

Risk Factors Comparison 2024-02-07 to 2023-02-09 Form: 10-K

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Kemper is exposed to numerous risk factors that could cause actual results to differ materially from recent results or anticipated future results. The following discussion details the significant risk factors that are specific to the Company. In addition to those described below, the Company's business, financial condition and results of operations could be materially affected by other factors not presently known or considered material by the Company. Readers are advised to consider all of these factors along with the other information included in this 2022-2023 Annual Report, including the factors set forth under the caption "Caution Regarding Forward-Looking Statements", and to consult any further disclosures Kemper makes on related subjects in its filings with the SEC. Risks Relating to Estimating Property and Casualty Insurance Losses and Loss Adjustment Expenses and Catastrophes Estimating losses and LAE for determining property and casualty insurance reserves is inherently uncertain, and the Company's results of operations may be materially impacted if the Company's insurance reserves are insufficient. The Company establishes loss and LAE reserves to cover estimated liabilities, which remain unpaid as of the end of each accounting period, and to investigate and settle all claims incurred under the property and casualty insurance policies that it has issued. Loss and LAE reserves are established for claims that have been reported to the Company as of the end of the accounting period, as well as for estimated claims that have occurred but have not yet been reported to the Company. The estimates of loss and LAE reserves are based on the Company's assessment of the facts and circumstances known to it at the time, as well as estimates of the impact of future trends in the severity of claims, the frequency of claims and other factors. These estimates can be inaccurate or may change over time due to many variables, including changes driven by the evolving legal and regulatory landscape and economic, technological, and other environmental conditions in which the Company operates and the rising costs of insurance claims from increased litigation (in part as a result of proliferation of class-action suits and growth in third party litigation funding), increase in so-called "nuclear verdicts" leading to higher jury awards, broader definitions of liability, other effects of legal system abuse and societal trends referred to as social inflation. In recent periods, these estimates have been impacted by reserve developments the effect the COVID-19 pandemic and the related governmental responses have had on certain of these variables to Florida personal injury protection ("PIP") coverage. See the risk factor below titled "The impact Kemper has a significant concentration of COVID-19 personal automobile insurance business in California and related Florida, and negative developments in the regulatory, legal or economic conditions could materially in these states may adversely affect Kemper the Company's profitability results of operations, financial position and/or liquidity". The process of estimating property and casualty insurance reserves is complex and imprecise. The reserves established by the Company are inherently uncertain estimates and could prove to be inadequate to cover its ultimate losses and expenses. The estimate of the ultimate cost of claims for insured events that have occurred must take into consideration many factors that are dependent on the outcome of future events associated with the reporting, investigation and settlement of claims. The impacts on the Company's estimates of property and casualty insurance reserves from these factors are difficult to assess accurately. A change in any one or more of the factors is, such as that relating to Florida PIP coverage, will likely to result in a projected ultimate loss that is different than the previous projected ultimate loss and may have a material impact on the Company's estimates. For example, increases increases in the estimates of ultimate losses and LAE will decrease earnings, while decreases in these estimates will increase earnings, as reported by the Company in the results of its operations for the periods in which the changes to the estimates are made. See MD & A, "Critical Accounting Estimates," under the caption "Property and Casualty Insurance Reserves for Losses and Loss Adjustment Expenses" for a discussion of the Company's reserving process and the factors considered by the Company's actuaries in estimating the Company's Property and Casualty Insurance Reserves. If the Company is unable to charge competitive yet profitable rates to its customers, the Company's business, results of operations and financial condition could be materially and adversely affected. The Company considers trends in the severity and frequency of claims and other factors when determining the premium rates to charge for its property and casualty insurance products. An unanticipated change in any one or more of these factors or trends, as well as a change in competitive conditions, may result in inadequate premium rates charged for insurance policies issued by Kemper's property and casualty insurance subsidiaries in the future. Typically there is a time lag between when changes in frequency and severity are identified and when rate changes are approved, implemented and earned in. Material changes in frequency and severity and the time lag between when rates are approved, implemented and earned into the Company's results of operations may have a material adverse impact on the Company's operations. Because of restrictions placed on the Company's ability to increase premium rates in certain states, including California, a pricing inadequacy may continue for a prolonged period. These pricing inadequacies have had and could continue to have a material impact on the Company's operating results in recent periods and may impact operating results in future periods. If the Company overestimates the severity or frequency of claims and other factors in determining the rates to charge for insurance products, the rates for the Company's products could be noncompetitive and result in loss of revenue and market share. Catastrophe losses could materially and adversely affect the Company's results of operations, liquidity and/or financial condition. Kemper's property and casualty insurance subsidiaries are subject to claims arising out of catastrophes that may have a significant effect on their results of operations, liquidity and financial condition. Catastrophes can be caused by various events, including, but not limited to, hurricanes, tornadoes, windstorms, earthquakes, hailstorms, explosions, severe winter weather, wildfires and pandemics, and may also include man-made events, such as cyber events, terrorist attacks, and hazardous material spills. The incidence, frequency and severity of catastrophes are inherently unpredictable and may be impacted by the uncertain effects of climate change, which could cause increases in hurricanes, floods, wildfires, and other risks

