

UNITRIN INC
Form DEF 14A
March 29, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant "

Filed by a Party other than the Registrant "

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

UNITRIN, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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No fee required.

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Notice of

2010

Annual Meeting

and Proxy Statement

One East Wacker Drive · Chicago, Illinois 60601

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One East Wacker Drive

Chicago, Illinois 60601

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 5, 2010

The 2010 Annual Meeting of Shareholders (Annual Meeting) of Unitrin, Inc. (the Company or Unitrin) will be held at 10:00 a.m. Central Daylight Saving Time on Wednesday, May 5, 2010, at the Chase Auditorium, Chase Tower, 10 S. Dearborn Street (Plaza Level), Chicago, Illinois 60603. Attendees providing proper identification will be directed to the meeting room. The purpose of the Annual Meeting will be to:

- (1) Elect a Board of Directors;
- (2) Ratify the selection of Deloitte & Touche LLP as the Company s independent registered public accountant for 2010; and
- (3) Consider and act upon such other business as may be properly brought before the meeting.

The Board of Directors has fixed March 12, 2010 as the record date for determining shareholders entitled to receive this notice and to vote at the Annual Meeting or any adjournments or postponements of the meeting. A list of registered shareholders as of the close of business as of March 12, 2010 will be available for inspection at the Annual Meeting and for a period of ten days prior to May 5, 2010 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.

Scott Renwick

Secretary

Chicago, Illinois

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on May 5, 2010: The Company's 2010 Proxy Statement and 2009 Annual Report to Shareholders are available under *Investors* on the Company's website at www.unitrin.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 investor.relations@unitrin.com.

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**PROXY STATEMENT FOR THE
2010 ANNUAL MEETING OF SHAREHOLDERS**

The Board of Directors (Board of Directors or Board) of Unitrin, Inc. (the Company or Unitrin) is furnishing you with this Proxy Statement to solicit proxies to be voted at Unitrin's 2010 Annual Meeting of Shareholders (Annual Meeting). The Annual Meeting will be held at 10:00 a.m. Central Daylight Saving Time on Wednesday, May 5, 2010, at the Chase Auditorium, Chase Tower, 10 S. Dearborn Street (Plaza Level), Chicago, Illinois 60603. The proxies also may be voted at any adjournments or postponements of the meeting.

The mailing address of our principal executive offices is One East Wacker Drive, Chicago, Illinois 60601. We began sending these proxy materials on or about March 29, 2010 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.

**QUESTIONS AND ANSWERS ABOUT
THE ANNUAL MEETING AND VOTING**

Proxy and Proxy Statement

What is a proxy?

A proxy is your legal appointment of another person to vote the stock you own. That other person is called a proxy. If you appoint someone as your proxy in a written document, that document is also called a proxy or a proxy card. We have designated our Chairman, President and Chief Executive Officer, Donald G. Southwell, our Executive Vice President and Chief Financial Officer, Eric J. Draut, and our Senior Vice President, General Counsel and Secretary, Scott Renwick, to act as proxies for the Annual Meeting. You do not need to attend the Annual Meeting to vote your shares if you provide a proxy in the manner described in this Proxy Statement.

What is a Proxy Statement?

A Proxy Statement is a document that sets forth the information required by the federal securities laws and regulations administered by the Securities and Exchange Commission (SEC) which is intended to allow you to vote on an informed basis at the Annual Meeting.

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Voting and Record Date

On what am I being asked to vote?

Shareholders will vote on the following proposals at the Annual Meeting:

1. Election of the director nominees listed on pages 13-16 (**Nominees**); and
2. Ratification of the selection of Deloitte & Touche LLP as the Company's independent registered public accountant for 2010.

Who can vote?

You are entitled to vote at the Annual Meeting if you owned Unitrin common stock (**Common Stock**) at the close of business on March 12, 2010. This date is called the record date.

How many shares of Unitrin stock are eligible to be voted at the Annual Meeting?

At the close of business on the record date, there were 62,463,203 shares of Common Stock issued and outstanding. Accordingly, 62,463,203 shares of Common Stock are eligible to be voted at the Annual Meeting. Unitrin had no other voting securities outstanding on March 12, 2010.

How many votes do I have?

Each share of Common Stock that you owned on the record date entitles you to one vote. Your proxy card indicates the number of shares of Common Stock that you owned on March 12, 2010 which may be voted at the Annual Meeting.

How do I give a proxy to vote my shares?

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How you give a proxy to vote your shares depends on whether you hold your shares of Common Stock (i) as a registered shareholder or (ii) in street name through an institution, such as a stock brokerage firm or bank. The shares of a registered shareholder are registered with the Company's transfer agent, Computershare Trust Company, N.A. (Computershare), in the shareholder's own name. Shares held in street name are registered with the Company's transfer agent in the name of the stock brokerage firm or other institution (or the name of its nominee), but not in the shareholder's own name. In this case, the institution maintains its own internal records showing the shareholder as the actual beneficial owner of the shares.

Registered shareholders: If you hold your shares of Common Stock as a registered shareholder, you may give a proxy to vote your shares by one of the following methods:

Complete, sign and date the enclosed proxy card and return it no later than the commencement of the Annual Meeting in the postage-paid envelope provided;

Call the toll-free telephone number on the proxy card and follow the recorded instructions no later than 11:59 p.m. Central Daylight Saving Time on Tuesday, May 4, 2010;

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Access the proxy voting website identified on the proxy card and follow the instructions no later than 11:59 p.m. Central Daylight Saving Time on Tuesday May 4, 2010; or

Attend the Annual Meeting in person and deliver a signed proxy or ballot to one of the ushers when requested to do so.

Shares held through 401(k) Plan: For shares held through the Company's employee 401(k) Plan (401(k) Plan), proxy cards must be received, and telephone and website voting must be completed, by 12:00 p.m. (Noon) Central Daylight Saving Time on April 30, 2010 (401(k) Deadline), in order for your voting instructions to be effective. If you provide timely voting instructions for your 401(k) Plan shares, the plan trustee will confidentially vote your shares in accordance with your voting instructions. In accordance with the terms of the 401(k) Plan, if you do not vote your plan shares before the voting deadline, the plan trustee will vote your shares in the same proportion as all other shares were voted in accordance with timely voting instructions provided to the trustee by all other plan participants.

The telephone and internet voting procedures are designed to authenticate shareholders' identities, to allow shareholders to give their voting instructions, and to confirm that shareholders' instructions have been recorded properly. Shareholders who wish to give proxy voting instructions over the Internet should be aware that there may be costs associated with electronic access, such as usage charges from internet service providers and telephone companies. In addition, in choosing among the available alternatives for proxy voting, shareholders should be aware that there may be some risk that a vote either by telephone or over the Internet might not be properly recorded or counted because of an unanticipated electronic malfunction. *As described above, please note that the ability of shareholders of record to submit voting instructions by telephone and over the Internet ends at 11:59 p.m. Central Daylight Saving Time on the day before the Annual Meeting, and, for 401(k) Plan shares, at the 401(k) Deadline.* The reason for this cut-off is to allow for the timely assembly and tabulation of voting instruction data.

Shares held in street name: Your broker (or other institution holding your shares of Common Stock in street name) generally will supply you with its own form of proxy card requesting you to provide your voting instructions in writing or, in some cases, by telephone or over the Internet. Following its receipt of your voting instructions, the institution will be authorized to provide a proxy to the Company to vote your shares in accordance with any instructions you provide.

How will my proxy be voted?

If you properly sign and timely return your proxy card to Computershare (or your broker or other institution holding your shares held in street name), or timely deliver your voting instructions by telephone or over the Internet, the individuals designated as proxies on the proxy card will vote your shares as you have directed. With respect to Proposal 1, you may choose to vote **FOR** or to **WITHHOLD** authority to vote for each director Nominee. With respect to Proposal 2, you are given the choice of voting **FOR** or **AGAINST**, or to **ABSTAIN** from voting.

