition Costs	(22.5)	(3.8)
Amortization of Intangible Assets Acquired	12.8	5.4
Equity in Earnings of Equity Method Limited Liability Investments	(11.8)	(9.7)
Distribution of Accumulated Earnings of Equity Method Limited Liability Investments	4.7	14.4
Increase in Value of Fair Value Option Investments Reported in Investment Income	(1.8)	(0.6)
Amortization of Investment Securities and Depreciation of Investment Real Estate	11.7	11.3
Net Realized Gains on Sales of Investments	(42.7)	(18.1)
Net Impairment Losses Recognized in Earnings	12.5	8.7
Loss from Early Extinguishment of Debt	9.1	—
Depreciation of Property and Equipment	10.0	13.0
Write-offs of Long-lived Assets	11.1	54.6
Decrease in Receivables	29.4	21.0
Increase (Decrease) in Insurance Reserves	16.7	(20.1)
Increase (Decrease) in Unearned Premiums	6.8	(30.7)
Change in Income Taxes	(16.2)	(12.9)
Increase in Accrued Expenses and Other Liabilities	27.1	0.1
Other, Net	29.6	17.7
Net Cash Provided by Operating Activities	167.6	99.4
Investing Activities:		
Sales, Paydowns and Maturities of Fixed Maturities	538.5	454.1
Purchases of Fixed Maturities	(518.1)	(404.3)
Sales of Equity Securities	207.4	84.4
Purchases of Equity Securities	(121.0)	(95.1)
Return of Investment of Equity Method Limited Liability Investments	30.3	37.4
Acquisitions of Equity Method Limited Liability Investments	(21.9)	(19.8)
Sales of Fair Value Option Investments	—	2.9
Purchases of Fair Value Option Investments	(111.0)	(52.9)
Decrease (Increase) in Short-term Investments	64.7	(34.1)
Improvements of Investment Real Estate	(1.1)	(1.9)
Sales of Investment Real Estate	—	0.9
Increase in Other Investments	(2.1)	(5.4)
Purchases of Corporate-owned Life Insurance	(7.5)	(33.5)
Acquisition of Software	(7.4)	(8.5)
Acquisition of Business, Net of Cash Acquired	(57.6)	—
Disposition of Subsidiary, Net of Cash Disposed	—	8.9
Other, Net	(2.8)	(5.4)
Net Cash Used by Investing Activities	(9.6)	(72.3)
Financing Activities:		
Net Proceeds from Issuances of Debt	288.8	144.2

Repayments of Debt	(300.3)	—
Common Stock Repurchases	(41.2)	(106.5)
Dividends and Dividend Equivalents Paid	(37.3)	(39.2)
Cash Exercise of Stock Options	2.1	—
Other, Net	0.9	1.0
Net Cash Used by Financing Activities	(87.0)	(0.5)
Increase in Cash	71.0	26.6
Cash, Beginning of Year	76.1	66.5
Cash, End of Period	$147.1	$93.1

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

KEMPER CORPORATION AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

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 ("Kemper") and its subsidiaries (individually and collectively referred to herein as the "Company") 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 2014 Annual Report.

Adoption of New Accounting Guidance

In January 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-01, Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items. The Company adopted ASU 2015-01 in the first quarter of 2015 and applied its provisions retrospectively. The retrospective application had no impact on the Company's previously issued financial statements.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis. The amendments in ASU 2015-02 affect reporting entities that are required to evaluate whether they should consolidate certain legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Specifically, the amendments modify the evaluation of whether limited partnerships and similar legal entities are variable interest entities ("VIEs") or voting interest entities while also eliminating the presumption that a general partner should consolidate a limited partnership. ASU 2015-02 may also affect the consolidation analysis of reporting entities that are involved with VIEs, particularly those that have fee arrangements and related party relationships. ASU 2015-02 is effective for fiscal years beginning after December 15, 2015 and interim periods within those years with early adoption being permissible. The Company is currently evaluating the impact of this guidance on its financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 simplifies the presentation of debt issuance costs by requiring that they be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by ASU 2015-03. The Company adopted ASU 2015-03 in the first quarter of 2015 and applied its provisions retrospectively. The retrospective application had no impact on the Company's previously issued financial statements.