that could produce losses affecting our business. The extent of the Company's losses from a catastrophe is a function of both the total amount of its insured exposure in the geographic area affected by the event and the severity of the event. **In recent periods, the Company has experienced significant catastrophe losses relating to tropical storm activity as well as rain and hail events.** The effects of inflation could increase the severity of claims resulting from a catastrophe. For example, in recent periods, the effects of inflation, including as a result of post-event damage surge, have increased catastrophe losses, and this could continue in the future. Furthermore, the Company could experience more than one severe catastrophic event in any given period. The property and casualty insurance subsidiaries use catastrophe modeling tools developed by third parties to project their potential exposure to property damage resulting from certain types of catastrophic events under various scenarios. These models are based on various assumptions and judgments which may turn out to be wrong or materially different than our actual results. The actual impact of one or more catastrophic events could adversely and materially differ from these projections. Kemper's life insurance subsidiaries are particularly exposed to risks of catastrophic mortality, such as pandemics or other events that result in large numbers of deaths. For example, **during** the COVID-19 pandemic **resulted in, the Company experienced** increased mortality that had an adverse impact on our Life business. ~~See the risk factor below titled "The impact of COVID-19 and related economic conditions could materially affect Kemper's results of operations, financial position and / or liquidity."~~ **In addition, the occurrence of such an event a pandemic or other catastrophes** in a concentrated geographic area could have a severe disruptive effect on the Company's workforce and business operations. The likelihood and severity of such events cannot be predicted and are difficult to estimate. Changes in the availability and cost of catastrophe reinsurance and in the ability of reinsurers to meet their obligations could result in Kemper's insurance subsidiaries retaining more risk and could adversely and materially affect the Company's results of operations, financial condition and / or liquidity. Kemper's property and casualty insurance subsidiaries seek to reduce their exposure to catastrophe losses through the purchase of catastrophe reinsurance. Catastrophe reinsurance does not relieve these subsidiaries of their direct liability to their policyholders. As long as the reinsurers meet their obligations, the net liability for each subsidiary is limited to the amount of risk it retains. While Kemper's subsidiaries' principal reinsurers are each rated "A-" or better by A. M. Best at the time reinsurance is purchased, the Company cannot be certain that reinsurers will pay the amounts due from them either now, in the future, or on a timely basis. A reinsurer's insolvency or inability to make payments under the terms of its reinsurance agreement could materially and adversely affect the Company's financial position, results of operations and liquidity. In addition, market conditions beyond the Company's control determine the availability and cost of the reinsurance protection that Kemper's property and casualty insurance subsidiaries may purchase. A decrease in the amount of reinsurance coverage that these subsidiaries purchase generally should increase their risk of a more severe loss. If the amount of available reinsurance is reduced, the cost to obtain reinsurance may increase or Kemper's subsidiaries may be unable to obtain sufficient reinsurance on acceptable terms, which could adversely affect their ability to write future insurance policies or result in their retaining more risk with respect to those policies. The extent to which Kemper's insurance subsidiaries can manage their catastrophe exposure through underwriting strategies may be limited by law or regulatory action and could adversely and materially affect the Company's results of operations, financial condition and / or liquidity. Kemper's property and casualty insurance subsidiaries also manage their exposure to catastrophe losses through underwriting strategies such as reducing exposures in, or withdrawing from, catastrophe-prone areas, establishing ~~appropriate underwriting~~ **appropriate underwriting** guidelines ~~for insurable structures~~, and setting appropriate rates, deductibles, exclusions and policy limits. The extent to which Kemper's subsidiaries can manage their exposure through these strategies may be limited by law or regulatory action. For example, laws and regulations may limit the rate or timing at which insurers may not renew insurance policies in catastrophe-prone areas or require insurers to participate in wind pools and joint underwriting associations. Generally, participation in these pools and associations is based on an insurer's market share determined on a state-wide basis. Accordingly, even though Kemper's property and casualty insurance subsidiaries may not incur a direct insured loss as a result of managing direct catastrophe exposures, they may incur indirect losses from required participation in pools and associations. In addition, laws and regulations requiring prior approval of policy forms and premium rates may limit the ability of Kemper's property and casualty insurance subsidiaries to increase rates or deductibles on a timely basis, which may result in additional losses or lower returns than otherwise would have occurred in an unregulated market. Risks Relating to **Estimating Life Insurance Reserves Estimating future policyholder benefits for determining life insurance reserves is inherently uncertain, and the Company's results of operations may be materially impacted if the Company's Life Insurance Reserves are insufficient. The estimates of future policyholder benefits are based on the Company's assessment of the facts and circumstances known to it at the time and are estimating losses many years into the future. Significant assumption inputs to the calculation of the liability for future policyholder benefits include mortality, lapses, and discount rates (both accretion and current). These estimates can be inaccurate or may change over time due to many variables, including changes driven by the evolving legal and regulatory landscape and economic, technological, and other environmental conditions in which the Company operates. In recent periods, these estimates have been impacted by the effect the COVID-19 pandemic and the related governmental responses have had on certain of these variables. See the risk factor below titled "The impact of COVID-19 and related economic conditions could materially affect Kemper's results of operations, financial position and / or liquidity."** The process of estimating life insurance reserves is complex and imprecise. The reserves established by the Company are inherently uncertain estimates and could prove to be inadequate. The estimates underlying future policyholder benefits must take into consideration many factors that are dependent on the outcome of future events including, but not limited to, the reporting and settlement of claims and policyholder behavior. Certain events may not occur until many years in the future so the impacts on the Company's estimates of life insurance reserves from these factors are difficult to assess accurately. A change in any one or more of the factors is likely to result in projected future policyholder benefits that are different than the previous projections and may have a material impact on the Company's estimates. Increases in the estimates of future policyholder benefits will