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For shares held as a registered shareholder or through the 401(k) Plan, if you sign the proxy card but do not make specific choices, the designated proxies will vote your shares as recommended by the Company's Board of Directors. The Board of Directors recommends that you vote **FOR** all of the director Nominees in Proposal 1, and **FOR** Proposal 2. For shares held in street name, you should contact your broker (or other institution) to determine the method that your shares will be voted if you sign the proxy card but do not make specific choices.

What is the effect of marking the proxy card to withhold authority in the election of directors?

A proxy card that has been marked **WITHHOLD** with respect to one or more director Nominees will be considered as part of the voting power present with respect to the election of directors and will have the effect of a vote against any such nominees.

What is the effect of marking the proxy card to abstain from voting on Proposal 2?

A proxy card marked **ABSTAIN** from voting on Proposal 2 will be treated as present for purposes of determining a quorum and counted as votes cast against the proposal.

What are broker non-votes and how might they affect voting?

The applicable New York Stock Exchange (**NYSE**) rules allow a stockbroker holding securities in street name for its customer to exercise discretionary voting power for those securities with respect to some matters (called **discretionary matters**) but not others (called **non-discretionary matters**), depending on the subject matter of the proposal being voted on. Broker non-votes can occur when a stockbroker does not receive voting instructions from its customer on a non-discretionary matter. *Under revised NYSE rules in effect this year, director elections are considered non-discretionary matters for which brokers can not vote undirected shares. Therefore, your shares will not be voted with regard to Proposal 1 unless you provide timely voting instructions to your broker.* Under the NYSE rules, Proposal 2 is considered a discretionary matter for brokers, and a broker not receiving voting instructions from a customer will be free to cast a vote in its discretion as to this matter.

How will voting on any other business be conducted?

As of the date hereof, the Company's management is aware of no business that may come before the Annual Meeting other than Proposals 1 and 2 as described in this Proxy Statement, and only the Board of Directors may introduce any additional business. However, if any other business should properly come before the Annual Meeting, your proxy card

will authorize the persons designated as proxies to vote on any such matters in their discretion.

May I revoke my proxy or change my voting instructions?

Shares held as a registered shareholder: You may revoke your proxy or change your voting instructions for registered shares as follows:

Deliver to Computershare another signed proxy card with a later date anytime prior to the commencement of the Annual Meeting;

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Notify Unitrin's Secretary, Scott Renwick, in writing prior the commencement of the Annual Meeting that you have revoked your proxy;

Call the toll-free telephone number, or access the proxy voting website, identified on the proxy card and re-vote anytime prior to 11:59 p.m. Central Daylight Saving Time on Tuesday, May 4, 2010; or

Attend the Annual Meeting in person and deliver a new signed proxy or ballot to one of the ushers when requested to do so.

Shares held through the 401(k) Plan: You may revoke your proxy or change your voting instructions for shares held through the 401(k) Plan by completing any of the following:

Deliver to Computershare prior to the 401(k) Deadline another signed proxy card with a later date; or

Call the toll-free telephone number, or access the proxy voting website, identified on the proxy card and re-vote anytime prior to the 401(k) Deadline.

Shares held in street name: You should contact your stockbroker (or other institution holding your shares) to determine the procedures, if any, for revoking or changing your voting instructions for shares held in street name.

If I plan to attend the Annual Meeting, should I give my proxy?

Regardless of whether you plan to attend the Annual Meeting, we urge you to give a proxy. Returning your proxy card or giving voting instructions by telephone or over the Internet will not affect your right to attend the Annual Meeting and vote in person. However, giving a proxy will ensure that your shares are represented at the Annual Meeting in the event that you are unable to attend.

How do I vote in person?

If you owned Common Stock in your own name on March 12, 2010, your name will appear on the list of registered shareholders of the Company and, if you wish to attend in person, you will be admitted to the Annual Meeting and may vote by written ballot or by delivering a signed proxy card. However, note that: (i) Shares held through the 401(k) Plan must be voted by the 401(k) Deadline and, accordingly, may not be voted in person at the Annual Meeting; and (ii) if your shares are held in the name of a broker, bank or other institution, you must present written evidence at the Annual Meeting from the institution indicating that you were the beneficial owner of the shares on

March 12, 2010 and that you have been authorized by that institution to vote your shares in person. This written evidence is generally called a *Legal Proxy* and should be submitted to the Company's Secretary, Scott Renwick, prior to the commencement of the Annual Meeting.

What does it mean if I receive more than one proxy card?

If your Unitrin shares are held under different names or in more than one account, you will receive more than one proxy card. Each proxy card will indicate the number of shares you are entitled to vote on that particular proxy card.

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Quorum and Required Vote

What is a quorum?

To conduct business at the Annual Meeting, a quorum must be present; that is, a majority of the shares of Common Stock outstanding and entitled to vote as of the record date must be represented in person or by proxy at the Annual Meeting. If you properly submit a proxy, your shares covered by that proxy will be counted towards a quorum.

How many votes are required to elect the Nominees for the Board of Directors and to ratify the selection of the independent registered public accountant?

Under the Company's Amended and Restated Bylaws (Bylaws), if a quorum is present, the affirmative vote of a majority of the outstanding Common Stock having voting power present, in person or by proxy, at the Annual Meeting, is required to elect each Nominee and to ratify the selection of the independent registered public accountant.

Shareholder Proposals, Nominations and Communications

May a shareholder nominate someone at the 2010 Annual Meeting to be a director of Unitrin or bring any other business before the 2010 Annual Meeting?

The Company's Bylaws require advance notice to the Company if a shareholder intends to attend an annual meeting of shareholders in person and to nominate someone for election as a director or to bring other business before the meeting. Such a notice may be made only by a shareholder of record within the time period established in the Bylaws and described in each year's proxy statement. The deadline for notices in relation to the 2010 Annual Meeting has expired, and the Company did not receive any such notices during the prescribed notice period. *Accordingly, no such director nominations or other business proposed by shareholders from the floor of the 2010 Annual Meeting will be in order.* The procedures for shareholders to nominate directors or make other proposals relating to the 2011 Annual Meeting are summarized below in the answers to the following two questions.

How can a shareholder nominate someone to be a director of Unitrin or bring any other business before the 2011 Annual Meeting?

In accordance with the advance notice requirements of the Bylaws described above, if a shareholder of record wishes to nominate directors or bring other business to be considered by shareholders at the 2011 Annual Meeting, such proposals must be made in writing to the Company no earlier than February 4, 2011 and no later than March 7, 2011. However, if the date of the 2011 Annual Meeting is advanced by more than 30 days or delayed by more than 60 days from the anniversary date of the 2010 Annual Meeting (*i.e.*, May 5, 2011), then such nominations and proposals must be delivered in writing to the Company no earlier than 90 days prior to the 2011 Annual Meeting and no later than the close of business on the *later* of (i) the 60th day prior to the 2011 Annual Meeting, or (ii) the 10th day following the day on which public announcement of the date of the 2011 Annual Meeting is first made.

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All shareholder proposals and notices should be submitted to the Secretary of Unitrin, at One East Wacker Drive, Chicago, Illinois 60601.

Please note that these requirements relate only to matters intended to be proposed from the floor of the 2011 Annual Meeting. They are separate from certain SEC requirements which must be met to have shareholder proposals included in the Company's Proxy Statement, as described immediately below.

When are shareholder proposals due so that they may be included in Unitrin's Proxy Statement for the 2011 Annual Meeting?

