KEMPER Corp
Form DEF 14A
March 24, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
(Amendment No.)
Filed by the Registrant x Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

x Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under 240.14a-12

Kemper Corporation
(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Notice of 2016 Annual Meeting & Proxy Statement

Kemper Corporation
One East Wacker Drive
Chicago, Illinois 60601
kemper.com

Notice of 2016 Annual Meeting of Shareholders to Be Held May 4, 2016

The 2016 Annual Meeting of the Shareholders (“Annual Meeting”) of Kemper Corporation (“Company” or “Kemper”) will be held at 8:00 a.m., Central Daylight Time, on Wednesday, May 4, 2016, at The Kemper Building, One East Wacker Drive, Chicago, Illinois 60601. Attendees providing proper identification will be directed to the meeting room located on the 20th floor. The purpose of the Annual Meeting will be to:

1. Elect a Board of Directors;
2. Consider and vote on an advisory proposal on the ratification of the selection of Deloitte & Touche LLP as the Company’s independent registered public accountant for 2016;
3. Consider and vote on approval of the material terms of the performance goals under the Company's 2011 Omnibus Equity Plan; and
4. Consider and act upon such other business as may be properly brought before the meeting.

The Board of Directors of Kemper has fixed March 11, 2016 as the record date (“Record Date”) for determining shareholders entitled to receive this notice and to vote at the 2016 Annual Meeting or any adjournments or postponements of the meeting. Only shareholders of record at the close of business on the Record Date will be entitled to notice of, and to vote at, the Annual Meeting. A list of registered shareholders as of the close of business on March 11, 2016 will be available for inspection at the Annual Meeting and for a period of ten days prior to May 4, 2016 during ordinary business hours at the Company’s executive offices located at One East Wacker Drive, Chicago, Illinois 60601.

By Order of the Board of Directors,
C. Thomas Evans, Jr.
Secretary
Chicago, Illinois
March 24, 2016

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on May 4, 2016: The Company’s 2016 Proxy Statement and 2015 Annual Report to Shareholders are available at proxyvote.com.

Regardless of whether you plan to attend the Annual Meeting, please vote your proxy as promptly as possible. You may vote by timely returning your signed and dated proxy card in the postage-paid envelope provided, or you may vote by telephone or through the Internet. Instructions are printed on your proxy card. To obtain directions to attend in person, you may contact Investor Relations by telephone at 312.661.4930, or by e-mail at investors@kemper.com.

Table of Contents

Proxy Statement Summary

The Board of Directors of Kemper is furnishing you with this Proxy Statement to solicit your proxy to be voted at Kemper's Annual Meeting. This Proxy Statement Summary highlights information contained elsewhere in this proxy statement. Please read the entire Proxy Statement carefully before voting.

Annual Meeting of Shareholders

Date: Wednesday, May 4, 2016
Time: 8:00 a.m. Central Daylight Time
Location: The Kemper Building
One East Wacker Drive
Chicago, Illinois 60601
Record Date: March 11, 2016

Voting Matters and Board Recommendations

	Matter	Board Recommendation	Page Reference
1.	Election of Directors	FOR	11
2.	Advisory vote on the ratification of independent registered public accountant	FOR	17
3.	Approval of the material terms of the performance goals under the Company's 2011 Omnibus Equity Plan.	FOR	52

How to Cast Your Vote

The proxies may also be voted at any adjournments or postponements of the Annual Meeting.

The mailing address of our principal executive office is One East Wacker Drive, Chicago, Illinois 60601. We began sending these proxy materials on or about March 24, 2016 to all shareholders entitled to vote at the Annual Meeting. All properly executed proxy cards, and all properly completed proxies submitted by telephone or through the Internet, that are delivered in response to this solicitation will be voted at the Annual Meeting in accordance with the directions given in the proxy, unless the proxy is revoked before the meeting. For more information, please refer to the Frequently Asked Questions section under the heading Voting and Record Date on page 65.

Board and Corporate Governance

Meetings and Committees of the Board of Directors

There are four principal committees of the Board of Directors ("Board of Directors" or "Board"): (1) Audit Committee; (2) Compensation Committee; (3) Investment Committee; and (4) Nominating & Corporate Governance ("NCG") Committee. The Board has adopted written charters for each of the committees, copies which are available on the Company's website at kemper.com under Governance. Copies of these documents may also be obtained free of charge by request to the Company at One East Wacker Drive, Chicago, Illinois 60601, Attention: Investor Relations.

Under the Company's Corporate Governance Guidelines and Policy on Director Attendance at Annual Meetings, directors are expected to attend: (1) annual shareholder meetings; (2) Board meetings; and (3) Board committee meetings for the committees on which they serve, unless unavoidable obligations or other circumstances prevent their attendance. Each incumbent director attended at least 94 percent of the 2015 meetings of the Board and Board committees on which he or she served. The non-employee and independent members of the Board meet regularly in executive sessions. In addition, each of the directors who was a member of the Board on the date of the 2015 Annual Meeting attended such meeting.

The following table shows the number of 2015 Board and Board committee meetings held and actions taken by unanimous written consent in lieu of meetings:

	Board	Audit Committee	CEO Search Committee (1)	Compensation Committee	Executive Committee (2)	Investment Committee	NCG Committee	Strategy Committee (2)
Meetings Held	6	6	2	5	—	1	5	2
Actions Taken By Written Consent	1	—	—	2	2	—	—	1

(1) Following an organizational meeting in June 2015, the CEO Search Committee undertook its assignment through frequent consultations with a prominent executive search firm, discussions with other Board members about considerations for a new CEO, interviews with a significant number of potential candidates, and meetings with final candidates before deliberating on an ultimate recommendation to the Board. The Board approved the dissolution of the CEO Search Committee, effective as of the conclusion of the Board meeting on November 19, 2015.

(2) The Board approved the dissolution of the Strategy Committee, effective as of the conclusion of the Board meeting on May 6, 2015, and the dissolution of the Executive Committee, effective as of the conclusion of the Board meeting on November 19, 2015.

The following table shows the current membership and Chair of the Board and its four principal Board committees:

Name	Board	Audit Committee	Compensation Committee	Investment Committee	NCG Committee
George N. Cochran	ü	Chair		ü	
Kathleen M. Cronin	ü	ü	ü		ü
Douglas G. Geoga	ü	ü	Chair		
Robert J. Joyce	Chair	ü			ü
Christopher B. Sarofim	ü			Chair	
Joseph P. Lacher, Jr.	ü			ü	
David P. Storch	ü		ü		Chair

The following is a brief description of the functions of the four principal Board committees:

Audit Committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities with respect to the:

- integrity of the Company's financial statements;
- Company's compliance with legal and regulatory requirements;
- independent registered public accountant's qualifications, independence and performance; and
- performance of the Company's internal audit function.

