KEMPER Corp
Form 10-Q
May 05, 2016

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 March 31, 2016
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	95-4255452
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One East Wacker Drive, Chicago, Illinois	60601
(Address of principal executive offices)	(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
51,132,723 shares of common stock, $0.10 par value, were outstanding as of April 30, 2016.

KEMPER CORPORATION
INDEX

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," "coul terms of similar meaning. Forward-looking statements, in particular, include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results. Any or all forward-looking statements may turn out to be wrong, and, accordingly, Kemper cautions readers not to place undue reliance on such statements. Kemper bases these statements on current expectations and the current economic environment as of the date of this Quarterly Report on Form 10-Q. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance; actual results could differ materially from those expressed or implied in the forward-looking statements. Forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks and uncertainties that may be important in determining the Company's actual future results and financial condition.

In addition to those factors discussed under Item 1A., "Risk Factors," of Part I of Kemper's Annual Report on Form 10-K, filed with the U.S. Securities and Exchange Commission (the "SEC"), for the year ended December 31, 2015 (the "2015 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, the reader should consider the following list of general factors that, among others, could cause the Company's actual results and financial condition to differ materially from estimated results and financial condition.

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

- Outcomes of state initiatives that could result in significant changes to, or interpretations of, unclaimed property laws or significant changes in claims handling practices with respect to life insurance policies, particularly any that involve 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 new federal and state laws and regulations, and court decisions interpreting existing laws and regulations or policy provisions;
- Uncertainties related to regulatory approval of insurance rates, policy forms, insurance products, license applications, dividends from insurance subsidiaries, acquisitions of businesses and other matters within the purview of state insurance regulators;

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

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

catastrophes;

- Orders, interpretations or other actions by regulators that impact the reporting, adjustment and payment of claims;

1

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

Factors related to the Company’s ability to compete

- Changes in the ratings by rating agencies of Kemper and/or its insurance company subsidiaries with regard to credit, financial strength, claims paying ability and other areas on which the Company is rated;
- The level of success and costs incurred in realizing or maintaining economies of scale, implementing significant business consolidations, reorganizations and technology initiatives and integrating acquired businesses;
- Absolute and relative performance of the Company’s products or services, including, but not limited to, the level of success achieved in designing and introducing new insurance products;
- The ability of the Company to maintain the availability of critical systems and manage technology initiatives cost-effectively to address insurance industry developments and regulatory requirements;
- Heightened competition, including, with respect to pricing, entry of new competitors and alternate distribution channels, introduction of new technologies, emergence of telematics, refinements of existing products and development of new products by current or future competitors;

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

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

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

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

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
KEMPER CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in millions, except per share amounts)
(Unaudited)

	Three Months Ended	
	Mar 31, 2016	Mar 31, 2015
Revenues:		
Earned Premiums	$546.0	$431.3
Net Investment Income	67.0	70.6
Other Income	0.8	0.9
Net Realized Gains on Sales of Investments	6.8	3.4
Other-than-temporary Impairment Losses:		
Total Other-than-temporary Impairment Losses	(9.6)	(7.0)
Portion of Losses Recognized in Other Comprehensive Income	0.3	—
Net Impairment Losses Recognized in Earnings	(9.3)	(7.0)
Total Revenues	611.3	499.2
Expenses:		
Policyholders' Benefits and Incurred Losses and Loss Adjustment Expenses	436.2	297.7
Insurance Expenses	159.3	144.9
Loss from Early Extinguishment of Debt	—	9.1
Interest and Other Expenses	22.3	29.7
Total Expenses	617.8	481.4
Income (Loss) from Continuing Operations before Income Taxes	(6.5)	17.8
Income Tax Benefit (Expense)	4.3	(4.3)
Income (Loss) from Continuing Operations	(2.2)	13.5
Income from Discontinued Operations	0.1	—
Net Income (Loss)	$(2.1)	$13.5
Income (Loss) from Continuing Operations Per Unrestricted Share:		
Basic	$(0.04)	$0.26
Diluted	$(0.04)	$0.26
Net Income (Loss) Per Unrestricted Share:		
Basic	$(0.04)	$0.26
Diluted	$(0.04)	$0.26
Dividends Paid to Shareholders Per Share	$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)