Pursuant to regulations of the SEC, shareholders who intend to submit proposals for inclusion in the Company's proxy materials for the 2011 Annual Meeting must do so no later than November 29, 2010. Certain other SEC requirements must also be met to have a shareholder proposal included in the Company's Proxy Statement. In addition, these requirements are independent of the advance notice requirements of the Company's Bylaws described immediately above. Under SEC rules in effect on the date of this Proxy Statement, shareholder nominations of persons for election to the Board of Directors are not eligible for inclusion in the Company's proxy materials. All shareholder proposals and notices should be submitted to the Secretary of Unitrin, at One East Wacker Drive, Chicago, IL 60601.

How may a shareholder or other interested party communicate with the Board of Directors?

Shareholders and other interested parties may communicate with the Board of Directors, or with the non-management directors as a group, by calling the Unitrin Corporate Responsibility Hotline (Hotline) at 866-398-0010 or submitting a report or inquiry online at www.listenupreports.com.

The Hotline and the online reporting function are managed by an independent company, and reports can be made anonymously or confidentially. Communications will be directed to the Chairman of the Nominating & Corporate Governance Committee if addressed to the non-management or independent directors as a group.

Cost of Proxy Solicitation

What are the costs of soliciting these proxies and who pays them?

The Company has retained the services of Innisfree M&A Incorporated (Innisfree) to aid in the solicitation of proxies. Innisfree estimates that its fees and expenses for these services will not exceed \$16,500. The Company will bear the total expense of the solicitation which will include, in addition to the amounts paid to Innisfree, amounts paid for printing and postage and to reimburse banks, brokerage firms and others for their expenses in forwarding proxy solicitation material. Although the principal solicitation of proxies is being made by mail, telephone solicitation may also be made and some proxy materials will be distributed over the Internet. Additional proxy solicitation may be made through direct communication with certain shareholders or their representatives by directors, officers and employees of the Company and its subsidiaries, who will receive no additional compensation for such solicitation.

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Additional Information about Unitrin and Householding Requests

Where can I find more information about Unitrin?

The company files annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to those reports, and other information with the SEC. The public can obtain copies of these materials by visiting the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549, by calling the SEC at 202-551-8090 or 800-SEC-0330, or by accessing the SEC's website at *www.sec.gov*. In addition, as soon as reasonably practicable after such materials are filed with or furnished to the SEC, the Company makes copies available to the public free of charge (other than access charges by internet service providers) on or through its website at *www.unitrin.com*. **You may also obtain a copy at no charge of the Company's most recent annual report on Form 10-K, including the financial statements and the financial statement schedules, other materials filed with the SEC and additional information regarding Unitrin as follows:**

Contact Unitrin Investor Relations by telephone at 312-661-4930, or by e-mail at investor.relations@unitrin.com.

Write to Unitrin at One East Wacker Drive, Chicago, Illinois 60601, Attention: Investor Relations.

How may shareholders with the same address request delivery of either single or multiple copies of the Company's Proxy Statement?

If you share an address with another shareholder, you may have received only one Proxy Statement unless you provided contrary instructions. This is commonly referred to as householding. If you wish, you may request a separate copy from the Company at the address or phone number noted above. Similarly, if you and another shareholder sharing your address received multiple copies of this Proxy Statement, you may request a single copy for future deliveries of communications from the Company at the address or phone number listed above.

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OWNERSHIP OF UNITRIN COMMON STOCK

Directors and Executive Officers

The following table shows the beneficial ownership of the Common Stock as of March 12, 2010 (unless otherwise indicated) by: (i) each director and director Nominee; (ii) each executive officer named in the SUMMARY COMPENSATION TABLE FOR 2009 on page 51 (Named Executive Officers); and (iii) all directors and executive officers as a group. To the Company's knowledge, the beneficial owner has both sole voting and sole dispositive power with respect to the shares listed opposite his or her name, unless otherwise indicated.

Name	Amount and Nature of Beneficial Ownership	Percent of Class(1)
<i>Directors and Director Nominee</i>		
James E. Annable	90,311(2)	*
Eric J. Draut <i>Executive Vice President and Chief Financial Officer</i>	501,104(2)	*
Douglas G. Geoga	47,298(2)	*
Reuben L. Hedlund	34,020(2)	*
Julie M. Howard**		
Wayne Kauth	32,090(2)	*
Fayez S. Sarofim	3,849,668(2)(3)	6.2%
Donald G. Southwell <i>Chairman, President and Chief Executive Officer</i>	729,601(2)	1.2%
David P. Storch <i>Director Nominee</i>		
Richard C. Vie	1,252,015(2)	2.0%
Ann E. Ziegler	41,200(2)	*
<i>Named Executive Officers (other than Messrs. Southwell and Draut, who are listed above)</i>		
Scott Renwick <i>Senior Vice President, General Counsel and Secretary</i>	242,624(2)	*
Richard Roeske <i>Vice President and Chief Accounting Officer</i>	148,610(2)	*
<i>Directors and All Executive Officers as a Group (17 persons)</i>	7,255,462(4)	11.2%

** Ms. Howard joined the Board of Directors on February 3, 2010.

- (1) The percentages shown for any individual and for the directors and executive officers as a group are based on the number of shares outstanding on the record date, March 12, 2010, plus shares which the respective individual or the group has the right to acquire through the exercise of stock options that are currently vested or that will vest as of May 11, 2010 (see notes (2) and (4) below). An asterisk in this

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column indicates ownership of less than 1% of the outstanding Common Stock. Each outstanding share of Common Stock includes an attached right under the Company's shareholder rights plan adopted August 4, 2004 (the Rights Plan). Among other provisions of the Rights Plan, if any person or group beneficially owns 15% or more (22% or more in the case of the

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Company's existing stockholder, Singleton Group LLC, and certain related persons) of the Common Stock without approval of the Board of Directors, then each shareholder (other than the non-approved acquirer and its affiliates and transferees) would be entitled to buy Common Stock having twice the market value of the exercise price of the rights which has been set at \$150 per share.

- (2) Shares shown for the directors and the Named Executive Officers include shares as to which they have the right to acquire through the exercise of stock options that are currently vested or that will vest as of May 11, 2010. The number of such shares for each such person is as follows: Annable (33,319); Draut (382,143); Geoga (40,298); Hedlund (32,000); Howard (0); Kauth (25,090); Sarofim (0); Southwell (578,795); Vie (1,034,139); Ziegler (36,000); Renwick (183,010); and Roeske (91,815). Shares shown for Mr. Hedlund include 2,020 shares pledged in accordance with his brokerage firm's customary margin account requirements. Shares shown for Messrs. Draut and Roeske include, respectively, 20,000 and 15,000 shares of time-based restricted stock subject to forfeiture and other restrictions until vesting on September 1, 2010. Shares shown for Messrs. Draut, Renwick, Roeske and Southwell include shares of performance-based restricted stock subject to forfeiture and other restrictions until vesting under the terms of their grant agreements. The number of such shares for each such person is as follows: Draut (15,000); Renwick (6,000); Roeske (3,000); and Southwell (30,000).
- (3) Based on information as of December 31, 2009 contained in a Schedule 13G/A filed jointly with the SEC by Mr. Sarofim and Fayez Sarofim & Co. on February 12, 2010, Mr. Sarofim may be deemed to be the beneficial owner of 3,849,668 shares of Common Stock. Of such shares, Mr. Sarofim reported sole voting and dispositive power as to 2,461,070 shares, shared voting power as to 1,325,664 shares, and shared dispositive power as to 1,388,598 shares. Substantially all of the shares which are not subject to sole voting and dispositive power are held in accounts managed by Fayez Sarofim & Co. (of which Mr. Sarofim is the Chairman of the Board, President, a director, and the majority shareholder) or by its wholly-owned subsidiaries, Sarofim Trust Co. and Sarofim International Management Company, or are owned directly by Sarofim International Management Company for its own account. Fayez Sarofim & Co. maintains policies which preclude Mr. Sarofim from exercising voting and dispositive power with respect to Common Stock held in accounts managed by Fayez Sarofim & Co. and its subsidiaries. Mr. Sarofim's mailing address is Two Houston Center, Suite 2907, 909 Fannin Street, Houston, Texas 77010.
- (4) Shares shown for directors and all executive officers as a group include shares beneficially owned by (i) all directors, (ii) all Named Executive Officers, and (iii) all other executive officers of the Company. Such shares include an aggregate total of 2,637,337 shares that all directors and executive officers have the right to acquire as of May 11, 2010 through the exercise of stock options, and an aggregate total of 30,636 shares that are pledged in accordance with customary margin account requirements, which includes the shares held by Mr. Hedlund and one executive officer who is not a Named Executive Officer.