The Audit Committee is a standing committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended ("Exchange Act"). Under its charter, the Audit Committee is responsible for the appointment, compensation, retention and oversight of the Company's independent registered public accountant, including prior approval of the audit engagement fees and terms. The Audit Committee is also responsible for, among other matters, reviewing and discussing with management the Company's financial statements and disclosures, internal controls, internal audit function, and major risk exposures and steps taken by management to monitor and control such exposures, including its enterprise risk management ("ERM") structure and program.

The Board has determined that each member of the Audit Committee is independent and financially literate in accordance with the New York Stock Exchange ("NYSE") Listed Company Manual ("NYSE Listing Standards") and meets the independence requirements for audit committee membership under the rules of the Securities and Exchange Commission ("SEC"). In addition, the Board has determined that Messrs. Cochran and Joyce are qualified as audit committee financial experts under the SEC rules.

Compensation Committee

The Compensation Committee assists the Board in fulfilling its responsibilities relating to:

- reviewing and approving corporate goals and objectives relevant to the compensation of the Company's Chief Executive Officer ("CEO") and evaluating the CEO's performance and compensation in light of such goals and objectives;
- overseeing the compensation of the Company's executive officers and other members of senior management as may be designated by the committee from time to time;
- reviewing and approving the Company's incentive compensation and equity-based compensation plans;
- reviewing and approving the material terms of any employment agreements or severance or change-in-control arrangements involving any of the Company's executive officers; and
- reviewing and making recommendations to the Board on non-employee director compensation.

The Board of Directors has determined that each member of the Compensation Committee is independent in accordance with the NYSE Listing Standards. Additional information about the Compensation Committee's procedures is provided below on page 19 in the section entitled Executive Compensation.

Investment Committee

The Investment Committee oversees the Company's investment objectives and policies and reviews the performance of the Company's investment portfolio on a consolidated basis. The Investment Committee is also responsible for reviewing and approving the policies and objectives for the Company's investment activities that are established and maintained by the Company's Chief Investment Officer.

NCG Committee

The NCG Committee assists the Board in fulfilling its responsibilities with respect to:

- identifying potential candidates qualified to become Board members and recommending director nominees to the Board in connection with each annual meeting of shareholders;
- developing and assessing principles and guidelines for corporate governance, executive succession, business conduct and ethics;
- leading the Board in its annual review of the performance of the Board and Board committees; and
- recommending to the Board director nominees, chairs for each Board committee and a Board member to serve as Chair.

The Board has determined that each member of the NCG Committee is independent in accordance with the NYSE Listing Standards.

Corporate Governance

The Corporate Governance Guidelines, Code of Business Conduct and Ethics, Charters for Board committees and other corporate governance information can be found on the Company's website at kemper.com under Governance. Copies of these documents may also be obtained free of charge by request to the Company at One East Wacker Drive, Chicago, Illinois 60601, Attention: Investor Relations.

Selection of Board Nominees

In accordance with its charter, the NCG Committee recommends a slate of director nominees for election each year at the Annual Meeting. As needed to fill actual or anticipated vacancies on the Board of Directors, the NCG Committee screens and interviews candidates, and conducts inquiries into each candidate's background, qualifications and independence in accordance with the NYSE Listing Standards and SEC rules. The NCG Committee may, in its discretion, retain recruiters to identify and evaluate director candidates.

The Company will also consider director recommendations by shareholders that are made in writing, addressed to the Company's Secretary, and include: (a) the candidate's name, address and telephone number; (b) a brief biographical description of the candidate, including his or her occupation for the last five years and a statement of the qualifications of the candidate to serve as director; and (c) the candidate's signed consent to serve as a director if elected and to be named in the Company's proxy statement as a nominee. The NCG Committee will consider shareholder recommendations using the same standards it uses to assess all other candidates for director.

The NCG Committee evaluates potential nominees for director against the following standards that were previously adopted by the Board, as well as other attributes and skill sets considered desirable or necessary to address particular needs from time to time:

- The highest ethical standards and integrity;
- Willingness and ability to devote sufficient time to the work of the Board;
- Willingness and ability to represent the interests of shareholders as a whole rather than those of special interest groups;
- No conflicts of interest that would interfere with performance as a director;
- A reputation for working constructively with others;
- A history of achievement at a high level in business or the professions that reflects superior standards; and
- Qualities that contribute to the Board's diversity.

The primary focus in recruitment and nomination of directors has been on skills and experience. Other than as noted in the last bullet point above, the NCG Committee does not have a specific policy or requirement with regard to its consideration of diversity in identifying director nominees, nor has it attempted to define or limit the concept of "diversity" to any particular set of characteristics. The NCG Committee and the Board believe that the Board should be comprised of members with complementary and diverse skills and experience which, collectively, contribute breadth of perspective and enable the Board to be an effective overseer of a publicly-traded insurance organization.

Related Person Transactions

The Board has adopted a written policy ("Policy on Related Person Transactions") for review, approval and ratification of transactions involving the Company and "related persons" (directors, executive officers, shareholders owning 5 percent or more of Kemper common stock ("Common Stock"), or immediate family members of any of the foregoing). The Policy on Related Person Transactions covers any related person transaction unless it involves: (i) a transaction generally available to all employees of the Company; (ii) less than $120,000 in the aggregate; or (iii) a relationship as an insurance policyholder entered and maintained in the ordinary course of business of a subsidiary of the Company on terms no more favorable to the related person than those applicable to non-affiliated third parties or those generally available to employees of the Company. Covered related person transactions must be approved or ratified by the NCG Committee. In addition, approval under the Policy on Related Person Transactions is required before the Company can make charitable contributions exceeding $120,000 in the aggregate in any fiscal year to a charitable organization for which a related person serves as an executive officer, director, trustee or in a similar capacity.

Upon learning of a proposed or existing related person transaction requiring review under the Policy on Related Person Transactions, management is required to submit the matter for consideration to the NCG Committee, which will review the transaction and make a determination as to whether it is consistent with the best interests of the Company and its shareholders. In its review, the NCG Committee considers the facts and circumstances it deems significant and relevant to the particular transaction, including such factors as the related person's relationship to the Company and interest in the transaction, the value of the transaction and any reasonable alternatives, and the potential impact of the transaction on the Company, the related person and other applicable parties. No director who is on the NCG Committee will participate in the review or approval under the Policy on Related Person Transactions of a transaction involving such director or a member of his or her immediate family.