	Three Months Ended	
	Mar 31, 2016	Mar 31, 2015
Net Income (Loss)	$ (2.1)	$ 13.5
Other Comprehensive Income Before Income Taxes:		
Unrealized Holding Gains	100.7	53.3
Foreign Currency Translation Adjustments	0.1	(0.9)
Decrease in Net Unrecognized Postretirement Benefit Costs	1.8	5.4
Other Comprehensive Income Before Income Taxes	102.6	57.8
Other Comprehensive Income Tax Expense	(36.2)	(20.2)
Other Comprehensive Income	66.4	37.6
Total Comprehensive Income	$ 64.3	$ 51.1

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)

	Mar 31, 2016 (Unaudited)	Dec 31, 2015
Assets:		
Investments:		
Fixed Maturities at Fair Value (Amortized Cost: 2016 - $4,527.1; 2015 - $4,560.7)	$ 4,917.4	$4,852.3
Equity Securities at Fair Value (Cost: 2016 - $462.9; 2015 - $486.9)	501.3	523.2
Equity Method Limited Liability Investments at Cost Plus Cumulative Undistributed Earnings	190.5	190.6
Fair Value Option Investments	161.9	164.5
Short-term Investments at Cost which Approximates Fair Value	367.4	255.7
Other Investments	443.8	443.2
Total Investments	6,582.3	6,429.5
Cash	160.4	161.7
Receivables from Policyholders	341.1	332.4
Other Receivables	193.9	193.2
Deferred Policy Acquisition Costs	319.3	316.4
Goodwill	323.0	323.0
Current and Deferred Income Tax Assets	15.5	41.4
Other Assets	234.2	238.5
Total Assets	$ 8,169.7	$8,036.1
Liabilities and Shareholders’ Equity:		
Insurance Reserves:		
Life and Health	$ 3,358.4	$3,341.0
Property and Casualty	900.4	862.8
Total Insurance Reserves	4,258.8	4,203.8
Unearned Premiums	621.6	613.1
Liabilities for Income Taxes	10.2	3.8
Debt at Amortized Cost (Fair Value: 2016 - $786.0; 2015 - $781.3)	750.9	750.6
Accrued Expenses and Other Liabilities	487.1	472.4
Total Liabilities	6,128.6	6,043.7
Shareholders’ Equity:		
Common Stock, $0.10 Par Value, 100 Million Shares Authorized; 51,133,252 Shares Issued and Outstanding at March 31, 2016 and 51,326,751 Shares Issued and Outstanding at December 31, 2015	5.1	5.1
Paid-in Capital	652.6	654.0
Retained Earnings	1,192.7	1,209.0
Accumulated Other Comprehensive Income	190.7	124.3
Total Shareholders’ Equity	2,041.1	1,992.4
Total Liabilities and Shareholders’ Equity	$ 8,169.7	$8,036.1

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)

	Three Months Ended	
	Mar 31, 2016	Mar 31, 2015
Operating Activities:		
Net Income (Loss)	$(2.1)	$13.5
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Increase in Deferred Policy Acquisition Costs	(2.9)	(2.3)
Amortization of Intangible Assets Acquired	1.6	1.6
Equity in Losses of Equity Method Limited Liability Investments	4.3	0.7
Distribution of Accumulated Earnings of Equity Method Limited Liability Investments	5.4	0.4
Decrease (Increase) in Value of Fair Value Option Investments Reported in Investment Income	2.6	(0.9)
Amortization of Investment Securities and Depreciation of Investment Real Estate	4.3	2.7
Net Realized Gains on Sales of Investments	(6.8)	(3.4)
Net Impairment Losses Recognized in Earnings	9.3	7.0
Loss from Early Extinguishment of Debt	—	9.1
Depreciation of Property and Equipment	4.0	3.2
Increase in Receivables	(10.1)	(8.4)
Increase in Insurance Reserves	54.6	11.5
Increase (Decrease) in Unearned Premiums	8.5	(6.9)
Change in Income Taxes	(4.6)	(10.5)
Increase in Accrued Expenses and Other Liabilities	5.1	1.9
Other, Net	4.0	9.8
Net Cash Provided by Operating Activities	77.2	29.0
Investing Activities:		
Sales, Paydowns and Maturities of Fixed Maturities	142.0	121.7
Purchases of Fixed Maturities	(102.7)	(92.3)
Sales of Equity Securities	41.6	18.7
Purchases of Equity Securities	(19.0)	(11.7)
Return of Investment of Equity Method Limited Liability Investments	5.5	16.3
Acquisitions of Equity Method Limited Liability Investments	(15.0)	(4.7)
Increase in Short-term Investments	(111.7)	(15.2)
Improvements of Investment Real Estate	(0.9)	(0.6)
Increase in Other Investments	(1.0)	(1.1)
Acquisition of Software	(1.3)	(2.9)
Other, Net	(0.5)	(0.5)
Net Cash Provided (Used) by Investing Activities	(63.0)	27.7
Financing Activities:		
Net Proceeds from Issuances of Debt	10.0	267.8
Repayments of Debt	(10.0)	(279.3)
Common Stock Repurchases	(3.8)	(23.4)
Dividends and Dividend Equivalents Paid	(12.2)	(12.3)
Cash Exercise of Stock Options	—	1.6
Other, Net	0.5	0.5
Net Cash Used by Financing Activities	(15.5)	(45.1)