Table of Contents**Certain Beneficial Owners**

The following table shows the beneficial ownership of Common Stock by each person, other than the Company's directors and executive officers shown above, known by the Company to be the beneficial owner of more than five percent of the outstanding Common Stock. To the Company's knowledge, the beneficial owner has both sole voting and sole dispositive powers with respect to the shares listed opposite the beneficial owner's name, unless otherwise indicated.

Name	Amount and Nature of Beneficial Ownership	Percent of Class(1)
Singleton Group LLC 11661 San Vicente Blvd., Suite 915 Los Angeles, California 90049	11,534,520(2)	18.5%
Dimensional Fund Advisors LP Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	3,304,080(3)	5.3%

- (1) Based on the number of shares outstanding on the record date, March 12, 2010. Each outstanding share of Common Stock includes an attached right under the Company's Rights Plan. See footnote (1) to the table in the preceding section entitled "Directors and Executive Officers."
- (2) Based on information contained in a Form 4 filed with the SEC on February 9, 2010, the Singleton Group LLC (" LLC ") directly owns 11,534,520 shares of Common Stock. As reported in a Schedule 13D/A filed with the SEC on February 3, 2010, the LLC and Christina Singleton Mednick, William W. Singleton and Donald E. Rugg, as managers of the LLC, share voting and dispositive power with respect to the shares of Common Stock held by the LLC, and so may be deemed beneficial owners of all such shares. William W. Singleton and Christina Singleton Mednick have indirect interests in these shares as managers of the LLC and as trustees and beneficiaries of certain trusts holding membership interests in the LLC.

The Schedule 13D/A reports that Donald E. Rugg has sole voting and dispositive power with respect to 343 shares of Common Stock. As a result of such shares beneficially owned outside of the LLC and his role as a manager of the LLC, Donald E. Rugg may be deemed a beneficial owner of 11,534,863 shares of Common Stock, which constitutes 18.5% of the Common Stock.

- (3) In a Schedule 13G filed with the SEC on February 8, 2010, Dimensional Fund Advisors LP (" Dimensional ") reported beneficial ownership of an aggregate of 3,304,080 shares of Common Stock as of December 31, 2009, as to which Dimensional has sole dispositive power and which includes 3,217,435 shares as to which it has sole

voting power. According to the Schedule 13G, these shares are held by four investment companies to which Dimensional furnishes investment advice and certain other commingled group trusts and separate accounts for which Dimensional serves as investment manager, and Dimensional disclaims beneficial ownership of the shares.

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Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), requires the Company s directors and executive officers and persons who beneficially own more than ten percent of the registered class of the Company s equity securities, to file with the SEC reports of ownership and reports of changes in ownership of such securities. Directors, executive officers, and greater than ten percent shareholders are required to furnish the Company with copies of all the reports they file under Section 16(a). Based on the Company s knowledge of stock transfers, its review of copies of reports filed under Section 16(a) and written representations by persons furnished to the Company, the Company believes that all filing requirements applicable to its directors, executive officers and more than ten percent beneficial owners were complied with for the fiscal year ended December 31, 2009.

PROPOSAL 1:

ELECTION OF DIRECTORS

Election

Eleven directors are to be elected at the Annual Meeting to serve for a term of one year or until the election of their successors. If any of the persons 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. The affirmative vote of the majority of the outstanding Common Stock having voting power present, in person or by proxy, at the Annual Meeting is required to elect each director Nominee.

Business Experience of Nominees

Each of the individuals selected by the Board of Directors to serve as a Nominee for election to the Board of Directors at the Annual Meeting meets the nominee standards for board members previously adopted by the Board of Directors as described below on page 23. The Nominating & Corporate Governance Committee and the Board of Directors believes 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 adds to the collective ability of the Board to perform its duties and discharge its responsibilities with competence, professionalism and expertise. Each Nominee other than Ms. Howard, who joined the Board in February 2010, and Mr. Storch, who is not currently a Board member, is an incumbent member of the Board of Directors with at least seven years of tenure and therefore contributes invaluable institutional knowledge and experience gained from his or her past years of service to the Company.

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The following is a summary of the business positions 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 of Directors at the Annual Meeting:

James E. Annable, 66, has been a director of the Company since November 1993. Dr. Annable serves as Secretary to the Federal Advisory Council of the Board of Governors of the Federal Reserve Board. Previously, Dr. Annable served as Economic Advisor to the Chief Executive Officer of JPMorgan Chase & Co. Prior to his retirement in June 2001, Dr. Annable served as Senior Vice President and Director of Economics for Bank One Corporation, and previously held a variety of offices with the bank and its predecessors.

Dr. Annable holds a doctorate in economics and has extensive experience as an economic advisor to several major financial institutions, as well as the Federal Reserve Board. His expertise is of particular significance to the Board because changes in the U.S. economy and financial markets can significantly impact the results of operations and financial position of the Company and its subsidiaries.

Eric J. Draut, 52, has been a director of the Company since February 2002, at which time he was elected Executive Vice President. Mr. Draut is the Company's Chief Financial Officer, a position he has held since February 1997. Mr. Draut was a Senior Vice President of the Company from February 1999 until February 2002, and served as Treasurer from April 1992 until February 2002. Mr. Draut was a Vice President between October 1997 and February 1999, and Controller from February 1990 until February 1997. Mr. Draut currently serves as a director of Intermec, Inc., which designs, develops, manufactures, integrates, sells, resells and services wired and wireless automated identification and data collection products.

Mr. Draut's extensive understanding of financial metrics and systems across the Company's operations, obtained over his many years of service in a variety of key executive financial positions with the Company, his qualification as a certified public accountant and his expertise on financial accounting and reporting requirements, contribute significantly to the depth of the Board's understanding of the financial performance of the Company and the issues faced by the Company in connection with its financial accounting, consolidation and reporting.

Douglas G. Geoga, 54, has been a director of the Company since February 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. Until December 2009, Mr. Geoga's primary occupation was serving as principal of Geoga Group, L.L.C., a hospitality investment and advisory consulting firm that was founded by Mr. Geoga. Until July 1, 2006, Mr. Geoga served as the President of Global Hyatt Corporation and as the President of Hyatt Corporation and the President of AIC Holding Co., the parent corporation of Hyatt International Corporation, both privately-held subsidiaries of Global Hyatt Corporation which collectively operate the Hyatt chain of full-service hotels throughout the world. In addition, from 2000 through 2005, Mr. Geoga

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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 history as president of Hyatt Corporation, a global leader in its industry, as well as CEO of two private investment firms, brings to the Board the perspective of both an operating executive and one who is sophisticated in corporate investments and finance.

Reuben L. Hedlund, 73, has been a director of the Company since November 1993, and is Counsel to McGuireWoods LLP. Previously, Mr. Hedlund was Managing Director of the Chicago law firm of Hedlund & Hanley, LLC, where he had served as managing director or partner of the firm (and its predecessor firms) from July 1991 until September 2009.