In accordance with the Policy on Related Person Transactions, the NCG Committee has reviewed certain transactions with the Company involving Fayez Sarofim & Co. ("FS&C"), a registered investment advisory firm. Christopher Sarofim, Vice Chairman of FS&C, has served on Kemper's Board since May 2013. Fayez Sarofim, Chairman of the Board, Chief Executive Officer, a director and the majority shareholder of FS&C, was a member of Kemper's Board until his retirement on May 1, 2013, and is the beneficial owner of more than 5 percent of the Company's stock. Pursuant to an agreement entered into between FS&C and the Company's subsidiary, Trinity Universal Insurance Company ("Trinity"), FS&C provided investment management services with respect to certain Trinity assets until Trinity disposed of them in 2015 and the agreement was terminated. Pursuant to an agreement entered into between FS&C and the Company's tax-qualified defined benefit pension plan ("Pension Plan"), FS&C provides investment management services with respect to certain Pension Plan funds. The agreements governing these services may be terminated by either party at any time on 30 days advance written notice. At December 31, 2015, the Pension Plan had $137.2 million in assets under management with FS&C. Under these arrangements, FS&C is, in the case of the Pension Plan, or was, in the case of Trinity, entitled to fees calculated and payable quarterly based on the fair market value of the assets under management. During 2015, Trinity incurred fees of $0.1 million, and the Pension Plan incurred fees of $0.4 million, to FS&C.

Director Independence

The Board has adopted categorical standards ("Director Independence Standards") to assist in its determination of director independence as required by Section 303A of the NYSE Listing Standards and applicable SEC rules. The Director Independence Standards are posted under Governance on the Company's website at kemper.com. Under the Director Independence Standards, a director is not independent for purposes of his or her service on the Board or a particular Board committee unless the director and his or her immediate family members meet all independence requirements applicable to such service under the NYSE Listing Standards and SEC rules. The Director Independence Standards incorporate by reference certain

5

relationships listed in the NYSE and SEC independence rules. In addition, the Director Independence Standards define four specific types of relationships as categorically immaterial. Two of these types of relationships involve an organization or entity that either received charitable contributions from the Company or engaged in transactions with the Company, in either case to the extent the annual amounts involved did not exceed $120,000. The other two types of relationships are: (i) status as an insurance policyholder of a Company subsidiary in the ordinary course of business of the subsidiary on terms no more favorable to the director than those applicable to policies with unaffiliated third parties or those generally available to Company employees; and (ii) the receipt by a director of administrative support or retirement compensation for prior service from a former employer of such director that has a business relationship with the Company. The Board believes that these specified types of relationships would not affect or influence the Company's business relationships or create a direct or indirect material interest in the Company's business transactions on the part of a director.

In connection with its annual independence assessment of the individuals recommended by the NCG Committee as nominees for election to the Board at the 2016 Annual Meeting, the Board reviewed the applicable independence rules and the factual information derived from the questionnaires and affirmations completed by the individual directors and other available information. The Board affirmatively determined that, under the NYSE Listing Standards, applicable SEC rules and the Director Independence Standards, a majority of the members of the Board are independent, and that director Nominees Cochran, Cronin, Geoga, Joyce and Storch are each independent and have no material relationships with the Company.

Compensation Committee Interlocks and Insider Participation

The Board has determined that each member of the Compensation Committee is independent in accordance with the NYSE Listing Standards. The Compensation Committee consists of Nominees Cronin, Geoga and Storch. None of these individuals is a current or former officer or employee of the Company or any of its subsidiaries, and none of these individuals had a relationship with the Company during 2015 that required disclosure by the Company under the SEC rules on transactions with related persons. Related person transactions and the independence of the non-employee members of the Company's Board are discussed in more detail under the two preceding headings, Related Person Transactions and Director Independence. No executive officer of the Company has served as a director or member of the compensation committee or other board committee of another entity that had an executive officer who served on the Company's Compensation Committee or Board.

Board Leadership and Role in Risk Oversight

Board's Leadership Structure

The leadership of the Company's Board changed in November 2015 when Donald G. Southwell resigned from the Board and his positions as Chairman of the Board, President and CEO. At that time, Mr. Joyce was designated Chairman of the Board, and Mr. Lacher was elected to the Board and the positions of President and CEO. Under the Company's Corporate Governance Guidelines, the designation of an independent Chairman of the Board obviates the need for a Lead Director, a position held by Mr. Storch since 2012. The current Board structure includes a Chairman of the Board and four principal board committees. The Audit Committee, Compensation Committee and NCG Committee are comprised entirely of independent directors; the Investment Committee is comprised of an independent director, another non-employee director and the CEO.

The Board has no set policy on whether the offices of Chairman and CEO should be held by the same person, and believes the combination or separation of these offices should be determined by the circumstances of the Company and the composition of the Board. The Chairman and CEO positions were previously held by the same individual, a structure that served the Company well under the leadership of Mr. Southwell, who had held other senior executive positions with the Company and had significant interaction with the Board prior to his election as CEO. When Mr. Lacher joined the Company as President and CEO, having no prior history with the Company, the Board determined that it was appropriate to designate an incumbent director to fill the position of Chairman. The Chairman of the Board serves as the primary liaison between non-employee directors and the CEO (although all non-employee directors are encouraged to communicate freely with the CEO and other members of management at any time). In addition, the

Chairman sets agendas for, and presides over, the executive sessions of non-employee directors and at Board meetings.

6

The Company believes that its leadership structure is appropriate for the Company given the role of the Chairman and current membership of the Board. In addition to the leadership provided by the Chairman, all non-employee and independent directors meet regularly in executive session and provide independent oversight of the Company, and significant functions are also provided by the key Board committees and the independent outside advisors those committees utilize in their discretion.

Board’s Role in Risk Oversight

The Board plays an active role in the oversight of risk assessment and management at various levels of the Board’s leadership structure. Board and Board committee meetings provide the directors with regular opportunities to discuss key matters and raise questions with management, auditors and any consultants retained by the Board or its committees. The Board is regularly informed by members of the Company’s executive and operational management about a wide range of matters that could pose significant risks to the Company. These include, for example, strategic plans, corporate transactions, and significant operational projects and developments. In addition, Board committees have the opportunity to evaluate areas of potential risk on issues pertinent to their particular functional responsibilities. The Audit Committee has oversight responsibilities pertaining to a number of matters that involve potential risk to the Company, most notably, the Company’s financial reporting and internal controls, ERM functions, the internal audit function, matters reported through the Company’s Corporate Responsibility Hotline, guidelines and policies regarding financial risk assessment and management, and the performance of the Company’s independent auditors. In carrying out these responsibilities, the Audit Committee reviews, for example, the Company’s quarterly and annual financial statements and related SEC disclosures and auditor’s reports and communications, ERM structure and program, major risk exposures (including risks associated with catastrophe losses) and management assessments and controls, and internal audit plans and significant findings. The Compensation Committee has oversight responsibilities pertaining to the Company’s executive compensation and equity-based compensation programs. In carrying out these responsibilities, the Compensation Committee reviews performance goals and metrics under the Company’s cash incentive and equity-based compensation plans, related look-back and projection assessments, and levels of ownership of the Company’s Common Stock by its executives.