decrease earnings, while decreases in these estimates will increase earnings, as reported by the Company in the results of its operations for the periods in which the changes to the estimates are made. See MD & A, “ Critical Accounting Estimates,” under the caption “ Life Insurance Reserves ” for a discussion of the Company’ s reserving process and the factors considered by the Company’ s actuaries in estimating the Company’ s Life Insurance Reserves. Risks Relating to

Competition A downgrade in the ratings of Kemper or its insurance subsidiaries below A- could materially and adversely affect the Company. Third- party rating agencies assess the financial strength and rate the claims- paying ability of insurance companies based on criteria established by the rating agencies. Third- party ratings are important competitive factors in the insurance industry. Financial strength ratings are used to assess the financial strength and quality of insurers. Ratings agencies may downgrade the ratings of Kemper and / or its insurance subsidiaries or require Kemper to retain more capital in its insurance businesses to maintain existing ratings following developments that they deem negative. This can include factors directly related to the Company, such as an increase in the catastrophic risk retained by Kemper’ s insurance subsidiaries, or developments in industry or general economic conditions. A downgrade by A. M. Best in the ratings of Kemper’ s insurance subsidiaries below A- , ~~particularly those operating in the preferred and standard market or offering homeowners insurance,~~ could result in a substantial loss of business if independent agents and brokers or policyholders move to other companies with higher claims- paying and financial strength ratings. Any substantial loss of business could materially and adversely affect the financial condition and results of operations of such subsidiaries. A downgrade in Kemper’ s credit rating by Standard & Poor’ s (“ S & P ”), Moody’ s Investors Services (“ Moody’ s ”) or Fitch Ratings (“ Fitch ”) may reduce Kemper’ s ability to cost- effectively access the capital markets or may increase the cost to refinance existing debt. The insurance industry is highly competitive, making it difficult to grow profitability and within expectations of investors. The Company’ s insurance businesses face significant competition, and their ability to compete is affected by a variety of issues relative to others in the industry, such as management effectiveness, product pricing, service quality, ease of doing business, innovation, financial strength and name recognition. Additionally, in recent years, various types of investors have increasingly sought to participate in the insurance industry. Well- capitalized new entrants to the property and casualty insurance industry, or existing competitors that receive substantial infusions of capital or access to third- party capital, provide increasing competition, which may adversely impact our business and profitability. Competitive success is based on many factors, including, but not limited to, the following: • Competitiveness of prices charged for insurance policies; • Sophistication of pricing segmentation; • Design and introduction of insurance products to meet emerging consumer trends; • Ability to attract and retain experienced industry talent; • Selection and retention of agents and other business partners; • Compensation paid to agents; • Underwriting discipline; • Selectiveness of sales markets; • Effectiveness of marketing materials and name recognition; • Product and technological innovation; • Effectiveness of online servicing platforms; • Ability to settle claims timely and, efficiently , **and without incurring extra- contractual liability**; • Ability to detect and prevent fraudulent insurance claims; • Effectiveness of deployment and use of information technology across all aspects of operations; • Ability to control operating expenses; • Financial strength ratings; and • Quality of services provided to, and ease of doing business with, independent agents ~~and~~ , brokers , or policyholders. The inability to compete effectively in any of the Company’ s insurance businesses could materially reduce the Company’ s customer base and revenues and could materially and adversely affect the future results and financial condition of the Company. See “ Competition ” in Item 1 of Part I for more information on the competitive rankings in the property and casualty insurance markets and the life insurance markets, respectively, in the United States. Risks Relating to Legal and Regulatory Environment Kemper’ s insurance subsidiaries are subject to significant regulation, and the evolving legal and regulatory landscape in which they operate could result in increased operating costs, reduced profitability and limited growth. Kemper’ s insurance subsidiaries operate under an extensive insurance regulatory system. Current laws and regulations affect a wide variety of matters, including policy forms, premium rates, licensing, market conduct, trade practices, claims handling practices, reserve and loss ratio requirements, investment standards, statutory capital and surplus requirements, restrictions on the payment of dividends, approvals of transactions involving a change in control of one or more insurance companies, restrictions on transactions among affiliates, climate change, and consumer privacy and data security. ~~Kemper subsidiaries must also file annual and quarterly financial reports and holding company reports.~~ Pre- approval requirements often restrict or delay actions to implement premium rate changes for insurance policies, or to introduce new, or make changes to existing, policy forms and many other actions. These delays can adversely impact Kemper’ s business, especially where external factors, such as **inflation** ~~the COVID-19 pandemic~~ , may result in a pricing imbalance for the Company’ s insurance products. Insurance regulators conduct periodic examinations of Kemper’ s insurance subsidiaries and can suspend or delay operations or licenses, require corrective actions, and impose penalties or other remedies available for compliance failures. For a more detailed discussion of the regulations applicable to Kemper’ s subsidiaries and related emerging developments, see “ Regulation ” in Item 1. These laws and regulations, and their application by regulators and courts, are subject to continuous interpretation and revision. The legal and regulatory landscape within which Kemper’ s insurance subsidiaries conduct their businesses is often unpredictable. As industry practices and regulatory, judicial, political, social and other conditions change, new issues may emerge. These changes and emerging issues could adversely affect Kemper’ s business in a variety of ways, including, for example, by expanding coverages beyond the underwriting intent, increasing the number or size of claims increasing the likelihood of class- action suits and other legislative and judicial actions, accelerating the payment of claims, repealing or weakening tort reforms or otherwise adding to operational costs or adversely affecting the Company’ s competitive advantages. Practices in the industry or within the Company that were once considered approved, compliant and reasonable may suddenly be deemed unacceptable by virtue of a court or regulatory ruling or changes in regulatory enforcement policies and practices. It is not possible for the Company to predict such shifts in legal or regulatory enforcement or to accurately estimate the impact they may have on the Company and its operations. One area where the legal and regulatory landscape experienced significant change is in connection with the mandated use of death verification databases by life insurance companies. A majority of states now have laws requiring insurers