Mr. Hedlund's experience as a commercial litigator and corporate governance lawyer provides the Board with a keen understanding of the litigation environment in which the Company and its subsidiaries must operate, as well as expertise in emerging corporate governance issues, making him particularly well-suited for his service on the Nominating & Corporate Governance Committee.

Julie M. Howard, 47, has been a director of the Company since February 2010. Ms. Howard is President and Chief Operating Officer of Navigant Consulting, Inc., a Chicago-based specialty consulting firm. Ms. Howard has served as Navigant's President and Chief Operating Officer since 2006, and served as its Chief Operating Officer since 2003. Ms. Howard joined Navigant in 1988.

Ms. Howard's business experience and involvement with strategic and operational programs, development of growth and profitability initiatives and regular interaction with a wide range of corporate constituents, contributes unique perspectives and skill sets to the Board in its oversight of the Company's business units and operating companies and their respective strategic initiatives.

Wayne Kauth, 76, has been a director of the Company since March 2003. Mr. Kauth has been an independent consultant to the financial services industry, specializing in the life/health and property/casualty insurance fields, for more than the past five years. Mr. Kauth is a retired partner of Ernst & Young, LLP where he specialized in accounting and auditing matters for the insurance industry and was the firm's National Insurance Technical Director. Mr. Kauth holds both the Chartered Property & Casualty Underwriter and Chartered Life Underwriter designations and is a fellow of the Life Management Institute. As a certified public accountant, Mr. Kauth has served on a number of committees and working groups for the American Institute of Certified Public Accountants and National Association of Insurance Commissioners.

Mr. Kauth's lengthy career in public accounting with a specialization in the insurance industry provides the Board with a deep understanding of both financial accounting and reporting requirements, financial statement integrity and Sarbanes-Oxley controls, as well as statutory and actuarial accounting complexities unique to the insurance industry, and makes him particularly well-suited for his service on the Audit Committee.

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Fayez S. Sarofim, 81, has been a director of the Company since March 1990. He has been Chairman of the Board and President of Fayez Sarofim & Co., a registered investment advisor, for more than five years. Over the past five years, Mr. Sarofim also served as a director of Argo Group International Holdings, Ltd., an international underwriter of specialty insurance and reinsurance products in the property and casualty market and Kinder Morgan, Inc., a privately-held energy services provider that was publicly traded until 2007.

Mr. Sarofim's long track record as one of the nation's premier investment advisors brings to the Board a high level of expertise in the financial markets and securities analysis which are key ingredients in the success of an insurance operation and which make him particularly well-suited for his service on the Investment Committee.

Donald G. Southwell, 58, has been a director of the Company since February 2002, has served as Chairman of the Board of Directors since January 1, 2010, and has served as President and Chief Executive Officer since August 2006. Mr. Southwell served as President and Chief Operating Officer between February 2002 and August 2006, as Senior Vice President between February 1999 and February 2002, and as Vice President between May 1998 and February 1999. Mr. Southwell served as the President of the Company's insurance operations from October 1999 until February 2002. Mr. Southwell joined Unitrin in March 1996 as the head of the Unitrin Life and Health Insurance Group.

Mr. Southwell's position as Chief Executive Officer provides a crucial liaison between the Board and the members of the Company's executive and operational management, and his fourteen years of service to the Company, including eight years as its President and ten years heading its insurance operations, have provided him with an extensive understanding and perspective relative to the Company's business operations, plans and strategies that are essential to the effective functioning of the Board.

David P. Storch, 57, has not previously served as a director of the Company. Mr. Storch is currently Chairman of the Board and Chief Executive Officer of AAR Corp. AAR is a leading provider of products and services to the worldwide aerospace and government/defense industries. Mr. Storch served from October 2005 until June 2007 as AAR's Chairman of the Board, President and Chief Executive Officer, from 1996 to October 2005 as its President and Chief Executive Officer, from 1989 to 1996 as its President and Chief Operating Officer, and from 1988 to 1989 as its Vice President. Mr. Storch is also a director of KapStone Paper and Packaging Corporation, a leading North American producer of unbleached kraft paper products and linerboard.

Mr. Storch's experiences as a chief executive officer of a large public company, an executive responsible for business development, Chairman of the Board of AAR, 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.

Richard C. Vie, 72, has been a director of the Company since March 1990. Mr. Vie served as Chairman of the Board

of Directors from January 1999 through December 2009. Mr. Vie held the executive office of Chairman from August 2006 until his

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retirement as an employee and executive officer of the Company on December 31, 2009, and currently holds the honorary title of Chairman Emeritus. From March 1992 until August 2006, Mr. Vie served as Chief Executive Officer, and also served as President from March 1992 until February 2002.

Mr. Vie's extensive knowledge and deep understanding of the Company's businesses and the industries in which they operate, gained over his twenty-eight years with the Company and its affiliated companies in a variety of roles, including fourteen years as Chief Executive Officer of the Company and eleven years as its Chairman of the Board, provide invaluable expertise and insight to the Board.

Ann E. Ziegler, 51, has been a director of the Company since November 2001. Ms. Ziegler is Senior Vice President and Chief Financial Officer of CDW Corporation. CDW is a leading provider of technology solutions for business, government and education. From November 2000 until April 2008, Ms. Ziegler served as a Senior Vice President of Sara Lee Corporation, a global branded consumer packaged goods company. Ms. Ziegler is also a director of Hanesbrands Inc., a global consumer goods company and leading marketer of apparel.

Ms. Ziegler's extensive experience as an operating executive for both public and privately held companies in several consumer product and service industries, and as a chief financial officer accountable for financial statement reporting, adds significant skills and insights to the Board, particularly in connection with operational and compliance issues related to financial accounting and reporting.

Recommendation of the Board of Directors:

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE *FOR*
THE ELECTION OF ALL ELEVEN NOMINEES FOR DIRECTOR.**

CORPORATE GOVERNANCE

The Company has adopted the following documents which are posted under *Governance* on the Company's website at www.unitrin.com. 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.

Corporate Governance Guidelines

Charters of the Following Committees of the Board of Directors:

Ø Audit Committee

Ø Compensation Committee

Ø Investment Committee

Ø Nominating & Corporate Governance Committee

Code of Business Conduct and Ethics

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Code of Ethics for Senior Financial Officers

Director Independence Standards

The Code of Business Conduct and Ethics applies to the Company's directors, officers and other employees. The Code of Ethics for Senior Financial Officers applies to the Company's Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, or persons performing similar functions. The Company intends to disclose future amendments to, and any waivers for directors or officers (though none are anticipated) from, the Code of Business Conduct and Ethics or the Code of Ethics for Senior Financial Officers under *Governance* on the Company's website at www.unitrin.com.

Related Person Transactions

The Board of Directors 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 five percent or more of 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 Nominating & Corporate Governance Committee of the Board of Directors. 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 by the Nominating & Corporate Governance 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 Nominating & Corporate Governance Committee may consider 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 Nominating & Corporate Governance 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 Nominating & Corporate Governance Committee has reviewed certain transactions with the Company involving CDW Corporation and Fayez Sarofim & Co.

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Ms. Ziegler is Vice President and Chief Financial Officer of CDW Corporation (CDW), a technology solutions provider from which certain subsidiaries of the Company purchased computer equipment in 2009. The Nominating & Corporate Governance Committee considered the minimal dollar amount of the purchases, which totaled approximately \$195,000, relative to the gross revenues of both the Company's subsidiaries and CDW, and the fact that the purchases were made in the ordinary course of business of the both Company's subsidiaries and CDW, and without any involvement of the Company's senior management or Ms. Ziegler. The Nominating & Corporate Governance Committee made a determination that the transactions were not material to the Company and are consistent with the best interests of the Company and its shareholders, and ratified the transactions in accordance with the Policy on Related Person Transactions.