Director Compensation

2015 Annual Non-Employee Director Compensation Program

The following table shows the 2015 non-employee director compensation program:

Board/Committee/Position	Annual Chair Retainer($)		Annual Non-Chair Retainer ($)		Meeting Attendance Fee ($)		Stock Option Award (#)		Deferred Stock Unit Award (#)	
Board of Directors	130,000	(1)	35,000		1,500		4,000	(2)	500	(2)
Lead Director	—		20,000	(1)	—		—		—	
Audit Committee	27,000		12,000		2,000	(3)	—		—	
CEO Search Committee (4) Chair	—		—		—		1,965	(5)	—	
CEO Search Committee Non-Chair	—		—		—		1,179	(5)	—	
Compensation Committee	15,000		8,000		—		—		—	
Executive Committee (4)	—		8,000		—		—		—	
Investment Committee	15,000		10,000		3,000	(6)	—		—	
NCG Committee	15,000		5,000		—		—		—	
Strategy Committee (7)	30,000		5,000		—		—		—	

(1) As described above under the heading Board's Leadership Structure, effective November 19, 2015, the Board designated an independent Chairman of the Board, obviating the Lead Director position, and approved a retainer for the independent Chairman position.

(2) Under the program in place for 2015, at the conclusion of each Annual Meeting, each director who is not an employee of the Company or any subsidiary of the Company automatically received a grant of options to purchase 4,000 shares of Common Stock and a deferred stock unit ("DSU") award covering 500 shares of Common Stock under the Company's 2011 Omnibus Equity Plan ("Omnibus Plan"), and each new member of the Board of Directors who was not employed by the Company also received a grant of options to purchase 4,000 shares of Common Stock, with a tandem stock appreciation right.

(3) Meeting attendance fee is $2,000 for each Audit Committee meeting attended on a day other than a day when the Board of Directors meets.

(4) The Board dissolved the CEO Search Committee and Executive Committee, effective November 19, 2015.

(5) On November 19, 2015, the Board approved the retainer for each member of the CEO Search Committee, consisting of a one-time retainer in the form of a stock option award, with a value of $20,000 for the committee Chair and $12,000 for each other member of the committee, with the number of option shares granted determined by dividing such value by 25% of the closing price of a share of Common Stock on the grant date. On November 19, 2015, Mr. Geoga, as Committee Chair, received a stock option award covering 1,965 shares, and Messrs. Cochran, Joyce and Storch, as Committee members, each received a stock option award covering 1,179 shares.

(6) Meeting attendance fee is $3,000 for each Investment Committee meeting attended on a day other than a day when the Board of Directors meets.

(7) On May 6, 2015, the Board dissolved the Strategy Committee, effective as of the conclusion of the Board meeting that day.

The exercise price for options granted to non-employee directors is the closing price of a share of Common Stock on the grant date. Options are fully vested when granted. All non-employee director options expire on the tenth anniversary of the grant date and, for options granted prior to 2009, include the right to receive restorative options under specified circumstances. As discussed in the Compensation Discussion and Analysis section under the heading Elimination of Restorative Option Program on page 34, the restorative option program was eliminated on a prospective basis effective in

8

2009. As a result, annual stock option awards granted by the Company beginning in 2009 do not include the right to receive restorative options. In connection with options granted prior to 2009, restorative options are granted automatically to replace shares of previously-owned Common Stock that an exercising option holder surrenders, either actually or constructively, to satisfy the exercise price, so long as certain requirements are met at the time of exercise.
The non-employee directors are eligible to defer up to 100 percent of the fees earned for service on the Board and Board committees under the Deferred Compensation Plan. For more information about the Deferred Compensation Plan, see the narrative discussion in the Executive Officer Compensation and Benefits section below under the caption Deferred Compensation Plan.
The DSUs granted to non-employee directors give the holder the right to receive one share of Common Stock for each DSU issued and are fully vested on the date of grant. Holders of DSUs are entitled to receive dividend equivalents in cash in the amount and at the time that dividends would have been payable if the DSUs were shares of Common Stock. Conversion of the DSUs into shares of Common Stock is deferred until the date the holder's service on the Board terminates.
All directors are entitled to reimbursement for travel expenses incurred in attending Board and Board committee meetings and other Company business. Each of the Company's directors, including any director who is also a member of management, is a party to an indemnification and expense advancement agreement with the Company, as permitted by the Delaware General Corporation Law. The provisions of these agreements are substantially the same as the indemnification provisions applicable to the directors under the Company's Amended and Restated Bylaws ("Bylaws") and Certificate of Incorporation, except that the agreements may not be amended or terminated without the written consent of the respective director.

Changes Made to Non-Employee Director Compensation for 2016
The Board revised the equity-based compensation portion of the annual non-employee director compensation program, effective May 4, 2016. Each non-employee director will receive an annual DSU award covering shares of Common Stock with a grant date value of $75,000 at the conclusion of each annual shareholder meeting. Stock options will no longer be granted annually or when a new director joins the Board.
Director Compensation Table
The following table shows the compensation earned in 2015 based on the annual non-employee director compensation program in effect for 2015. The specific amount of fees earned and awards granted differs for individual directors based on the particular committees on which they sit, the dates they joined or departed from the Board and specific committees, and the variable fee structure for each committee and committee chairs versus non-chair members as shown in the table above on page 8.

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash ($)(1)	Stock Option Awards ($)(2)	Deferred Stock Unit Awards ($)(2)	All Other Compensation ($)(3)	Total ($)
James E. Annable	43,500	28,709	19,190	240	91,639
George N. Cochran	70,811	65,357	19,190	360	155,718
Kathleen M. Cronin	69,306	56,604	19,190	360	145,460
Douglas G. Geoga	89,304	43,296	19,190	1,320	153,110
Julie M. Howard	19,615	—	—	240	19,855
Robert J. Joyce	120,718	37,462	19,190	1,320	178,690
Wayne Kauth	26,500	—	—	240	26,740
Christopher B. Sarofim	60,511	28,709	19,190	1,320	109,730
David P. Storch	93,305	37,462	19,190	1,320	151,277

Richard C. Vie	22,846	—	—	240	23,086

9

(1) Fees shown were earned for service on the Board and/or Board committees, and include any amounts deferred at the election of an individual Board member under the Kemper Corporation Nonqualified Deferred Compensation Plan ("Deferred Compensation Plan"). For more information about the Deferred Compensation Plan, see the narrative discussion in the Executive Officer Compensation and Benefits section under the heading Nonqualified Deferred Compensation on page 45.