In May 2015, the FASB issued ASU 2015-09, Financial Services—Insurance (Topic 944): Disclosures about Short-Duration Contracts. ASU 2015-09 requires insurers to provide additional disclosures about short-duration insurance contracts, focusing particularly on the liability for unpaid claims and claim adjustment expenses. Insurers will be required to disclose tables showing incurred and paid claims development information by accident year for the number of years that claims typically remain outstanding, although not to exceed ten years, as well as a reconciliation of this information to the balance sheet. Additional disclosures will also be required on the total of incurred-but-not-reported liabilities plus expected development on reported claims, reserving methodologies, quantitative information about claim frequency, qualitative description of methodologies used for determining claim frequency and average annual percentage payout of incurred claims by age. ASU 2015-09 is effective for annual periods beginning after December 31, 2015 and interim periods within annual periods beginning after December 15, 2016. Except for the retrospective application of additional disclosure requirements, adoption of ASU 2015-09 will

not impact the Company’s financial statements.
In September 2015, the FASB issued ASU 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments. ASU 2015-16 simplifies the accounting for measurement period adjustments in a business combination by requiring the acquirer to recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The effect on earnings

KEMPER CORPORATION AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Note 1 - Basis of Presentation (continued)
as a result of the change to the provisional amounts, calculated as if the accounting had been completed as of the acquisition date, must be recorded in the reporting period in which the adjustment amounts are determined rather than retrospectively. The effects, by line item, if any, must be disclosed. The Company prospectively adopted ASU 2015-16 in the third quarter of 2015. See Note 2, “Acquisition of Business,” for the impact of adoption.
The Company has adopted all other recently issued accounting pronouncements with effective dates prior to October 1, 2015. There were no adoptions of such accounting pronouncements in 2014 or during the nine months ended September 30, 2015 that had a material impact on the Company’s Condensed Consolidated Financial Statements. With the possible exceptions of ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, and ASU 2015-09, Financial Services—Insurance (Topic 944): Disclosures about Short-Duration Contracts, the Company does not expect the adoption of all other recently issued accounting pronouncements with effective dates after September 30, 2015 to have a material impact on the Company’s financial statements.
Note 2 - Acquisition of Business
On April 30, 2015, Kemper acquired 100% of the outstanding common stock of Alliance United Group and its wholly-owned subsidiaries, Alliance United Insurance Company and Alliance United Insurance Services, (individually and collectively referred to herein as “Alliance United”) in a cash transaction for a total purchase price of $71.0 million, of which $17.5 million is being held in escrow to secure the sellers’ potential indemnification obligations under the purchase agreement. After completing the transaction, Kemper contributed $75.0 million to support the book of business acquired and commuted a quota share reinsurance agreement whereby Alliance United ceded a portion of its business to an unaffiliated reinsurer. The results of Alliance United are included in the Condensed Consolidated Financial Statements from the date of acquisition and are reported in the Company’s Property & Casualty Insurance segment. Alliance United is a provider of nonstandard personal automobile insurance in California. As a result of the acquisition, the Company increased its presence in the California nonstandard automobile insurance market by gaining access to additional independent agents and brokers and by gaining expertise in serving the Hispanic market.
During the third quarter of 2015, the Company completed the allocation of the purchase price to the assets acquired and liabilities assumed. Based on the final allocation, goodwill increased by $4.5 million from the preliminary amount reported in the Company’s condensed consolidated financial statements at June 30, 2015. The final allocation of the purchase price to the fair values of the assets acquired and liabilities assumed is presented below.