to proactively use such databases, including the Social Security Administration's Death Master File (the "DMF"), in order to ascertain if an insured may be deceased. Kemper cannot predict whether additional states will enact similar legislation. These laws require the insurer to initiate the claims process even though the insureds' beneficiaries have not submitted a claim and the insurer was otherwise unaware of the insured's death. In a related development, many states expanded their unclaimed property laws, particularly as they relate to life insurance proceeds, and have examined life insurance companies with respect to the reporting and remittance of such proceeds under these laws. The push to alter practices previously considered lawful and appropriate relative to both claims handling and remittance of life insurance proceeds has led to the Company's involvement in compliance audits, market conduct examinations and litigation. The Company has a comprehensive process in place to compare life insurance records against the DMF and other databases to determine if any of its insureds may be deceased. See Note 2, "Summary of Accounting Policies and Accounting Changes" to the Consolidated Financial Statements for further details. In addition, there is increased legislative and regulatory focus on cybersecurity and on amendments to state holding company laws that expand the oversight and examination powers of insurance regulators beyond licensed insurance companies to include non-insurance affiliates and their organizations as a whole, particularly with respect to enterprise risk. See the discussion of these matters under "Regulation" in Item 1. These developments and significant changes in, or new interpretations of, existing laws and regulations could make it more expensive for Kemper's insurance subsidiaries to conduct and grow their businesses which could materially impact the Company's operating results. ~~Kemper has a significant concentration of personal automobile insurance business in California and Florida, and negative developments in the regulatory, legal or economic conditions in these states may adversely affect the Company's profitability.~~ California and Florida represented 69-71% of the Company's total personal automobile insurance gross written premiums in 2022-2023. Consequently, the dynamic nature of regulatory, legal, competitive and economic conditions in these states affects Kemper's revenues and profitability. For example, in Florida, recent unfavorable court decisions were unfavorable to the insurance industry for relating to Florida personal injury protection ("PIP") resulting coverage and have resulted in increased severity in PIP coverage and has resulted in significant adverse loss and LAE reserve development in 2021-2023. Significant legislative changes relating to Florida PIP coverage have recently become effective, but it is too early to determine the ultimate impact of these changes. Further, both California and Florida have regulations that limit the after-tax return on underwriting profit allowed for an insurer. Changes in any of these conditions could negatively impact the Company's results of operations. Legal and regulatory proceedings are unpredictable and could produce one or more unexpected outcomes that could materially and adversely affect the Company's financial results for any given period. Kemper and its subsidiaries are from time to time involved in lawsuits, regulatory inquiries and other legal proceedings arising out of the ordinary course of their businesses. Some of these proceedings may involve matters particular to Kemper or one or more of its subsidiaries, while others may pertain to industry business practices. Some lawsuits may seek class action status that, if granted, could expose the Company to potentially significant liability by virtue of the size of the punitive classes. In addition, the Company's insurance subsidiaries are subject to litigation relating to claims handling practices in connection with otherwise routine claims, including actions that make allegations of bad faith and seek extra-contractual damages. These matters often raise difficult factual and legal issues and are subject to uncertainties and complexities. The outcomes of these matters are difficult to predict, and the amounts or ranges of potential loss at particular stages in the proceedings are in most cases difficult or impossible to ascertain. Even where the possibility of an adverse outcome is remote under traditional legal analysis, juries sometimes substitute their subjective views in place of facts and established legal principles. Given the unpredictability of the legal and regulatory landscape in which the Company operates, there can be no assurance that one or more of these matters will not produce a result that could materially and adversely affect the Company's financial results for any given period. For information about the Company's pending legal proceedings, see Note 26-28, "Commitments and Contingencies," to the Consolidated Financial Statements. Changes in the availability of insurance coverage or in the ability of insurers to meet their obligations could result in the Company being exposed to significant losses. Kemper maintains insurance coverage to limit its risk exposure to certain perils, including cybersecurity, errors and omissions, directors and officers liability insurance, fiduciary, insurance company professional liability and other financial indemnity coverages. The market for certain of these coverages has tightened over recent periods and the availability of these coverages could be significantly reduced in the future and, there-There is no guarantee that if coverage is available it will be in an amount sufficient to cover the losses of one or more covered incidents or on terms that Kemper finds acceptable. An insurer's insolvency or inability to make payments under the insurance coverage it provides to Kemper could also result in Kemper being exposed to significant losses. The Company could be adversely affected by future changes in U. S. Federal or Bermuda income tax laws. Changes to tax laws or interpretation of such laws could increase Kemper's corporate tax and reduce earnings. It is possible that tax law could be changed through a technical corrections bill or with entirely new legislation or be interpreted by regulatory authorities in a manner different than the Company's interpretation. It is difficult to predict whether there will be any tax law changes, guidance issued by tax authorities or other interpretations which would have a material adverse effect on our business or financial condition, as the impact of proposals on our business can vary substantially depending upon the specific changes or further guidance made and how the changes or guidance are implemented by the taxing authorities. If our controls designed to ensure compliance with guidelines, policies and legal and regulatory standards are not effective, the Company could be adversely affected. Kemper's business is highly dependent on its ability to engage on a real-time basis in a large number of insurance underwriting, claim processing and investment activities, and these are highly sophisticated yet, complicated and constantly evolving. These activities are frequently subject to internal guidelines and policies, as well as legal and regulatory standards. A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system's objectives will be met. If the Company's controls are not effective (including with respect to the prevention or identification of misconduct by employees or others with whom we do business), it could lead to financial loss, unanticipated risk exposure (including underwriting, credit and investment risk), errors in financial