(2) The amounts shown represent the aggregate grant date fair values of the initial stock option awards granted to Mr. Cochran and Ms. Cronin when they joined the Board on February 4, 2015 and the annual stock option and DSU awards granted on May 6, 2015 to all of the designated directors. The grant date fair values for the annual awards were estimated for stock options at $7.18 based on the Black-Scholes option pricing model, and for DSUs were based on the grant date closing price ($38.38) per share of Common Stock. In addition, members of the CEO Search Committee received additional stock option awards on November 19, 2015. The grant date fair values for these stock option awards were $7.42 and were determined using the Black-Scholes option pricing model. For a discussion of valuation assumptions, see Note 10, Long-term Equity-based Compensation, to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. Additional information about director stock option grants is provided in the narrative preceding this table.

For each non-employee director, the following table shows the total number of outstanding stock option shares and DSUs held as of December 31, 2015:

Name	Outstanding Option Shares as of 12/31/15 (#)	Deferred Stock Units as of 12/31/15 (#)
James E. Annable	—	—
George N. Cochran	9,179	500
Kathleen M. Cronin	8,000	500
Douglas G. Geoga	41,965	1,500
Julie M. Howard	—	—
Robert J. Joyce	17,179	1,500
Wayne Kauth	—	—
Christopher B. Sarofim	16,000	1,500
David P. Storch	29,179	1,500
Richard C. Vie	—	—

(3) The amounts shown in this column represent the amounts paid as dividend equivalents in connection with outstanding DSUs.

Proposal 1: Election of Directors

Overview

Shareholders are being asked to elect seven directors. Directors serve for a term of one year or until the election of their successors, or as otherwise provided under the Bylaws. If any of the director nominees for election to the Board at the Annual Meeting ("Nominees") named below declines or is unable to serve as a director (which is not anticipated), the individuals designated as proxies on the proxy card reserve full discretion to vote for any or all other persons who may be nominated. A director nominee will be elected if the number of votes cast "for" exceeds the number of votes cast "against" his or her election.

Business Experience of Nominees

The NCG Committee considers and recommends candidates for the Board. Each of the individuals selected to serve as a Nominee meets the nominee standards for Board members as described above on page 4. The NCG Committee and the Board believe that each Nominee has demonstrated significant business achievements, ethical principles and commitment to serve the Company and its shareholders, and that the specific experience, qualifications, attributes and skills of each Nominee add to the collective ability of the Board to perform its duties and discharge its responsibilities with competence, professionalism and expertise.

The following is a summary of the background and public-company directorships held by each Nominee over at least the past five years, as well as some specific factors particular to such Nominee that, combined with the generally applicable factors noted above, led the Board to conclude that he or she should be selected as a Nominee for election to the Board at the Annual Meeting:

George N. Cochran
Age: 61
Director since: 2015

Mr. Cochran served as Chairman in the Global Financial Institutions Group at Macquarie Capital until his retirement in December 2014. Previously, he was the Chairman of Fox-Pitt Kelton Cochran Caronia Waller ("FPKCCW") and a co-founder of its predecessor firm, Cochran Caronia Waller ("CCW"). FPKCCW was acquired by Macquarie Capital in November 2009. Prior to co-founding CCW, Mr. Cochran developed Kidder Peabody's Insurance M&A and Financing Practice and also served as Managing Director and Insurance Industry Head of Coopers & Lybrand Securities, LLC.

Mr. Cochran brings considerable insurance industry expertise to the Board, as well as substantial merger and acquisition knowledge specific to the industry. His experience in top leadership roles at several investment banking firms provides the Board with additional expertise in the areas of executive development and operational management. In addition, Mr. Cochran is a National Association of Corporate Directors ("NACD") Governance Fellow. He has demonstrated his commitment to boardroom excellence by completing NACD's comprehensive program of study for directors and corporate governance professionals.

Kathleen M. Cronin
Age: 52
Director since: 2015

Ms. Cronin is Senior Managing Director, General Counsel and Corporate Secretary for CME Group Inc. ("CME Group"), the world's leading and most diverse derivatives marketplace. Before joining CME Group in November 2002, Ms. Cronin was in private practice at the law firm of Skadden, Arps, Slate, Meagher and Flom, where she was employed for more than ten years and focused her practice on corporate, securities offerings and transactional matters. From 1995 to 1997, Ms. Cronin served as Chief Counsel/Corporate Finance for Sara Lee Corporation.

Ms. Cronin's role overseeing audit, compliance, regulatory and risk management functions at CME Group, and her experience in the areas of information security, corporate governance, corporate law and corporate finance, provide the Board with important knowledge and perspective on the challenges of doing business in a highly-regulated industry. Her background in these areas also makes her particularly well-suited to serve on the Audit and NCG Committees.

Douglas G. Geoga
Age: 60
Director since: 2000
Mr. Geoga is President and Chief Executive Officer of Salt Creek Hospitality, LLC, a privately-held firm engaged in making investments in the hospitality industry and providing related advisory services. Since 2013, Mr. Geoga has also served as the non-executive Chairman of the Board of Directors of Extended Stay America, Inc., the owner/operator of the Extended Stay America® Hotel chain, and ESH Hospitality, Inc., a related real estate investment trust, the common stock of which are traded together as paired shares. From October 2010 until the completion of an initial public offering of these two companies in November 2013, Mr. Geoga served as non-executive Chairman of the owner of the Extended Stay America Hotel chain. Since October 2014, Mr. Geoga has also served as Chairman of Atlantica Investment Holdings Limited, which through affiliated companies is the second largest manager of hotels in Brazil, and since February 2014, he has served as a director of Carefree Communities, Inc., a company that owns and operates a chain of recreational vehicle/mobile home communities in the United States and Canada. From October 2012 until September 2015, Mr. Geoga also served as Executive Chairman of Foundations Recovery Network, LLC, an owner and operator of residential and outpatient substance abuse treatment centers. From July 2006 until December 2009, Mr. Geoga's primary occupation was serving as principal of Geoga Group, LLC, an investment and advisory consulting firm focused primarily on the hospitality industry. Until July 2006, Mr. Geoga served as the President of Global Hyatt Corporation, Hyatt Corporation and AIC Holding Co., which collectively operated the Hyatt chain of hotels throughout the world. From 2000 through 2005, Mr. Geoga served as the President of Hospitality Investment Fund, L.L.C., a privately-held firm which was engaged in making investments in lodging and hospitality companies and projects.
Mr. Geoga's leadership roles at Extended Stay Hotels and Hyatt, both prominent companies in their industry, as well as his extensive experience in private business investment, brings to the Board the perspective of both an operating executive and one who is sophisticated in corporate investments and finance.