Mr. Sarofim is Chairman of the Board, President, a director, and the majority shareholder of Faye Sarofim & Co. (FS&C), a registered investment advisory firm. FS&C provides investment management services with respect to certain funds of the Company's tax-qualified defined benefit pension plan (Pension Plan). The agreement governing these services is terminable by either party at any time on 30 days advance written notice. At December 31, 2009, the Pension Plan had \$84.3 million in assets under management with FS&C. Under this arrangement, FS&C is entitled to fees calculated and payable quarterly based on the fair market value of the assets under management. During 2009, the Pension Plan paid fees of \$300,000 in the aggregate to FS&C.

In addition, FS&C provides investment management services as a sub-investment advisor to the Dreyfus Appreciation Fund, an open-end, diversified management investment fund (the Fund), offered as one of the alternative investment choices afforded to employees participating in the 401(k) Plan and/or defined contribution retirement plan (DC Plan). According to published reports filed by FS&C with the SEC, the Fund pays monthly fees to FS&C according to a graduated schedule computed at an annual rate based on the value of the Fund's average daily net assets. The Company does not compensate FS&C for services provided to the Fund. As of December 31, 2009, Company employees participating in these plans had allocated \$16.9 million for investment in the Fund, representing 7% of the total amount invested in such plans.

The Nominating & Corporate Governance Committee performed an initial review of the transactions involving Mr. Sarofim and FS&C at the outset of these relationships and determined that the transactions had been entered into on terms no less favorable to the Company than could have been negotiated with non-affiliated third parties and were consistent with the best interests of the Company and its shareholders. The Nominating & Corporate Governance Committee considers these relationships on an annual basis and reviews any material changes in the related facts and circumstances to ensure that they are consistent with the Company's Policy on Related Person Transactions.

Director Independence

The Board of Directors has adopted categorical standards (Director Independence Standards) to assist in its determination of director independence as required by

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Section 303A of the Listed Company Manual (NYSE Listing Standards) of the NYSE and applicable SEC rules. The Director Independence Standards are posted under *Governance* on the Company's website at www.unitrin.com. Under the Director Independence Standards, a director is not independent for purposes of his or her service on the Board of Directors 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 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 of Directors 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 Nominating & Corporate Governance Committee as nominees for election to the Board of Directors at the Annual Meeting, the Board of Directors reviewed the applicable independence rules and the factual information derived from the questionnaires and affirmations completed by the individual directors and director candidates and other available information. The Board of Directors examined certain business transactions that occurred in 2009 between the Company and particular directors or entities affiliated with such directors.

The Board of Directors reviewed the 2009 purchases by certain of the Company's subsidiaries from CDW that are described above in the discussion under Related Person Transactions, and considered whether these transactions created a material relationship between the Company and Ms. Ziegler due to her service as an executive officer of CDW. The Board of Directors noted that the aggregate amount of these purchases, which totaled approximately \$195,000, was significantly under the bright line independence threshold under the NYSE Listing Standards (i.e., the greater of \$2 million or 2% of CDW's consolidated gross revenues) and was immaterial relative to the gross revenues of both the Company's subsidiaries and CDW. The Board also considered that these purchases were ordinary course transactions made without any involvement of the Company's senior management or Ms. Ziegler, and concluded that the transactions did not create a material relationship between the Company and Ms. Ziegler. The Board of Directors also considered Mr. Hedlund's relationship with the Company as a policyholder of one of the Company's insurance subsidiaries, and determined that such relationship is categorically immaterial under the Director Independence Standards.

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In connection with the foregoing independence review and consideration of the individual director nominees recommended by the Nominating & Corporate Governance Committee for election to the Board of Directors at the Annual Meeting, the Board of Directors affirmatively determined that, under the NYSE Listing Standards, applicable SEC rules and the Director Independence Standards, a majority of the members of the Board of Directors is independent, that Directors Annable, Geoga, Hedlund, Howard, Kauth and Ziegler are each independent and have no material relationships with the Company, and that Nominee Storch is independent and has no material relationship with the Company.

Meetings and Committees of the Board of Directors

The Company's Board of Directors met five times during 2009.

The Board of Directors has five committees: the Audit Committee, the Compensation Committee, the Executive Committee, the Investment Committee and the Nominating & Corporate Governance Committee. The Investment Committee was formed and held its first meeting in November 2009. The following table shows current Board committee membership and the number of meetings held by each committee in 2009:

Audit Committee	Compensation Committee	Executive Committee	Investment Committee	Nominating & Corporate Governance Committee
James E. Annable	James E. Annable*	James E. Annable*	James E. Annable	James E. Annable
Douglas G. Geoga	Douglas G. Geoga	Fayez S. Sarofim	Eric J. Draut	Reuben L. Hedlund*
Reuben L. Hedlund	Julie M. Howard(1)	Donald G. Southwell	Douglas G. Geoga*	Julie M. Howard(1)
Julie M. Howard(1)	Wayne Kauth	Richard C. Vie	Fayez S. Sarofim	Ann E. Ziegler
Wayne Kauth*			Donald G. Southwell	
			Richard C. Vie	
10 meetings	4 meetings	1 meeting	1 meeting	4 meetings
held in 2009	held in 2009	held in 2009(2)	held in 2009	held in 2009
* Committee Chairman				

(1) Ms. Howard became a member of the Board of Directors and these Board committees on February 3, 2010.

(2) In addition, the Executive Committee took action by unanimous consent in lieu of meetings four times in 2009.

Under the Company's Corporate Governance Guidelines, directors are expected to attend Board meetings and meetings of the Board committees on which they serve. In 2009, each director attended at least 75% of the meetings of the Board of Directors and Board committees on which such director served. Under the Company's Policy on Director Attendance at Annual Meetings, all directors are expected to attend annual meetings of the Company's shareholders unless unavoidable obligations or other circumstances prevent their attendance. Each of the directors who were members of the Board of Directors on May 6, 2009, the date of the 2009 Annual Meeting, attended such meeting.

The non-management members of the Board of Directors meet regularly in executive session. The Chairman of the Nominating & Corporate Governance Committee presides at these executive sessions.

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The following is a brief description of the functions of each of the five Board committees:

Audit Committee Assists the Board of Directors in fulfilling its oversight responsibilities with respect to:

the integrity of the Company's financial statements;

the Company's compliance with legal and regulatory requirements;

the independent registered public accountant's qualifications, independence and performance; and

the performance of the Company's internal audit function.

The Audit Committee is a separately-designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Exchange Act. Among other things, the Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the Company's independent registered public accountant, including prior approval of the audit engagement fees and terms.

The Board of Directors has determined that each member of the Audit Committee is independent and financially literate in accordance with the NYSE Listing Standards, that each member of the Audit Committee meets the independence requirements for audit committee membership under the SEC rules, and that Mr. Kauth is qualified as an audit committee financial expert under the SEC rules. The Audit Committee Charter is posted under *Governance* on the Company's website at www.unitrin.com.