Increase (Decrease) in Cash	(1.3)	11.6
Cash, Beginning of Year	161.7	76.1
Cash, End of Period	$ 160.4	$ 87.7

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.
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. 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.
Effective in 2016, the Company changed its method for estimating the interest and service cost components of expense recognized for its pension and other postretirement employee benefit plans. As a result, the Company elected to use a full yield curve approach to estimate these components of benefit cost by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to the relevant projected cash flows. Prior to 2016, the interest and service cost components were estimated using a single weighted-average discount rate derived from the yield curve used to measure the projected benefit obligation or accumulated postretirement benefit obligation, as relevant, at the beginning of the period. The change provides a more precise measurement of interest and service costs by improving the correlation between projected benefit cash flows to the corresponding spot yield curve rates. The Company has accounted for this change as a change in accounting estimate that is inseparable from a change in accounting principle and, accordingly, recognized the effect prospectively in 2016. The change in method for estimating the interest and service cost components decreased pension expense for the three months ended March 31, 2016 by approximately $1.4 million in 2016, but will have no impact on the measurement of benefit obligations.
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 2015 Annual Report.
Adoption of New Accounting Guidance
In February 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("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. The Company's adoption and initial application as of January 1, 2016 resulted in no changes to the legal entities that the Company consolidates.
In May 2015, the FASB issued ASU 2015-07 Fair Value Measurement (Topic 820), Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent). ASU 2015-07 removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. The amendments also remove the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient.

Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using that practical expedient. The Company adopted ASU 2015-07 in the first quarter of 2016 and applied its provisions on a retrospective basis. Except for the change in disclosure requirements, adoption of ASU 2015-07 did not impact the Company’s financial statements.The presentation of certain prior year amounts and disclosures have been reclassified to conform to the presentation for the current year.

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

Note 1 - Basis of Presentation (continued)
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 the 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 additional disclosure requirements, adoption of ASU 2015-09 will not impact the Company's financial statements.
In January 2016, the FASB issued ASU 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 addresses certain aspects of recognition, measurement, presentation and disclosure of financial instruments. Most significantly, ASU 2016-01 requires companies to measure equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily-determinable fair values at cost minus impairment, if any, plus or minus
changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. ASU 2016-01 also simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value.
ASU 2016-01 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company currently records its Investments in Equity Securities at fair value with net unrealized appreciation or depreciation reported in Accumulated Other Comprehensive Income ("AOCI") in Shareholders' Equity. The Company's Investments in Equity Securities include securities with readily-determinable fair values and securities without readily-determinable fair values. The Company will not be able to determine the cumulative-effect adjustment to its balance sheet until it adopts ASU 2016-01 and makes its elections for Investments in Equity Securities that do not have readily determinable fair values. Subsequent to adoption, ASU 2016-01 is expected to cause increased volatility in the Company's consolidated statement of operations.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), by amending the Accounting Standards Codification and creating a new topic on accounting for leases. ASU 2016-02 introduces a lessee model that requires most leases to be reported on the balance sheet of a lessee. ASU 2016-02 also aligns many of the underlying principles of the new lessor model with those in ASC 606, the FASB's new revenue recognition standard (e.g., those related to evaluating when profit can be recognized). Furthermore, ASU 2016-02 addresses other concerns related to the current leases model. For example, ASU 2016-02 eliminates the requirement in current U.S. GAAP for an entity to use bright-line tests in determining lease classification. ASU 2016-02 also requires lessors to increase the transparency of their exposure to changes in value of their residual assets and how they manage that exposure. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 and interim periods within those years with early adoption permitted. The Company is currently evaluating the impact of this guidance on its financial statements.
In March 2016, the FASB issued ASU 2016-09, Compensation—Stock Compensation (Topic 718), which simplifies several aspects of the accounting for share-based payment transactions, including the accounting for income taxes,