Robert J. Joyce
Age: 67
Director since: 2012
Mr. Joyce has served as Chairman of the Board of Directors of the Company since November 2015. Mr. Joyce served as Chairman and Chief Executive Officer of Westfield Group from July 2003 to January 2011, and as Executive Chair of Westfield's Board from January 2011 until his retirement in March 2012. Westfield Group is privately held and provides a broad portfolio of insurance and financial services. Mr. Joyce also served as Chairman of Westfield Bank from December 2001 to April 2010. Prior to joining Westfield in 1996, Mr. Joyce held various senior leadership positions with Reliance Insurance Group and previously worked as a certified public accountant. Mr. Joyce served as a U.S. Navy Captain and is a veteran of Desert Storm and Desert Shield.
Mr. Joyce brings substantial leadership experience and insurance industry expertise to the Board. Mr. Joyce also gained valuable acumen and skills for his role as Chairman of the Company's Board through his years of service as Chairman of the Board at Westfield. In addition, Mr. Joyce served on the Board of Governors of the Property Casualty Insurers Association of America and is a past chair of that organization. He also served as a Trustee of the Griffith Insurance Education Foundation and on the Board of the National Association of Independent Insurers.

Joseph P. Lacher, Jr.
Age: 46
Director since: 2015
Mr. Lacher has served as President and Chief Executive Officer of the Company since November 2015. From November 2009 to July 2011, Mr. Lacher was President of Allstate Protection, a unit of Allstate Corporation, where he led the company's property and casualty offerings serving more than seventeen million American households. Prior to Allstate, Mr. Lacher spent eighteen years at The Travelers Companies, Inc., most recently serving as Executive Vice President - Personal Insurance from 2002 to 2009 and additionally as Executive Vice President - Select Accounts from 2006 to 2009.
Mr. Lacher's senior executive experience in the insurance industry brings valued expertise and perspective to the Board. In his role as the Company's Chief Executive Officer, he fills a critical role as liaison between the Board and the members of the Company's executive and operational teams. His strong industry background and insights complement the broad business backgrounds and skills of the other members of the Board.

Christopher B. Sarofim
Age: 52
Director since: 2013
Mr. Sarofim is the Vice Chairman and a member of the Board of Directors of Fayez Sarofim & Co., a registered investment adviser. Mr. Sarofim joined the firm in 1988 and has been a member of its Board since August 2014. He is a member of the firm's Executive, Finance and Investment Committees, and is also the President of the firm's foreign advisory business, Sarofim International Management Company. Mr. Sarofim shares portfolio management responsibilities for numerous separate accounts advised by the firm, as well as several Dreyfus Corporation mutual funds. Prior to joining Fayez Sarofim & Co., he was employed with Goldman, Sachs & Co. in corporate finance.
Mr. Sarofim offers the Board extensive experience in the investment world, gained with one of the nation's premier investment advisory firms. With his financial background and investment advisory experience, Mr. Sarofim is particularly well-suited to serve on the Investment Committee and provides the Board financial market and securities analysis expertise, key aspects in the management of the Company's investment portfolio.

David P. Storch
Age: 63
Director since: 2010
Mr. Storch is currently Chairman of the Board, President and Chief Executive Officer of AAR Corp., a leading provider of aviation services to the worldwide commercial aerospace and government/defense industries. Mr. Storch has served as AAR's Chairman of the Board and Chief Executive Officer since October 2005, and additionally as President since July 2015. He previously served various terms as AAR's President, Chief Executive Officer and Chief Operating Officer between 1989 and 2007. Mr. Storch is also a director of KapStone Paper and Packaging Corporation, a leading North American producer of unbleached kraft paper products and corrugated packaging products. Mr. Storch served as Lead Director of the Company's Board from August 2012 to November 2015.
Mr. Storch brings the Board substantial leadership expertise and skills. His experiences as Chairman of the Board and Chief Executive Officer of a large multinational public corporation, an executive responsible for business development, a board member of another public company and a business leader in his industry, offer the Board broad and unique perspectives and hands-on knowledge of the challenges of running a public company.

Required Vote

Under the Company's Bylaws, if a quorum is present, each Nominee will be elected by the affirmative vote of a majority of the votes cast, meaning that the number of shares voted "FOR" a Nominee exceeds the number of shares voted "AGAINST" such nominee. "Abstentions" and "broker non-votes" are not considered votes cast "FOR" the foregoing purpose, and will have no effect on the election of Nominees. If a Nominee who is an incumbent director receives a greater number of votes "AGAINST" his or her election than votes "FOR" such election, our Bylaws require that such director must promptly tender his or her resignation to the Board following certification of the vote.

Recommendation of the Board of Directors

The Board of Directors recommends that you vote "FOR" the Election of all Seven Nominees for Director in Proposal 1.

Audit Matters

Audit Committee Report

This report concerns the Audit Committee and its activities regarding the Company's financial reporting and auditing processes. The role of the Audit Committee is one of oversight, and does not include conducting audits or determining whether the financial statements are complete and accurate. The responsibility for the completeness and accuracy of the Company's financial statements and the assessment of the effectiveness of the Company's internal control over financial reporting rests with the Company's management. It is the responsibility of the Company's independent registered public accountant to perform an audit of, and to express an opinion on whether, the Company's annual financial statements are fairly presented in conformity with accounting principles generally accepted in the United States and the effectiveness of the Company's internal control over financial reporting. The responsibility of the Audit Committee is to review and monitor these processes on behalf of the Board.

In this context, the Audit Committee has reviewed and discussed the Company's audited financial statements and the effectiveness of the Company's internal control over financial reporting with management and Deloitte & Touche LLP ("Deloitte & Touche"), the Company's independent registered public accountant for the fiscal year ended December 31, 2015. The Audit Committee has also discussed with Deloitte & Touche, the matters required to be discussed by Public Company Accounting Oversight Board ("PCAOB") Auditing Standard No. 16, Communications with Audit Committees. The Audit Committee has received from, and discussed with, Deloitte & Touche its written disclosures and letter regarding its independence required by applicable requirements of the PCAOB regarding the independent registered public accountant's communications with the Audit Committee regarding independence and has discussed with Deloitte & Touche its independence.