Compensation Committee Assists the Board of Directors in fulfilling its responsibilities relating to:

overseeing the compensation of the Company's executive officers, operating company presidents and group executives;

reviewing and approving corporate goals and objectives relevant to the Chief Executive Officer's compensation, evaluating the Chief Executive Officer's performance and compensation in light of such goals and objectives, and setting the Chief Executive Officer's compensation based on such evaluation;

reviewing and making recommendations to the Board of Directors regarding the Company's incentive compensation and equity-based compensation plans;

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reviewing and approving the base salary, bonus and equity award components of the annual compensation of the executive officers, operating company presidents and group executives;

setting performance criteria for bonuses under the Unitrin, Inc. 2009 Performance Incentive Plan (Performance Incentive Plan);

reviewing and approving any employment agreements or severance or change-in-control arrangements involving any of the Company s executive officers;

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administering the Company's 1997 Stock Option Plan and 2002 Stock Option Plan (Employee Stock Option Plans), 1995 Non-Employee Director Stock Option Plan (Director Stock Option Plan) and 2005 Restricted Stock and Restricted Stock Unit Plan (Restricted Stock Plan);

approving award recipients and determining the terms of awards pursuant to the 2002 Stock Option Plan and the Restricted Stock Plan (no new grants may be awarded under the 1997 Stock Option Plan); and

reviewing and making recommendations to the Board of Directors on director compensation.

The Board of Directors has determined that each member of the Compensation Committee is independent in accordance with the NYSE Listing Standards. The Compensation Committee Charter is posted under *Governance* on the Company's website at www.unitrin.com. Additional information about the Compensation Committee procedures is provided below in the section entitled Executive Compensation.

Executive Committee May exercise all powers and authority of the Board of Directors in the management of the business of the Company except for:

certain powers which, under Delaware law, may be exercised only by the full Board of Directors; and

such other powers as may be granted to other committees by resolution of the Board of Directors or as defined in the charters of such committees.

Investment Committee Oversees the Company's investment objectives and policies and reviews the performance of the Company's investment portfolios on a consolidated basis. The Investment Committee is also responsible for review and approval of the policies and objectives for the Company's investment activities that are established and maintained by the Company's Chief Investment Officer. The Investment Committee Charter is posted under *Governance* on the Company's website at www.unitrin.com.

Nominating & Corporate Governance Committee Assists the Board of Directors 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 and recommending their adoption and periodic revision to the Company's Board of

Directors;

leading the Board of Directors in its annual review of the Board's performance; and

recommending director nominees to the Board for each Board committee.

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The Board of Directors has determined that each member of the Nominating & Corporate Governance Committee is independent in accordance with the NYSE Listing Standards. The Nominating & Corporate Governance Committee Charter is posted under *Governance* on the Company's website at www.unitrin.com.

Selection of Board Nominees

In accordance with its charter, the Nominating & Corporate Governance Committee recommends a full 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 Nominating & Corporate Governance 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 Nominating & Corporate Governance Committee may, in its discretion, retain search firms to identify director candidates.

The Company will consider director recommendations by shareholders that are made in writing, addressed to Unitrin'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 Nominating & Corporate Governance Committee will consider shareholder recommendations using the same standards it uses to assess all other candidates for director.

The Nominating & Corporate Governance Committee evaluates potential nominees for director against the following standards that were previously adopted by the Board of Directors, 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.

Must be willing and able to devote sufficient time to the work of the Board.

Must be willing and able 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.

Possess 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 Nominating & Corporate Governance 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

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limit the concept of diversity to any particular set of characteristics. The Nominating & Corporate Governance Committee and the Board of Directors 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.

Compensation Committee Interlocks and Insider Participation

The Board of Directors has determined that each member of the Compensation Committee is independent in accordance with the NYSE Listing Standards. The Compensation Committee consists of James E. Annable, Douglas G. Geoga, Julie M. Howard and Wayne Kauth. 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 2009 which 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 of Directors are discussed in more detail above under the 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 of Directors.

Board Leadership and Role in Risk Oversight

Board's Leadership Structure

The structure of the Company's Board of Directors includes a Chairman of the Board and five board committees. The Audit Committee, Compensation Committee and Nominating & Corporate Governance Committee are comprised entirely of independent directors. The Executive Committee and the Investment Committee are comprised of a mix of independent and employee directors.

The Company's Chief Executive Officer, Mr. Southwell, serves as Chairman of the Board. The Chairman of the Nominating & Corporate Governance Committee, an independent director, presides at the executive sessions of the non-management directors. The Company has not otherwise designated a member of the Board as a lead director.

The combined role of Chairman and Chief Executive Officer promotes clarity of corporate focus and unified leadership by the director most familiar with the Company's business, industry and strategic goals, as well as its

history and culture. The Company believes that its leadership structure is appropriate for the Company given these benefits and the counterbalancing role provided by the independent oversight of the Company's non-management directors, who meet regularly in executive session, and the significant functions provided by the key Board committees that are comprised of independent directors and that are able to retain independent outside advisors in their discretion.

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Board's Role in Risk Oversight

The Board of Directors plays an active role in the oversight of risk assessment and management at various levels of the Board's leadership structure. The Chairman of the Board plays an integral role in identifying the material issues and risks to be brought to the Board's attention. Full 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 committee.

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 which involve potential risk to the Company, most notably, the Company's financial reporting and internal controls, the internal audit function, matters reported through the Hotline, management of insurance-related risks, 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, enterprise and business unit risk management assessments (including risks associated with catastrophe losses), 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 Performance Incentive Plan, look-back and projection assessments of such goals and metrics, and levels of ownership of the Company's Common Stock resulting from equity grants to its executives.

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 of America 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 of Directors.

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In this context, the Audit Committee has reviewed and discussed with management and Deloitte & Touche LLP (Deloitte & Touche), the Company s independent registered public accountant for the fiscal year ended December 31, 2009, the Company s audited financial statements and the effectiveness of the Company s internal control over financial reporting. The Audit Committee has also discussed with Deloitte & Touche the matters required to be discussed by Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Volume 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. 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 Public Company Accounting Oversight Board regarding the independent registered public accountant s communications with the Audit Committee regarding independence, and has discussed with Deloitte & Touche its independence. The Audit Committee has considered whether the provision of the non-audit services by Deloitte & Touche described in this Proxy Statement is compatible with maintaining the independence of Deloitte & Touche.

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 of Directors that the Company s audited financial statements for the year ended December 31, 2009 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 UNITRIN, INC.

Wayne Kauth *Chairman*
James E. Annable*
Douglas G. Geoga

Reuben L. Hedlund
Julie M. Howard*

* Dr. Annable became a member of the Audit Committee on November 4, 2009, and Ms. Howard became a member of the Audit Committee on February 3, 2010.

INDEPENDENT REGISTERED PUBLIC ACCOUNTANT

Independent Registered Public Accountant Fees for 2009 and 2008

Deloitte & Touche, a registered public accountant with the Public Company Accounting Oversight Board, served as the Company s independent registered public accountant for and during the years ended December 31, 2009 and 2008. The following table provides information regarding the fees for professional services provided by Deloitte & Touche for 2009 and 2008.

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	2009	2008
Audit Fees	\$ 4,033,926	\$ 3,826,783
Audit-Related Fees	93,000	53,473
Tax Fees		
All Other Fees		
Total Fees	\$ 4,126,926	\$ 3,880,256

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Audit Fees in 2009 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 2009 fiscal year. Audit-Related Fees in 2009 represent fees incurred to audit three of the Company's employee benefit plans.

Audit Fees in 2008 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 2008 fiscal year. Audit-Related Fees in 2008 represent fees incurred to audit one of the Company's employee benefit plans, fees to review auditor workpapers in connection with a pre-acquisition due diligence review by the Company and fees incurred to permit other auditors access to review Deloitte & Touche's workpapers in connection with the sale of the Company's former Unitrin Business Insurance unit.

Pre-Approval of Services

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 Chairman of the Audit Committee. All services provided to the Company by Deloitte & Touche in 2009 and 2008 were pre-approved by the Audit Committee.

PROPOSAL 2:

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANT

The Audit Committee has selected Deloitte & Touche as the Company's independent registered public accountant for 2010, 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 affirmative vote of a majority of the outstanding Common Stock having voting power present, in person or by proxy, at the Annual Meeting is required to ratify the selection

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of Deloitte & Touche as the Company's independent registered public accountant for the 2010 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.