(Dollars in Millions)	
Investments	$187.0
Cash	13.4
Receivables from Policyholders	44.4
Other Receivables	52.8
Value of Intangible Assets Acquired (Reported in Other Assets)	32.6
Goodwill	11.2
Current Income Taxes	1.4
Other Assets	5.9
Property and Casualty Insurance Reserves	(155.8)
Unearned Premiums	(85.6)
Liabilities for Income Taxes	(1.5)
Accrued Expenses and Other Liabilities	(34.8)
Total Purchase Price	$71.0

Under the purchase agreement, the Company is indemnified up to $12.5 million on an after-tax basis for, among other things, breaches of customary representations and warranties, loss and LAE reserve development and pre-closing income taxes. In addition, the Company is indemnified, up to $5.0 million on an after-tax basis, for certain employment related matters. Other Receivables in the preceding table include an indemnification receivable of $5.4 million. Other Receivables in the Condensed Consolidated Balance Sheet at September 30, 2015 include an indemnification receivable of $15.9 million.

KEMPER CORPORATION AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Note 2 - Acquisition of Business (continued)

The Company's Condensed Consolidated Statements of Income for the six and three months ended June 30, 2015 were prepared based on provisional amounts for Insurance Expenses and Income Tax Expense. During the third quarter of 2015, the Company recognized measurement period adjustments to these provisional amounts. In accordance with ASU 2015-16, these adjustments were included in earnings for the three months ended September 30, 2015. If the Company had completed the purchase price allocation as of the acquisition date and recognized these measurement period adjustments in its Condensed Consolidated Statements of Income for the six and three months ended June 30, 2015, Insurance Expenses for both the six and three months ended June 30, 2015 would have been $2.9 million lower than what was previously reported and Income Tax Expense for both the six and three months ended June 30, 2015 would have been $1.0 million higher than what was previously reported.

The carrying amount, net of accumulated amortization, of the intangible assets acquired by class at September 30, 2015 and the acquisition date are as follows:

(Dollars in Millions)	Sep 30, 2015	At Acquisition Date
Broker Relationships	$18.4	$18.9
Value of In Force Policies	1.3	9.2
Other	3.9	4.5
Value of Intangible Assets Acquired	$23.6	$32.6

Broker Relationships are being amortized over 15 years on a straight-line basis. Value of In Force Policies is being amortized pro ratably as premiums are earned over the remaining terms of the underlying policies. Other intangible assets acquired are generally being amortized on a straight-line basis over 2 years to 5 years.

Note 3 - Investments

The amortized cost and estimated fair values of the Company's Investments in Fixed Maturities at September 30, 2015 were:

(Dollars in Millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government and Government Agencies and Authorities	$303.6	$29.9	$(2.2)	$331.3
States and Political Subdivisions	1,482.3	111.4	(2.0)	1,591.7
Corporate Securities:				
Bonds and Notes	2,626.8	238.2	(27.2)	2,837.8
Redeemable Preferred Stocks	4.4	0.1	—	4.5
Collateralized Loan Obligations	75.1	0.4	(1.2)	74.3
Other Mortgage- and Asset-backed	3.8	1.5	—	5.3
Investments in Fixed Maturities	$4,496.0	$381.5	$(32.6)	$4,844.9

The amortized cost and estimated fair values of the Company's Investments in Fixed Maturities at December 31, 2014 were:

(Dollars in Millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government and Government Agencies and Authorities	$315.2	$32.3	$(2.0)	$345.5
States and Political Subdivisions	1,352.5	126.4	(1.8)	1,477.1
Corporate Securities:				
Bonds and Notes	2,599.3	294.3	(15.1)	2,878.5
Redeemable Preferred Stocks	5.9	0.8	—	6.7
Collateralized Loan Obligations	64.9	0.3	(0.8)	64.4

Other Mortgage- and Asset-backed	3.9	1.5	—	5.4
Investments in Fixed Maturities	$4,341.7	$455.6	$(19.7)	$4,777.6

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KEMPER CORPORATION AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Note 3 - Investments (continued)

There were no unsettled sales of Investments in Fixed Maturities at September 30, 2015 or December 31, 2014. Accrued Expenses and Other Liabilities included unsettled purchases of Investments in Fixed Maturities of $12.4 million at September 30, 2015, all of which settled in the following month. There were no unsettled purchases of Investments in Fixed Maturities at December 31, 2014.