In reliance on these reviews and discussions, and the report of Deloitte & Touche as the Company's independent registered public accountant, the Audit Committee recommended to the Board that the Company's audited financial statements for the year ended December 31, 2015 be included in the Company's Annual Report on Form 10-K for that year for filing with the SEC.

Audit Committee of the Board of Directors of Kemper Corporation

George N. Cochran, Chair
Kathleen M. Cronin
Douglas G. Geoga
Robert J. Joyce

Independent Registered Public Accountant

Independent Registered Public Accountant Fees for 2015 and 2014

Deloitte & Touche, a registered public accountant with the PCAOB, served as the Company's independent registered public accountant for and during the years ended December 31, 2015 and 2014. The following table provides information regarding the fees for professional services provided by Deloitte & Touche for 2015 and 2014:

Fee Type	2015	2014
Audit Fees	$4,484,132	$4,566,165
Audit-Related Fees	31,900	78,400
Tax Fees	—	—
All Other Fees	—	—
Total Fees	$4,516,032	$4,644,565

Audit Fees in 2015 and 2014 included fees for: (a) the audit of the Company's annual financial statements and to provide an opinion on the effectiveness of the Company's internal control over financial reporting; (b) the review of the financial statements included in the Company's quarterly reports on Form 10-Q; and (c) other services normally provided by the independent registered public accountant, including services in connection with regulatory filings by the Company and its subsidiaries for the 2015 and 2014 fiscal years. Audit-Related Fees in 2015 relate to fees for the audit of one of the Company's employee benefit plans. Audit-Related Fees in 2014 relate to fees for (a) the audit of one of the Company's employee benefit plans and (b) the review of auditor workpapers in connection with the Company's pre-acquisition due diligence reviews.

Pre-Approval of Services by Independent Registered Public Accountant

Under its charter, the Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the Company's independent registered public accountant, including the prior approval of audit engagements and all permitted non-audit engagements of the independent registered public accountant. Prior approval of non-audit services may be delegated to the Chair of the Audit Committee. All services provided to the Company by Deloitte & Touche in 2015 and 2014 were pre-approved by the Audit Committee.

Proposal 2: Advisory Vote on Ratification of Independent Registered Public Accountant

Overview

The Audit Committee considered the performance and qualifications of Deloitte & Touche and has reappointed Deloitte & Touche to serve as the Company's independent registered public accountant for the fiscal year 2016, and the Board is asking shareholders to ratify that selection. Under applicable laws, rules and regulations, the Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the Company's independent registered public accountant. The Board believes that shareholder ratification of the appointment of the independent registered public accountant, while not legally required, represents good governance practice in light of the significance of the independent registered public accountant's role in the process of ensuring the integrity of the Company's financial statements.

The vote is advisory, which means that the vote is not binding on the Company, the Board or the Audit Committee. The affirmative vote of a majority of the votes cast with respect to the proposal is required to ratify the selection of Deloitte & Touche as the Company's independent registered public accountant for the 2016 fiscal year. In the event that the appointment is not ratified, the Audit Committee will consider whether the appointment of a different independent registered public accountant would better serve the interests of the Company and its shareholders. Despite shareholder ratification, the Audit Committee may appoint a new independent registered public accountant at any time if it determines in its sole discretion that such appointment is appropriate and in the best interests of the Company and its shareholders.

It is expected that representatives from Deloitte & Touche will be present at the Annual Meeting. Such representatives may make a statement if they desire to do so and will be available to respond to appropriate questions.

Required Vote

If a quorum is present, the selection of Deloitte and Touche as the Company's independent registered public accountant for 2016 will be ratified by the affirmative vote of the majority of votes cast, meaning that the number of shares voted "FOR" the proposal exceeds the number of shares voted "AGAINST" the proposal. "Abstentions" and "broker non-votes" are not considered votes cast "FOR" the foregoing purpose, and will have no effect on the proposal.

The vote is advisory, which means that the vote is not binding on the Company, our Board or the Audit Committee. In the event that the appointment is not ratified, the Audit Committee will consider whether the appointment of a different independent registered public accountant would better serve the interests of the Company and its shareholders. Despite shareholder ratification, the Audit Committee may appoint a new independent registered public accountant at any time if it determines in its sole discretion that such appointment is appropriate and in the best interests of the Company and its shareholders.

Recommendation of the Board of Directors

The Board of Directors recommends that you vote "FOR" Proposal 2.

Executive Compensation

Executive Officers

The following narratives summarize the business experience over at least the last five years of the Company's current executive officers, other than Mr. Lacher, whose business experience is described above in the Business Experience of Nominees section on page 13. The positions described below as being with the Company may have been held with Kemper or one or more of its subsidiaries. The executive officers serve at the pleasure of the Board.

John M. Boschelli
Age: 47

Mr. Boschelli was elected Senior Vice President in May 2015, Chief Investment Officer in May 2009 and a Vice President of the Company in May 2007. Mr. Boschelli served as the Company's Treasurer from February 2002 to May 2009. Before becoming Treasurer, Mr. Boschelli served as the Assistant Treasurer of the Company, a position he held from December 1997 to February 2002.

C. Thomas Evans, Jr.
Age: 57

Mr. Evans was elected a Vice President and General Counsel in May 2015 and Secretary in May 2011. Mr. Evans served as Associate General Counsel from May 2011 to May 2015, as Assistant General Counsel from May 2002 to May 2011, as Assistant Secretary from February 2004 to May 2011 and as Counsel from April 1992 to May 2002.

Lisa M. King
Age: 56

Ms. King was elected Vice President, Human Resources of the Company in May 2009 and has served as its Ethics Officer since 2008. Ms. King served as the Company's Director of Human Resources from April 2008 to May 2009. From 2002 to 2008, Ms. King served as Vice President of Human Resources of the Company's wholly-owned subsidiary, Trinity Universal Insurance Company, and, beginning in 2004, as its Ethics Officer. Prior to 2002, Ms. King held a number of human resources positions within the Kemper organization and for affiliates of its predecessor.

Richard Roeske
Age: 55

Mr. Roeske was elected a Vice President of the Company in January 2001 and has served as its Chief Accounting Officer since August 1999. For a portion of 2010, Mr. Roeske served as interim Chief Financial Officer. Between 1990, when he joined the Company, and 1999, Mr. Roeske held a number of accounting positions within the Kemper organization.

Frank J. Sodaro
Age: 47

Mr. Sodaro was elected Senior Vice President & Chief Financial Officer in March 2013. Mr. Sodaro previously served as Vice President, Planning & Analysis for the Company from May 2009 to March 2013, and as Assistant Corporate Controller for the Company from June 1998 to May 2009. Prior to 1998, he held a number of positions within the Company's accounting and internal audit departments.