reporting, litigation (including actions seeking extra-contractual damages), regulatory proceedings or damage to our reputation. Risks Relating to Security of Personal Data, Availability of Critical Systems, and Technology Initiatives Failure to protect against system security breaches, cyber attacks or other exposures that compromise data, including personal data, held by the Company or its business partners could result in business interruption, legal and consulting fees, regulatory penalties, litigation, lost business, reputational harm, and other liabilities and expenses. Kemper's insurance subsidiaries obtain, process and store vast large amounts of data, including personal data that, for various business purposes, including marketing, policy origination, claims and payment processing, and competitive differentiation. The data has significant value and Kemper is regularly targeted by cyber attacks seeking to misappropriate the information. Cyber attacks feature increasing sophistication and frequency and include the use of viruses, ransomware, spyware and other malware and infiltration methods. In addition, the Company has exposure through equipment and system failure and as a result of the conduct of our employees and contractors (through inadvertent error, negligence or intentional misconduct). These exposures can create or increase present significant risks to the Company and its vulnerability to the loss or misuse of its customers, employees and other affected individuals. An increasing array of laws and regulations govern the use, transfer and storage of such data, including, for example, social security numbers, credit card data, driver's license numbers and protected health information. The Company uses an array of sophisticated security measures and, with policies and procedures designed to enhance security of secure this information and the Company's data systems. Notwithstanding these efforts, the Company's data systems, have been breached or otherwise exposed in the past and remain vulnerable to future security breaches or other exposures. Successful breaches or other exposures could result in data loss, business interruption, reputational damage, ransom demands, investigations and litigation. The Company has been and will continue to be exposed to damages, regulatory penalties and other liabilities, reputational risk and significant increases in compliance and litigation costs as well as a result of these occurrences, which could have a material adverse impact on our financial condition and results of operations. Kemper's business operations rely on third parties, which are inherently prone to technology and cybersecurity risks outside of our direct control. Kemper relies on third parties to provide services that are essential to business operations, such as policy origination, claims processing, procurement, payments, back-office functions, and IT hosting. The software, systems and services provided by our third-party providers may not meet our expectations, contain errors or weaknesses, become compromised or experience breaches or outages. The Company's ability to prevent or remediate such an occurrence is limited. A failure of such third-party systems to perform effectively, maintain information security, or provide uninterrupted service and access to those systems, could materially adversely affect Kemper's business. For example, the Company could be prevented from conducting business functions, including the timely payment and / or processing of claims, or the information of customers could be compromised. Any such failures could adversely impact the ability to serve existing customers and attract new business, and could create regulatory and litigation exposure. We are subject to extensive cybersecurity and privacy regulation through policies and requirements imposed by state and federal authorities. These policies and regulations are complex, difficult to implement and sometimes contradictory. A finding that the Company has breached these regulations could result in litigation, fines, and expenses that materially adversely impact financial condition or results of operations. Kemper operates under multiple cybersecurity and privacy regulations, imposed at both the state and federal level. While Kemper seeks to comply with each of those mandates, frequent and recent changes in the legal and regulatory environment create a difficulty in implementation, a lack of clarity and some requirements that may be overlapping or inconsistent. These difficulties increase the risk that the Company will be subject to regulatory proceedings, litigation, fines, and other adverse consequences that may have a material impact on the Company's financial condition and results of operations. Cybersecurity events, business interruptions or other exposures may cause potential deterioration in Kemper's reputation with an adverse impact financial condition or results of operations. Kemper's business depends on its reputation with agents and customers. The Company or its third party services providers may experience cybersecurity or business disruption events beyond our control that could affect our reputation or our corporate or brand image. It may be difficult to control or effectively manage negative publicity or regulatory consequences. Negative events and publicity or regulatory action could quickly and materially damage perceptions of Kemper and its business, which, in turn, could negatively impact the Company through loss of customers or agents, loss of business opportunities, employee retention or other difficulties. Failure to maintain the availability of critical systems could result in business interruption, lost business, reputational harm, penalties and other costs. The Company's business operations rely on the continuous availability of its own computer systems, systems and software hosted by vendors, and computer systems used by third party administrators and contractors other business partners working on behalf of the Company. Certain technology-based service providers provide a sizable portion of our IT infrastructure, are vulnerable platforms software and related IT services. From time to time security breaches due to these increasing sophisticated systems have been, and frequency of may again be, adversely affected or disrupted by cyber attacks, viruses, ransomware, spyware and other data breaches malware and infiltration methods, hackers natural and man-made catastrophes, human action or error or other significant events external hazards, as well as equipment and system failures and inadvertent errors, negligence or intentional misconduct of employees and / or contractors. The failure Company also relies on the ability of the its business partners to maintain secure systems and processes that comply with legal requirements and protect personal data. The Company and, or its third party administrators and or other business partners, regularly defend against and respond to data security threats maintain business continuity in the wake of such events may prevent the timely performance of critical processes across its operations, including, for example, insurance policy administration, claims processing, billing, payment processing, treasury and investigate investment operations and remediate breaches that have occurred payroll and other employer-related functions. These failures could System security breaches can result in data significant loss of business