The amortized cost and estimated fair values of the Company's Investments in Fixed Maturities at September 30, 2015 by contractual maturity were:

(Dollars in Millions)	Amortized Cost	Fair Value
Due in One Year or Less	$58.9	$59.8
Due after One Year to Five Years	793.8	837.6
Due after Five Years to Ten Years	1,414.0	1,459.4
Due after Ten Years	2,021.0	2,270.8
Mortgage- and Asset-backed Securities Not Due at a Single Maturity Date	208.3	217.3
Investments in Fixed Maturities	$4,496.0	$4,844.9

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 September 30, 2015 consisted of securities issued by the Government National Mortgage Association with a fair value of $113.2 million, securities issued by the Federal National Mortgage Association with a fair value of $18.2 million, securities issued by the Federal Home Loan Mortgage Corporation with a fair value of $6.3 million and securities of other non-governmental issuers with a fair value of $79.6 million.

Gross unrealized gains and gross unrealized losses on the Company's Investments in Equity Securities at September 30, 2015 were:

		Gross Unrealized		
(Dollars in Millions)	Cost	Gains	Losses	Fair Value
Preferred Stocks:				
Finance, Insurance and Real Estate	$80.8	$4.4	$(0.9)	$84.3
Other Industries	21.0	2.9	(0.5)	23.4
Common Stocks:				
Finance, Insurance and Real Estate	18.4	4.1	(0.8)	21.7
Other Industries	9.8	6.0	(0.5)	15.3
Other Equity Interests:				
Exchange Traded Funds	198.7	0.3	(12.0)	187.0
Limited Liability Companies and Limited Partnerships	181.1	25.9	(3.0)	204.0
Investments in Equity Securities	$509.8	$43.6	$(17.7)	$535.7

KEMPER CORPORATION AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Note 3 - Investments (continued)

Gross unrealized gains and gross unrealized losses on the Company's Investments in Equity Securities at December 31, 2014 were:

(Dollars in Millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Preferred Stocks:				
Finance, Insurance and Real Estate	$85.5	$5.2	$(1.0)	$89.7
Other Industries	16.3	3.5	—	19.8
Common Stocks:				
Manufacturing	43.4	14.9	(1.1)	57.2
Finance, Insurance and Real Estate	34.3	6.2	—	40.5
Other Industries	26.5	10.0	(0.4)	36.1
Other Equity Interests:				
Exchange Traded Funds	195.2	8.2	(0.7)	202.7
Limited Liability Companies and Limited Partnerships	160.3	27.7	(1.8)	186.2
Investments in Equity Securities	$561.5	$75.7	$(5.0)	$632.2

There were no unsettled purchases or sales of Investments in Equity Securities at either September 30, 2015 or December 31, 2014.

An aging of unrealized losses on the Company's Investments in Fixed Maturities and Equity Securities at September 30, 2015 is presented below.

(Dollars in Millions)	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Losses	12 Months or Longer Fair Value	12 Months or Longer Unrealized Losses	Total Fair Value	Total Unrealized Losses
Fixed Maturities:						
U.S. Government and Government Agencies and Authorities	$75.6	$(0.9)	$24.7	$(1.3)	$100.3	$(2.2)
States and Political Subdivisions	160.7	(1.9)	0.9	(0.1)	161.6	(2.0)
Corporate Securities:						
Bonds and Notes	605.9	(19.1)	119.8	(8.1)	725.7	(27.2)
Collateralized Loan Obligations	44.3	(1.1)	0.8	(0.1)	45.1	(1.2)
Other Mortgage- and Asset-backed	—	—	0.3	—	0.3	—
Total Fixed Maturities	886.5	(23.0)	146.5	(9.6)	1,033.0	(32.6)
Equity Securities:						
Preferred Stocks:						
Finance, Insurance and Real Estate	2.7	—	17.2	(0.9)	19.9	(0.9)
Other Industries	7.5	(0.5)	0.5	—	8.0	(0.5)
Common Stocks:						
Finance, Insurance and Real Estate	9.9	(0.8)	—	—	9.9	(0.8)
Other Industries	3.0	(0.5)	—	—	3.0	(0.5)
Other Equity Interests:						
Exchange Traded Funds	178.2	(12.0)	—	—	178.2	(12.0)
Limited Liability Companies and Limited Partnerships	50.9	(1.5)	47.3	(1.5)	98.2	(3.0)
Total Equity Securities	252.2	(15.3)	65.0	(2.4)	317.2	(17.7)
Total	$1,138.7	$(38.3)	$211.5	$(12.0)	$1,350.2	$(50.3)