Discussion of Compensation Committee Governance

Compensation Committee Authority and Delegation

The scope and authority of the Compensation Committee is described in the Corporate Governance section above and is set forth in the committee's charter, which is posted under Governance on the Company's website at kemper.com. The Compensation Committee has the sole authority to retain outside legal, accounting or other advisors, including compensation consultants, to assist the committee in its evaluation of executive compensation, and to approve related fees and other terms of retention of such advisors. Under the terms of its charter, the Compensation Committee may delegate to its subcommittees such power and authority as it deems appropriate, except where delegation is inconsistent with applicable legal and regulatory requirements. However, the Compensation Committee does not presently have any subcommittees, and no such delegations have been made.

The Board of Directors has delegated authority to the Company's CEO, and had previously delegated such authority to the Board's Special Equity Grant Committee (subsequently revoked at the time of the new delegation) to grant a limited number of awards under the Omnibus Plan, designate the recipients of such awards, and determine the size, terms and conditions of such awards. The delegated authority covers only new hire, promotional and retention awards to employees other than the Company's officers who are required to file reports of their beneficial ownership of shares of Common Stock under Section 16 of the Exchange Act ("Section 16 Officers"). The delegated authority has been used sparingly and is regularly monitored by the Compensation Committee. More information about delegations and awards thereunder that have been made under the Company's equity-based compensation plans is included under the heading Delegated Authority in the Compensation Discussion and Analysis section on page 34.

Compensation Committee Process Overview

The Compensation Committee performs an annual review of the Company's executive compensation policies, practices and programs, and of the compensation paid to the Company's executive officers and directors. Annual reviews have historically started at a meeting of the Compensation Committee held in the last quarter of each year. At its initial meetings each year, typically held in late January or early February, the Compensation Committee generally makes decisions with regard to annual compensation of the Company's executive officers and any changes to the Company's executive compensation plans and programs, determinations as to the current-year base salary and equity-based compensation awards, selection and weighting of specific performance criteria for applicable bonus awards, and validation of performance results for determining any payouts under applicable cash incentive awards and performance-based equity-based compensation awards granted in prior years. Also at its initial meetings each year, the Compensation Committee has historically determined its recommendations to the Board about any changes to the non-employee director compensation program.

The Role of Compensation Consultants

The Compensation Committee has engaged the services of an independent compensation consultant in connection with its annual executive compensation review and for such additional services as it has deemed necessary from time to time. The Compensation Committee engaged Exequity LLP ("Exequity") as its independent compensation consultant for its deliberations on 2015 executive officer and director compensation. The Compensation Committee has considered the independence of Exequity and concluded that there are no factors that present any independence issues or conflicts of interest under applicable rules of the NYSE or SEC. The Compensation Committee directed Exequity to provide the committee with benchmarking data based on comparable companies in the insurance industry for certain executive officer positions, data and practices with respect to outside director compensation and advice on current trends and developments related to executive compensation matters in the context of annual shareholder meetings and proxy disclosures. The involvement of Exequity in the 2015 executive compensation decision-making process is described in more detail in the discussion under the heading Benchmarking Analysis in the Compensation Discussion and Analysis section below.

The Role of Executive Officers

The CEO plays an important role in the annual compensation decision-making process for the executive officers of the Company other than himself by providing performance assessments and making compensation recommendations to the Compensation Committee. The information provided by the CEO includes annual recommendations regarding any changes to the annual base salary and the equity-based compensation awards to the other members of senior management and the specific performance criteria for applicable cash incentive awards.

The Chief Financial Officer has also been involved in the annual compensation decision-making process for any executive officer who reports directly to him, by providing performance assessments and making compensation recommendations to the CEO for consideration by the Compensation Committee. Additionally, at the request of the Compensation Committee, the Company's management provides data to the committee's independent compensation consultant about the Company's cash and equity-based compensation programs, employee benefit and retirement plans and the compensation and stock holdings of the Company's executive officers.

In addition to considering the benchmarking data provided by its independent compensation consultant, the Compensation Committee also considers the recommendations provided by the CEO with regard to the compensation of the other executive officers, and discusses the rationale and strategy involved in determining these recommendations in meetings with the CEO. The Compensation Committee views its role with regard to the compensation of these other executive officers as collaborative, giving due consideration to the CEO's knowledge and judgment in determining the recommended levels of their compensation.

Non-employee director compensation is determined exclusively by the Board, after considering recommendations of the Compensation Committee. The Company's executive officers do not make recommendations and are not otherwise involved in the process of analyzing and determining compensation for the non-employee members of the Board, except that the CEO participates as a Board member when non-employee director compensation is considered and determined by the Board.

Compensation Discussion and Analysis

Executive Summary

The Company's executive compensation program and its underlying philosophy have always emphasized pay-for-performance and shareholder-focused awards, with few perquisites and significant portions of compensation consisting of performance-based cash incentives and performance-based equity-based compensation awards, including stock options, the value of which is based on long-term appreciation of the Company's Common Stock.

Significant features of the executive compensation program and related Company policies include:

- components with significant at-risk compensation based on a mix of short-term and long-term goals;
- performance-based cash incentives;
- equity-based compensation program with stock options and three-year performance-based restricted stock/restricted stock units ("RSUs");
- grant agreements with executive officers that include:
  - clawback clauses for the recoupment or forfeiture of compensation in the event of certain accounting restatements or as otherwise required by applicable law or Company policy; and
  - a double-trigger standard in the event of termination in connection with a change in control;
- no excise tax gross-ups; and
- policies prohibiting directors and employee recipients of equity-based compensation awards from participating in:
  - hedging transactions limiting risks from decreases in the price of the Company's Common Stock; and

pledging arrangements involving Company securities.

This Executive Compensation section provides detailed information about the 2015 compensation provided to the Company's executive officers whose compensation is disclosed in the Summary Compensation Table on page 37 ("Named Executive Officers" or "NEOs").

Recent Executive Officer Changes

Effective November 19, 2015, Mr. Southwell resigned from the Board and his positions as the Company's Chairman, President and Chief Executive Officer and assumed the non-executive officer position of Senior Advisor, and Mr. Lacher was elected the Company's President and Chief Executive Officer and a member of the Board. Effective February 10, 2016, Ms. Lynch left the Company.

Overview of CEO Compensation for 2015

Compensation for Mr. Southwell. In February 2015, the Compensation Committee approved a 2015 compensation package for Mr. Southwell with three main components: base salary, performance-based annual and long-term cash incentive awards, and equi