interruption, reputational damages, **increased costs**, **fin**es ransom demands, investigations and litigation. The Company has been and may continue to be exposed to damages, regulatory penalties and other **adverse consequences** liabilities, reputational risk and significant increases in compliance and litigation costs. If Kemper is unable to send or accept electronic payments, our business and financial results could be adversely affected. The Company relies increasingly on electronic payments from policyholders, including, but not limited to, payment by credit and debit cards. Kemper's ability to use electronic payments depends on its ability to comply with applicable laws and regulations and with the rules of the various payment networks. Failure to maintain compliance with laws and industry rules and regulations governing such transactions could result in additional costs and damages. For example, in the event of non-compliance with the Payment Card Industry Data Security Standard, an information security framework for organizations that handle cardholder information for the major debit, credit, prepaid, and other payment card methods, Kemper's insurance subsidiaries could be prohibited from collecting premium payments from customers by way of such methods and be subject to significant fines. ~~Failure to maintain the availability of critical systems could result in business interruption, lost business, reputational harm, penalties and other costs. The Company's business operations rely on the continuous availability of its own computer systems, systems and software hosted by vendors, and computer systems used by third party administrators and contractors working on behalf of the Company. From time to time these systems have been, and may again be, adversely affected or disrupted by cyber attacks or other data breaches, natural and man-made catastrophes or other significant events. The failure of the Company, or its third party administrators or other business partners, to maintain business continuity in the wake of such events may prevent the timely performance of critical processes across its operations, including, for example, insurance policy administration, claims processing, billing, payment processing, treasury and investment operations and payroll and other employer-related functions. These failures could result in significant loss of business, increased costs, fines and other adverse consequences.~~ Technology initiatives could present significant economic and competitive challenges to the Company. Failure to complete and implement such initiatives in a timely manner could result in the loss of business and incurrence of internal use software development costs that may not be recoverable. Data and analytics play an increasingly important role in the insurance industry. The Company may periodically initiate multi-year technology projects to enhance operations or replace systems. While technology developments can facilitate the use and enhance the value of data and analytics, streamline business processes and ultimately reduce the cost of operations, technology initiatives can present significant economic and organizational challenges to the Company and potential short-term cost and implementation risks. In addition, projections of expenses and implementation schedules could change materially and costs could escalate over time, while the ultimate utility of a technology initiative could deteriorate over time or system development projects may not deliver the benefits or perform as expected. If the Company does not effectively and efficiently manage and upgrade our technology portfolio, or if the costs of doing so are higher than expected, the Company's ability to provide competitive services to, and conduct business with, new and existing customers in a cost effective manner and the Company's ability to implement our strategic initiatives could be adversely impacted. Due to the highly-regulated nature of the financial services industry, the Company also faces rising costs and competing time constraints in adapting technology to meet compliance requirements of new and proposed regulations. The costs to develop and implement systems to replace the Company's existing systems and to comply with new regulatory requirements as needed are expected to be material. Due to the complexities involved, there can be no assurances that new system development and implementation projects will be successful, that the costs for such projects will not exceed estimates and that the incurred costs will be recoverable. Furthermore, failure to implement replacement systems in a timely manner could result in loss of business from the Company's delay or inability to design and introduce new insurance products that meet emerging consumer needs and competitive trends.