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KEMPER CORPORATION AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Note 3 - Investments (continued)

The Company regularly reviews its 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 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 September 30, 2015, were $32.6 million, of which $9.6 million was related to fixed maturities that were in an unrealized loss position for 12 months or longer. There were no unrealized losses at September 30, 2015 related to securities for which the Company has recognized credit losses in earnings in the preceding table under the headings “Less Than 12 Months.” or “12 Months or Longer”. Investment-grade fixed maturity investments comprised $20.4 million, and below-investment-grade fixed maturity investments comprised $12.2 million of the unrealized losses on investments in fixed maturities at September 30, 2015. For below-investment-grade fixed maturity investments in an unrealized loss position, the unrealized loss amount, on average, was less than 6% of the amortized cost basis of the investment. At September 30, 2015, 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 at September 30, 2015 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 not to 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.

For equity securities, the Company considers various factors when determining whether a decline in the fair value is other than temporary, including, but not limited to:

- The financial condition and prospects of the issuer;
- The length of time and magnitude of the unrealized loss;
- The volatility of the investment;
- Analyst recommendations and near term price targets;
- Opinions of the Company’s external investment managers;
- Market liquidity;
- Debt-like characteristics of perpetual preferred stocks and issuer ratings; and
- The Company’s intentions to sell or ability to hold the investments until recovery.

With respect to Investments in Equity Securities, the Company concluded that the unrealized losses on its investments in preferred and common stocks at September 30, 2015 were temporary based on various factors, including the relative short length and magnitude of the losses and overall market volatility. The Company’s investments in other equity interests include investments in limited liability companies and limited partnerships that primarily invest in mezzanine debt, distressed debt, and secondary transactions. By the nature of their underlying investments, the Company believes that some of its investments in the limited liability companies and limited partnerships exhibit debt-like characteristics which, among other factors, the Company also considers when evaluating these investments for impairment. Based on evaluations of the factors in the preceding paragraph, the Company concluded that the declines in the fair values of the Company’s investments in equity securities presented in the preceding table were temporary at September 30, 2015.

KEMPER CORPORATION AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Note 3 - Investments (continued)
An aging of unrealized losses on the Company's Investments in Fixed Maturities and Equity Securities at December 31, 2014 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	$24.9	$(0.7)	$55.5	$(1.3)	$80.4	$(2.0)
States and Political Subdivisions	1.0	—	126.3	(1.8)	127.3	(1.8)
Corporate Securities:						
Bonds and Notes	250.4	(5.1)	360.5	(10.0)	610.9	(15.1)
Collateralized Loan Obligations	51.2	(0.7)	3.4	(0.1)	54.6	(0.8)
Other Mortgage- and Asset-backed	—	—	0.4	—	0.4	—
Total Fixed Maturities	327.5	(6.5)	546.1	(13.2)	873.6	(19.7)
Equity Securities:						
Preferred Stocks:						
Finance, Insurance and Real Estate	7.5	(0.1)	12.1	(0.9)	19.6	(1.0)
Other Industries	—	—	0.5	—	0.5	—
Common Stocks:						
Manufacturing	15.1	(1.1)	—	—	15.1	(1.1)
Other Industries	4.2	(0.4)	1.0	—	5.2	(0.4)
Other Equity Interests:						
Exchange Traded Funds	14.9	(0.1)	14.4	(0.6)	29.3	(0.7)
Limited Liability Companies and Limited Partnerships	54.4	(1.5)	6.6	(0.3)	61.0	(1.8)
Total Equity Securities	96.1	(3.2)	34.6	(1.8)	130.7	(5.0)
Total	$423.6	$(9.7)	$580.7	$(15.0)	$1,004.3	$(24.7)