forfeitures and statutory tax withholding requirements, as well asclassification in the statement of cash flows. ASU 2016-09 is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods with early adoption permitted. The Company is currently evaluating the impact of this guidance on its financial statements.

The Company has adopted all other recently issued accounting pronouncements with effective dates prior to April 1, 2016. There were no adoptions of such accounting pronouncements in 2015 or during the three months ended March 31, 2016 that had a material impact on the Company's Condensed Consolidated Financial Statements. With the possible exceptions of ASU 2015-09, Financial Services—Insurance (Topic 944): Disclosures about Short-Duration Contracts, ASU 2016-01, Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities, and ASU 2016-02, Leases (Topic 842), the Company does not expect the adoption of all other recently issued accounting

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

Note 1 - Basis of Presentation (continued)
pronouncements with effective dates after March 31, 2016 to have a material impact on the Company's financial statements and/or disclosures.
Note 2 - Investments
The amortized cost and estimated fair values of the Company's Investments in Fixed Maturities at March 31, 2016 were:

(Dollars in Millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government and Government Agencies and Authorities	$ 290.1	$31.5	$(0.4)	$321.2
States and Political Subdivisions	1,473.2	137.4	(0.6)	1,610.0
Corporate Securities:				
Bonds and Notes	2,665.6	254.2	(25.0)	2,894.8
Redeemable Preferred Stocks	3.3	—	—	3.3
Collateralized Loan Obligations	91.2	—	(8.0)	83.2
Other Mortgage- and Asset-backed	3.7	1.2	—	4.9
Investments in Fixed Maturities	$ 4,527.1	$424.3	$(34.0)	$4,917.4

The amortized cost and estimated fair values of the Company's Investments in Fixed Maturities at December 31, 2015 were:

(Dollars in Millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government and Government Agencies and Authorities	$ 298.0	$26.2	$(3.6)	$320.6
States and Political Subdivisions	1,513.7	111.6	(2.7)	1,622.6
Corporate Securities:				
Bonds and Notes	2,651.5	202.0	(40.7)	2,812.8
Redeemable Preferred Stocks	3.7	0.1	—	3.8
Collateralized Loan Obligations	90.0	0.3	(3.0)	87.3
Other Mortgage- and Asset-backed	3.8	1.4	—	5.2
Investments in Fixed Maturities	$ 4,560.7	$341.6	$(50.0)	$4,852.3

There were no unsettled sales of Investments in Fixed Maturities at either March 31, 2016 or December 31, 2015. Accrued Expenses and Other Liabilities included unsettled purchases of Investments in Fixed Maturities of $14.8 million at March 31, 2016. There were $5.6 million unsettled purchases of Investments in Fixed Maturities at December 31, 2015.
The amortized cost and estimated fair values of the Company's Investments in Fixed Maturities at March 31, 2016 by contractual maturity were:

(Dollars in Millions)	Amortized Cost	Fair Value
Due in One Year or Less	$ 43.5	$ 44.1
Due after One Year to Five Years	852.0	888.8
Due after Five Years to Ten Years	1,479.2	1,551.6
Due after Ten Years	1,939.4	2,218.4
	213.0	214.5

Mortgage- and Asset-backed Securities Not Due at a Single Maturity Date				
Investments in Fixed Maturities	$	4,527.1	$	4,917.4

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 March 31, 2016 consisted of securities issued by the Government National Mortgage Association with a fair value of $103.3 million, securities issued by the

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

Note 2 - Investments (continued)
Federal National Mortgage Association with a fair value of $17.3 million, securities issued by the Federal Home Loan Mortgage Corporation with a fair value of $5.8 million and securities of other non-governmental issuers with a fair value of $88.1 million.
Gross unrealized gains and gross unrealized losses on the Company’s Investments in Equity Securities at March 31, 2016 were:

(Dollars in Millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Preferred Stocks:				
Finance, Insurance and Real Estate	$81.1	$4.1	$(0.9)	$ 84.3
Other Industries	16.0	3.2	(0.3)	18.9
Common Stocks:				
Finance, Insurance and Real Estate	24.9	5.8	(1.3)	29.4
Other Industries	9.4	4.9	(0.2)	14.1
Other Equity Interests:				
Exchange Traded Funds	153.4	1.0	(3.2)	151.2
Limited Liability Companies and Limited Partnerships	178.1	28.6	(3.3)	203.4
Investments in Equity Securities	$462.9	$47.6	$(9.2)	$ 501.3

Gross unrealized gains and gross unrealized losses on the Company’s Investments in Equity Securities at December 31, 2015 were:

(Dollars in Millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Preferred Stocks:				
Finance, Insurance and Real Estate	$80.8	$4.9	$(0.8)	$ 84.9
Other Industries	17.1	2.7	(0.8)	19.0
Common Stocks:				
Finance, Insurance and Real Estate	18.9	5.3	(1.0)	23.2
Other Industries	9.4	4.3	(0.2)	13.5
Other Equity Interests:				
Exchange Traded Funds	179.7	1.1	(3.7)	177.1
Limited Liability Companies and Limited Partnerships	181.0	25.0	(0.5)	205.5
Investments in Equity Securities	$486.9	$43.3	$(7.0)	$ 523.2

There were no unsettled purchases or sales of Investments in Equity Securities at either March 31, 2016 or December 31, 2015.

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

Note 2 - Investments (continued)
An aging of unrealized losses on the Company's Investments in Fixed Maturities and Equity Securities at March 31, 2016 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	$29.0	$ (0.1)	$25.3	$ (0.3)	$54.3	$ (0.4)
States and Political Subdivisions	9.8	(0.4)	8.9	(0.2)	18.7	(0.6)
Corporate Securities:						
Bonds and Notes	310.2	(12.7)	211.2	(12.3)	521.4	(25.0)
Collateralized Loan Obligations	77.2	(7.8)	0.8	(0.2)	78.0	(8.0)
Other Mortgage- and Asset-backed	—	—	0.3	—	0.3	—
Total Fixed Maturities	426.2	(21.0)	246.5	(13.0)	672.7	(34.0)
Equity Securities:						
Preferred Stocks:						
Finance, Insurance and Real Estate	12.6	(0.1)	12.4	(0.8)	25.0	(0.9)
Other Industries	8.5	(0.3)	—	—	8.5	(0.3)
Common Stocks:						
Finance, Insurance and Real Estate	16.1	(1.3)	—	—	16.1	(1.3)
Other Industries	2.1	(0.2)	0.5	—	2.6	(0.2)
Other Equity Interests:						
Exchange Traded Funds	135.8	(3.2)	—	—	135.8	(3.2)
Limited Liability Companies and Limited Partnerships	66.3	(3.3)	—	—	66.3	(3.3)
Total Equity Securities	241.4	(8.4)	12.9	(0.8)	254.3	(9.2)
Total	$667.6	$ (29.4)	$259.4	$ (13.8)	$927.0	$ (43.2)

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 Operations in the periods when such determinations are made.

Unrealized losses on fixed maturities, which the Company has determined to be temporary at March 31, 2016, were $34.0 million, of which $13.0 million was related to fixed maturities that were in an unrealized loss position for 12 months or longer. There were $0.3 million of unrealized losses at March 31, 2016 related to securities for which the Company has recognized credit losses in earnings in the preceding table under the heading "Less Than 12 Months. " There were no unrealized losses at March 31, 2016 related to securities for which the Company has recognized credit losses in earnings in the preceding table under the heading"12 Months or Longer." Investment-grade fixed maturity investments comprised $13.0 million, and below-investment-grade fixed maturity investments comprised $21.0 million of the unrealized losses on investments in fixed maturities at March 31, 2016. For below-investment-grade fixed maturity investments in an unrealized loss position, the unrealized loss amount, on average, was approximately 7% of the amortized cost basis of the investment. At March 31, 2016, 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 March 31, 2016