Recommendation of the Board of Directors:

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU

VOTE FOR APPROVAL OF PROPOSAL 2.

UNITRIN EXECUTIVE OFFICERS

The following narratives summarize the business experience over at least the last five years of the Company's executive officers, other than Messrs. Southwell and Draut, whose business experience is described above in the section entitled Business Experience of Nominees. Positions described below as being with the Company may have been held with Unitrin or one or more of its subsidiaries. The executive officers serve at the pleasure of the Board of Directors.

John M. Boschelli, 41, was elected 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 until May 2009. Before becoming Treasurer, Mr. Boschelli served as the Assistant Treasurer of the Company, a position he held prior to April 2002.

Lisa M. King, 50, 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 until May 2009. From 2002 until 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 Unitrin organization and for affiliates of its predecessor.

Edward J. Konar, 53, was elected a Vice President of the Company in January 2001, and has served as Group Executive since January 2008. Mr. Konar has served as President of Unitrin's Career Agency Companies since January 2010. From October 2002 until August 2008, Mr. Konar served as Vice President of Corporate Administration. Mr. Konar joined the Company in March 1990 as Tax Director and served in that capacity until October 2002.

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Christopher L. Moses, 38, was elected Vice President and Treasurer of the Company in May 2009. Mr. Moses served as Assistant Treasurer for the Company from 2006 until May 2009. Between 1999 and 2006, Mr. Moses held a number of positions with the Company's treasury department.

Scott Renwick, 58, was elected a Senior Vice President of the Company in February 2002, and has served as General Counsel since February 1999, Secretary since May 1996, and was Counsel between January 1991 and February 1999.

Richard Roeske, 49, was elected a Vice President of the Company in January 2001, and has served as Chief Accounting Officer since August 1999. Mr. Roeske joined the Company in January 1990 as Manager of External Financial Reporting. He became the Company's Assistant Controller in April 1992 and Corporate Controller in February 1997.

Frank J. Sodaro, 41, was elected Vice President - Planning & Analysis of the Company in May 2009. Mr. Sodaro served as Assistant Corporate Controller for the Company from June 1998 until May 2009. Prior to 1998, he held a number of positions with the Company's accounting and internal audit departments.

EXECUTIVE COMPENSATION

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 www.unitrin.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.

Under the terms of the Employee Stock Option Plans and the Restricted Stock Plan, the Board of Directors may by resolution authorize one or more officers of the Company to designate recipients for a limited number of awards under the plans, and the size, terms and conditions for such awards. No authorized officer may make such an award to himself or herself or to any of 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). Such delegated award authority has been sparingly used and limited to situations involving new hires and promotions, and has been reported to and monitored by the

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Compensation Committee on a regular basis. More information about delegations and awards thereunder which have been made under the Company's equity plans is included under the heading "Equity-Based Compensation Granting Process" in the Compensation Discussion and Analysis section below.

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. The evaluation generally begins with an offsite meeting of the Compensation Committee held in the last quarter of each year without the presence of management. At its first meeting of each year, typically held in late January or early February, the Compensation Committee makes decisions as to any changes to the Company's executive compensation plans and programs, determinations as to the current-year base salary and equity-based compensation awards and validation of performance results for payout of prior-year bonuses to be paid to the Company's executive officers, operating company presidents and group executives, and any changes to the director compensation program. The Compensation Committee also sets the formulas under the Performance Incentive Plan for the executive officers, operating company presidents and group executives for the current year and approves equity-based compensation awards to other employees under the Employee Stock Option Plans and the Restricted Stock Plan.

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. In connection with its deliberations on executive officer and director compensation for 2009, the Compensation Committee engaged Hewitt Associates ("Hewitt") as its independent compensation consultant, and directed Hewitt to provide the committee with benchmarking data based on comparable companies in the industry for the chief executive officer, chief financial officer, general counsel and operating company president positions. Hewitt also provided the committee with data and practices with respect to outside director compensation, and also advised the committee on current trends and developments related to executive compensation matters in the context of annual shareholder meetings and proxy disclosures. The involvement of Hewitt in the 2009 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 Compensation Committee also asked Hewitt to assist with its evaluation and redesign of the Company's executive compensation program. The objectives of the Compensation Committee included shifting the program emphasis from fixed pay to variable pay calibrated to performance and longer-term goals, and designing a new long-term equity vehicle consistent with these objectives and the elimination of the restorative option feature of the Company's stock option program. This project culminated with the adoption by the

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Compensation Committee of a new executive compensation program for 2009 which encompasses a revised mix of compensation elements, a new cash-based incentive plan and changes to the Company's stock option and restricted stock programs. These changes are described in more detail in the discussions in the Compensation Discussion and Analysis section below.

The Role of Executive Officers

The Chief Executive Officer 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 Chief Executive Officer includes annual recommendations regarding any changes to the annual base salary and the equity compensation grants to the other members of senior management and the selection and weighting of the specific performance criteria under the Company's bonus plan.

The Chief Financial Officer is also involved in the annual compensation decision-making process for executive officers who report directly to him, by providing performance assessments and making compensation recommendations to the Chief Executive Officer 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 equity 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 Hewitt, the Compensation Committee also considers the recommendations provided by the Chief Executive Officer 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 Chief Executive Officer. The Compensation Committee views its role with regard to the compensation of these other executive officers as collaborative, giving due consideration to the Chief Executive Officer's knowledge and judgment in determining the recommended levels of their compensation.

In connection with the evaluation and redesign of the Company's executive compensation program mentioned in the section above under the heading *The Role of Compensation Consultants*, the Compensation Committee sought the views of the Company's executive officers and operating company presidents. Their recommendations, which included enhanced focus on business unit performance over both short- and long-term periods, emphasis on variable and at-risk pay and the addition of a long-term cash performance plan, were taken into consideration when the key objectives were established by the Compensation Committee for the design of the revised compensation program for 2009.

Non-employee director compensation is determined exclusively by the Board of Directors, after considering recommendations of the Compensation Committee. The Company's executive officers do not make recommendations

and are not otherwise involved

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in the process of analyzing and determining compensation for the non-employee members of the Board of Directors, except that the Chief Executive Officer and the Chief Financial Officer do participate as Board members when non-employee director compensation is considered and determined by the Board of Directors.

Compensation Discussion and Analysis

Overview of the Company's Executive Compensation Program

The Company's executive compensation program includes annual and multi-year incentive bonus and long-term equity incentive awards under plans designed to reward its executives for increasing shareholder value. The basic objective of the program is to attract, retain and motivate the performance of the Company's executives by providing compensation packages that include reasonable and competitive direct compensation. The Company's Named Executive Officers receive a few modest perquisites and are eligible to participate in employee health and welfare benefits and retirement plans offered by the Company.

The fundamental and historical principle underlying the Company's executive compensation program is that executive compensation should be structured so as to focus management on increasing shareholder value. The Company's long-standing philosophy embodies this principle and emphasizes long-term compensation linked to Company and stock performance, thereby aligning the interests of the Company's management and shareholders. The Compensation Committee has carried out this basic Company philosophy by providing the Named Executive Officers with programs that tie a significant portion of their compensation to the long-term appreciation in the value of the Company's Common Stock.

Historically, the alignment of senior management and shareholder interests has been achieved primarily through the Company's employee stock option program, which facilitates turning key executives into shareholders of the Company. The Compensation Committee strongly believes that stock incentives, including options and restricted stock, provide an effective means of motivating shareholder-focused behavior by key executives. The Compensation Committee closely monitors share retention by key executives. For more information about executive officer stock ownership, see the discussion on page 46 under the heading "Stock Ownership Policy."

As mentioned above in the section that begins on p