Unrealized losses on fixed maturities, which the Company has determined to be temporary at December 31, 2014, were $19.7 million, of which $13.2 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, 2014 related to securities for which the Company has recognized credit losses in earnings in the preceding table under the headings "Less Than 12 Months" or "12 Months or Longer." Investment-grade fixed maturity investments comprised $14.1 million and below-investment-grade fixed maturity investments comprised $5.6 million of the unrealized losses on investments in fixed maturities at December 31, 2014. For below-investment-grade fixed maturity investments in an unrealized loss position, the unrealized loss amount, on average, was less than 4% of the amortized cost basis of the investment. At December 31, 2014, 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, 2014 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 not to 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.
With respect to Investments in Equity Securities, the Company concluded that the unrealized losses on its investments at December 31, 2014 were temporary based on various factors, including the relative short length and magnitude of

the losses and overall market volatility, as well as, the debt-like characteristics of investments in certain other equity interests.
Other-than-temporary impairment ("OTTI") losses on Investments in Fixed Maturities may include a portion that is credit-related that is recognized in Retained Earnings and a portion related to factors other than credit that is recognized in Accumulated Other Comprehensive Income. The following table presents the pre-tax credit portion of OTTI losses on

KEMPER CORPORATION AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Note 3 - Investments (continued)

Investments in Fixed Maturities held with a credit-related loss recognized as of the beginning or end of the periods presented and the changes in the cumulative balances for the periods presented.

(Dollars in Millions)	Nine Months Ended Sep 30, 2015	Nine Months Ended Sep 30, 2014	Three Months Ended Sep 30, 2015	Three Months Ended Sep 30, 2014
Cumulative Balance of Pre-tax Credit Losses Recognized in Retained Earnings at Beginning of Period	$5.3	$9.9	$5.3	$12.9
Pre-tax Credit Losses on Fixed Maturities without Pre-tax Credit Losses Included in Cumulative Balance at Beginning of Period	—	2.4	—	—
Additional Pre-tax Credit Losses on Fixed Maturities with Pre-tax Credit Losses Included in Cumulative Balance at Beginning of Period	—	0.6	—	—
Reductions for Change in Impairment Status:				
From Status of Credit Loss to Status of Intent-to-sell or Required-to-sell	—	(2.4)	—	(2.4)
Cumulative Balance of Pre-tax Credit Losses Recognized in Retained Earnings at End of Period	$5.3	$10.5	$5.3	$10.5

Gross gains and losses on sales of investments in fixed maturities and equity securities for the nine and three months ended September 30, 2015 and 2014 were:

(Dollars in Millions)	Nine Months Ended Sep 30, 2015	Nine Months Ended Sep 30, 2014	Three Months Ended Sep 30, 2015	Three Months Ended Sep 30, 2014
Fixed Maturities:				
Gains on Sales	$9.5	$5.0	$3.6	$0.2
Losses on Sales	(0.7)	—	(0.1)	—
Equity Securities:				
Gains on Sales	35.7	11.7	2.8	7.9
Losses on Sales	(1.4)	—	(0.7)	—

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 September 30, 2015 is limited to the total carrying value of $179.4 million. In addition, the Company had outstanding commitments totaling approximately $66.8 million to fund Equity Method Limited Liability Investments at September 30, 2015.

The carrying values of the Company’s Other Investments at September 30, 2015 and December 31, 2014 were:

(Dollars in Millions)	Sep 30, 2015	Dec 31, 2014
Loans to Policyholders at Unpaid Principal	$286.9	$283.4
Real Estate at Depreciated Cost	158.2	160.9
Trading Securities at Fair Value	4.6	4.9
Other	1.3	0.4
Total	$451.0	$449.6

KEMPER CORPORATION AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Note 4 - Property and Casualty Insurance Reserves

Property and casualty insurance reserve activity for the nine months ended September 30, 2015 and 2014 was:

(Dollars in Millions)	Nine Months Ended Sep 30, 2015	Sep 30, 2014
Property and Casualty Insurance Reserves:		
Gross of Reinsurance at Beginning of Year	$733.9	$843.5
Less Reinsurance Recoverables at Beginning of Year	54.9	63.4
Property and Casualty Insurance Reserves - Net of Reinsurance at Beginning of Year	679.0	780.1
Property and Casualty Insurance Reserves Acquired, Net of Reinsurance and Indemnification	125.4	—
Incurred Losses and LAE Related to:		
Current Year:		
Continuing Operations	795.1	756.9
Prior Years:		
Continuing Operations	(12.8)	(44.7)
Discontinued Operations	(3.5)	(0.2)
Total Incurred Losses and LAE Related to Prior Years	(16.3)	(44.9)
Total Incurred Losses and LAE	778.8	712.0
Paid Losses and LAE Related to:		
Current Year:		
Continuing Operations	483.9	460.3
Prior Years:		
Continuing Operations	295.4	302.6
Discontinued Operations	5.9	6.5
Total Paid Losses and LAE Related to Prior Years	301.3	309.1
Total Paid Losses and LAE	785.2	769.4
Property and Casualty Insurance Reserves - Net of Reinsurance and Indemnification at End of Period	798.0	722.7
Plus Reinsurance and Indemnification Recoverables at End of Period	54.9	58.2
Property and Casualty Insurance Reserves - Gross of Reinsurance at End of Period	$852.9	$780.9

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

For the nine months ended September 30, 2015, the Company reduced its property and casualty insurance reserves by $16.3 million to recognize favorable development of loss and LAE reserves from prior accident years. Personal lines insurance loss and LAE reserves developed favorably by $13.5 million, and commercial lines insurance loss and LAE reserves developed favorably by $2.8 million. The commercial lines insurance loss and LAE reserve development included adverse development of $0.7 million from continuing operations and favorable development of $3.5 million from discontinued operations. Personal automobile insurance loss and LAE reserves developed favorably by $5.6 million, homeowners insurance loss and LAE reserves developed favorably by $8.8 million, and other personal lines loss and LAE reserves developed adversely by $0.9 million. Personal lines insurance loss and LAE reserves developed favorably due primarily to the emergence of more favorable loss patterns than expected for the 2013, 2012 and 2011 accident years, partially offset by the emergence of loss patterns that were worse than expected for the 2014 accident year.

KEMPER CORPORATION AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)

Note 4 - Property and Casualty Insurance Reserves (continued)

For the nine months ended September 30, 2014, the Company reduced its property and casualty insurance reserves by $44.9 million to recognize favorable development of loss and LAE reserves from prior accident years. Personal lines insurance loss and LAE reserves developed favorably by $44.0 million, and commercial lines insurance loss and LAE reserves developed favorably by $0.9 million. The commercial lines insurance loss and LAE reserve development included favorable development of $0.7 million from continuing operations and favorable development of $0.2 million from discontinued operations. Personal automobile insurance loss and LAE reserves developed favorably by $26.9 million, homeowners insurance loss and LAE reserves developed favorably by $13.3 million, and other personal lines loss and LAE reserves developed favorably by $3.8 million. Personal lines insurance loss and LAE reserves developed favorably due primarily to the emergence of loss patterns that were more favorable than expected for the 2013, 2012 and 2011 accident years.

The Company cannot predict whether loss and LAE reserves will develop favorably or unfavorably 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

The amortized cost of debt outstanding at September 30, 2015 and December 31, 2014 was:

(Dollars in Millions)	Sep 30, 2015	Dec 31, 2014
Senior Notes:		
6.00% Senior Notes due November 30, 2015	$—	$249.5
6.00% Senior Notes due May 15, 2017	358.9	358.5
4.35% Senior Notes due February 15, 2025	247.4	—
7.375% Subordinated Debentures due February 27, 2054	144.1	144.1
Total Debt Outstanding	$750.4	$752.1

On June 2, 2015, Kemper amended its $225.0 million, unsecured, revolving credit agreement to, among other things, extend the expiration date to June 2, 2020. Prior to the amendment, the credit agreement was scheduled to expire on March 7, 2016. The credit agreement, as amended, provides for fixed and floating rate advances for periods up to six months at various interest rates. The credit agreement, as amended, contains various financial covenants, including limits on total debt to total capitalization, consolidated net worth and minimum risk-based capital ratios for Kemper's largest insurance subsidiaries, Trinity Universal Insurance Company ("Trinity") and United Insurance Company of America ("United Insurance"). Proceeds from advances under the credit agreement, as amended, may be used for general corporate purposes, including repayment of existing indebtedness. There were no outstanding borrowings under the credit agreement, as amended, at either September 30, 2015 or December 31, 2014.