Risks Relating to Investments The Company's investment portfolio is exposed to a variety of risks that may negatively impact net investment income, the change in fair value of equity and convertible securities and cause realized and unrealized losses. The Company maintains a diversified investment portfolio that is exposed to significant financial and capital market risks, including interest rate (risk-free and spread), equity price, and liquidity, as well as risks from changes in tax laws and regulations and other risks from changes in general economic conditions. The interest rate environment has a significant impact on the Company's financial results and position. An increase in interest rates or credit spreads ~~would generally reduce~~ **reduces** the carrying value of the Company's investment portfolio, particularly fixed income securities, and limited liability investment companies and limited partnerships accounted for under the equity method of accounting ("Equity Method Limited Liability Investments") that invest in distressed and mezzanine debt of other companies that exhibit debt-like characteristics. A decline in interest rates would adversely affect the Company's investment income as it invests cash in new investments that may yield less than the portfolio's average rate. In a declining interest rate environment, borrowers may seek to refinance their borrowings at lower rates and, accordingly, prepay or redeem securities the Company holds as investments more quickly than the Company initially expected. Such prepayment or redemption action may cause the Company to reinvest the redeemed proceeds in lower yielding investments. Kemper's Life business writes long duration insurance contracts which are priced in consideration of the interest rate environment. If the Company is not able to purchase investments that match that duration of the liabilities and there is a decline in interest rates, the Company could experience a significant deterioration in results. The Company invests a portion of its investment portfolio in equity securities, which generally have more volatile returns than fixed income securities and may experience sustained periods of depressed values. There are multiple factors that could negatively impact the performance of the Company's equity portfolio, including general economic conditions, industry or sector deterioration and issuer-specific concerns. A decline in equity values will result in losses being recognized by the Company in the period such change in fair value occurs, which may be significant. In addition, a decline in equity values may result in a decrease in dividend income. ~~Interest rates and equity returns also have a significant impact on the Company's pension and other post-retirement employee benefit plans. In addition to the impact on carrying values and yields of the underlying assets of the funded plans, interest rates also impact the discounting of the projected and accumulated benefit obligations of the plans. A decrease in interest rates may~~

~~have a negative impact on the funded status of the plans.~~ The nature and cash flow needs of the Company present certain liquidity risks that may impact the return of the investment portfolio. ~~If~~ **For example, if** the Company were to experience several significant catastrophic events over a relatively short period of time, investments may have to be sold in advance of their maturity dates to fund payments to claimants, which could result in realized losses. Additionally, increases in illiquidity in the financial markets may increase uncertainty in the valuations of the Company's investments. This increases the risk that the fair values reported in the Company's consolidated financial statements may differ from the actual price that may be obtained in an orderly sales transaction. The Company has also benefited from certain tax laws related to its investment portfolio, including dividends received deductions and tax-exempt investment income. Changes in tax laws may have a detrimental effect on the after-tax return of the Company's investment portfolio. A reduction in income tax rates could also reduce the demand for tax-preferenced securities and result in a decline in the value of the Company's investment portfolio of such securities. The Company's entire investment portfolio is subject to broad risks inherent in the financial markets, including, but not limited to, inflation, regulatory changes, inactive capital markets, governmental and social stability, economic outlooks, unemployment, and recession. Changes to these risks and how the market perceives them may impact the financial performance of the Company's investments, and in such cases, more securities may require additional subjectivity and management judgment. Kemper and its insurance subsidiaries are subject to various capital adequacy measurements that are significantly impacted by various characteristics of their invested assets, including, but not limited to, asset type, class, duration and credit rating. The Company's insurance subsidiaries are also subject to various limitations on the amounts at which they can invest in individual assets or certain asset classes in the aggregate. Asset risk is one factor used by insurance regulators and rating agencies to determine required capital for Kemper's insurance subsidiaries. Accordingly, a deterioration in the quality of the investments held by Kemper's insurance subsidiaries or an increase in the investment risk inherent in their investment portfolios could increase capital requirements. See the risk factor below titled "The ability of Kemper to service its debt, pay dividends to its shareholders and / or fund targeted transactions may be materially impacted by lack of timely and / or sufficient dividends received from its subsidiaries." These factors may inhibit the Company from shifting its investment mix to produce higher returns. The Company is also subject to concentration of investment risk to the extent that the portfolio is heavily invested, at any particular time, in specific asset types, classes, industries, sectors or collateral types, among other defining features. Developments **in** and the market's perception **of** ~~thereof in~~ any of these concentrations may exacerbate the negative effects on the Company's investment portfolio compared to other companies. The determination of the fair values of the Company's investments and whether a decline in the fair value of an investment is other-than-temporary are based on management's judgment and may prove to be materially different than the actual economic outcome. The Company holds a significant amount of assets without readily available, active, quoted market prices or for which fair value cannot be measured from actively quoted prices. These assets are generally deemed to require a higher degree of judgment in measuring fair value. The assumptions used by management to measure fair values could turn out to be different than the actual amounts that may be realized in an orderly transaction with a willing market participant could be either lower or higher than the Company's estimates of fair value. The Company reviews its investment portfolio for factors that may indicate that a decline in the fair value of an investment is other-than-temporary. This evaluation is based on subjective factors, assumptions and estimates and may be materially different than the actual economic outcome, which may result in the Company recognizing additional losses in the future as new information emerges or recognizing losses currently that may never materialize in the future in an orderly transaction with a willing market participant. **Risks Relating to Servicing Debt, Paying Dividends and / or Fund Funding** Targeted Transactions As a holding company, Kemper depends on the dividend income that it receives from its subsidiaries as a primary source of funds to meet its payment obligations. Kemper's insurance subsidiaries are subject to regulatory restrictions under insurance laws and regulations that limit their ability to declare and pay dividends. These laws and regulations impose minimum solvency and liquidity requirements on dividends between affiliated companies and require prior notice to, and may require approval from, state insurance regulators before dividends can be paid. In addition, third-party rating agencies monitor statutory capital and surplus levels for capital adequacy. Even though a dividend may be payable without regulatory approval, an insurance subsidiary may forgo paying a dividend to Kemper and retain the capital to maintain or improve ratings or to offset increases in required capital from increases in premium volume or investment risk. The inability of one or more of Kemper's insurance subsidiaries to pay sufficient dividends to Kemper may materially affect Kemper's ability to pay its debt obligations on time, pay dividends to its shareholders or undertake funding for targeted transactions. **General Risks Relating to Mergers, Acquisitions, Divestitures, and / or other Strategic Initiatives** The expected benefits and synergies from mergers, acquisitions, divestitures, and / or other ~~new~~ strategic initiatives may not be realized to the extent anticipated or within the anticipated time frames. The Company routinely evaluates opportunities for transactions such as mergers, acquisitions, divestitures, and / or other strategic initiatives that would enhance its business and align with the Company's strategic plans. Kemper's ability to achieve the anticipated financial benefits from transactions may not be realized due to any number of factors, including, but not limited to, integration or execution difficulties or failures that may result in substantial disruptions, costs, or delays and adversely affect the Company's ability to compete, the loss of key agents / brokers, customers or employees, unexpected or underestimated liabilities, increased costs, fees, expenses and charges related to transactions, or may be delayed by factors outside of the Company's control. **Furthermore, these** ~~These~~ adverse events could result in a decrease in the estimated fair value of goodwill or other intangible assets established as a result of such transactions, triggering an impairment. **In addition, the Company's strategic initiatives, such as the establishment of Kemper Reciprocal, may not perform as expected or deliver the expected benefits to the Company.** Failure to successfully and timely realize the anticipated benefits of these transactions or initiatives could have a negative impact on Kemper's financial condition, profitability, and results from operations. **Risks Relating to COVID-19** ~~The impact of the COVID-19 pandemic and related economic conditions have had and could continue to have a material effect on Kemper's results of operations, financial position and / or liquidity. Beginning in March 2020, the global pandemic related to~~