Trinity and United Insurance are members of the Federal Home Loan Bank ("FHLB") of Dallas and Chicago, respectively. As members, Trinity and United Insurance may obtain advances from the FHLB of Dallas and Chicago, respectively. Advances from the FHLB of Dallas and Chicago are subject to collateral requirements as specified in the respective agreements with Trinity and United Insurance. During the first nine months of 2015, Trinity borrowed and repaid $20.5 million under its agreement with the FHLB of Dallas. During the first nine months of 2015, United Insurance borrowed and repaid $21.0 million under its agreement with the FHLB of Chicago. There were no advances from the FHLB of Dallas or Chicago outstanding at either September 30, 2015 or December 31, 2014.

On February 24, 2015, Kemper issued $250.0 million of its 4.35% senior notes due February 15, 2025 (the "2025 Senior Notes"). The net proceeds of the issuance were $247.3 million, net of discount and transaction costs, for an effective yield of 4.49%. 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. Kemper used the net proceeds from the sale of the

2025 Senior Notes, together with available cash, to redeem in full the $250.0 million outstanding principal amount of its 6.00% Senior Notes due November 30, 2015. Kemper recognized a loss of $9.1 million before income taxes in the first quarter of 2015 from the early redemption of these senior notes.

KEMPER CORPORATION AND SUBSIDIARIES
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)
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Note 5 - Debt (Continued)
Interest Expense, including facility fees, accretion of discount and amortization of issuance costs, for the nine and three months ended September 30, 2015 and 2014 was:

(Dollars in Millions)	Nine Months Ended Sep 30, 2015	Nine Months Ended Sep 30, 2014	Three Months Ended Sep 30, 2015	Three Months Ended Sep 30, 2014
Notes Payable under Revolving Credit Agreement	$0.6	$0.6	$0.2	$0.2
Federal Home Loan Bank of Dallas	—	—	—	—
Federal Home Loan Bank of Chicago	—	—	—	—
Senior Notes Payable:				
6.00% Senior Notes due November 30, 2015	3.7	11.6	—	3.9
6.00% Senior Notes due May 15, 2017	16.7	16.6	5.6	5.5
4.35% Senior Notes due February 15, 2025	6.7	—	2.8	—
7.375% Subordinated Debentures due February 27, 2054	8.3	6.6	2.8	2.8
Interest Expense before Capitalization of Interest	36.0	35.4	11.4	12.4
Capitalization of Interest	(0.6)	(0.8)	(0.1)	(0.3)
Total Interest Expense	$35.4	$34.6	$11.3	$12.1

Interest paid, including facility fees, for the nine and three months ended September 30, 2015 and 2014 was:

(Dollars in Millions)	Nine Months Ended Sep 30, 2015	Nine Months Ended Sep 30, 2014	Three Months Ended Sep 30, 2015	Three Months Ended Sep 30, 2014
Notes Payable under Revolving Credit Agreement	$1.3	$0.5	$0.2	$0.2
Federal Home Loan Bank of Dallas	—	—	—	—
Federal Home Loan Bank of Chicago	—	—	—	—
Senior Notes Payable:				
6.00% Senior Notes due November 30, 2015	4.8	7.5	—	—
6.00% Senior Notes due May 15, 2017	10.8	10.8	—	—
4.35% Senior Notes due February 15, 2025	5.2	—	5.2	—
7.375% Subordinated Debentures due February 27, 2054	8.3	5.5	2.8	2.7
Total Interest Paid	$			