the novel coronavirus that causes COVID-19 began to adversely impact the global economy and resulted in an enormous global economic downturn, including in the United States where the Company predominantly conducts its operations. While overall economic activity rebounded significantly in 2022, the effects of the COVID-19 pandemic continued throughout 2022. As the result of the COVID-19 pandemic and the related economic consequences, including governmental responses to the pandemic and the effects of the dramatic surge in economic activity as pandemic lockdowns ended, the Company experienced in 2022 a significant increase in loss frequency and severity in its Property and Casualty line of business. In addition, COVID-19's emerging variants, now and in the future, may result in increased mortality, which may adversely affect the Life business. As the impact of the pandemic continues to be felt, the Company could be subject to the following risks, any of which could individually or collectively have a material, adverse effect on its business, financial condition, liquidity, and results of operations as a result of COVID-19:

- Adverse impact on economic conditions, including increased rate of inflation, negative impact on employment levels, supply chain disruptions, and changing consumer patterns that could impact Kemper's businesses
- Adverse impact on investment portfolio as a result of ratings downgrades, increased bankruptcies and credit spread widening in distressed industries
- Increase in estimated credit losses on fixed maturity investments held at fair value as well as other investments and receivables from policyholders
- Increased cybersecurity and business interruption risk resulting from an increased overall reliance on our IT infrastructure due to a distributed workforce
- Increased risk to key employees should a variant emerge and dominate a region of the United States

Risks Relating to General Economic and Market Factors Changes in the global economy and capital markets could adversely impact the Company's results of operations and financial condition. Significant changes in the economic and capital market environment could adversely affect consumer demands for the Company's products, results of operations, investment returns and financial condition. The following are examples of economic market conditions that could adversely affect the Company's financial condition, liquidity, and results of operations:

- Volatility in debt and equity markets
- Changes in interest rates
- Increases in inflation
- Reduced availability of credit
- Economic downturns
- Increased unemployment and reduced consumer spending
- Stressed conditions, volatility and disruptions in global capital markets or financial asset classes could adversely affect our investment portfolio **and the Company's ability to access the capital markets**

The Company's deferred tax assets could become impaired which would adversely impact the Company's results of operations and financial condition. The realization of deferred tax assets depends on the recognition of sufficient taxable income and character. If future events differ from our current forecasts, it is possible we could determine that some or all of our gross deferred tax assets cannot be realized and a deferred tax valuation allowance would be recorded as an adverse charge.