

UNITRIN INC
Form DEF 14A
March 31, 2008
Table of Contents

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

(Amendment No. __)

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))**
- x Definitive Proxy Statement
- .. Definitive Additional Materials
- .. Soliciting Material Pursuant to §240.14a-12

UNITRIN, INC.

(Name of Registrant as Specified In Its Charter)

Edgar Filing: UNITRIN INC - Form DEF 14A

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Table of Contents

Notice of

2008

Annual Meeting

and Proxy Statement

One East Wacker Drive • Chicago, Illinois 60601

Table of Contents

One East Wacker Drive

Chicago, Illinois 60601

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 7, 2008

The 2008 Annual Meeting of Shareholders of Unitrin, Inc. (the Company or Unitrin) will be held at 10:00 a.m. Central Daylight Saving Time on Wednesday, May 7, 2008, 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 2008; and
- (3) Consider and act upon such other business as may be properly brought before the meeting.

The Board of Directors has fixed March 14, 2008 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 14, 2008 will be available for inspection at the Annual Meeting and for a period of ten days prior to May 7, 2008 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

March 31, 2008

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on May 7, 2008. The Company's 2008 Proxy Statement and 2007 Annual Report to Shareholders are available under *Investors* on the Company's website at www.unitrin.com.

Whether or not you plan to attend the Annual Meeting, please complete, sign and return the enclosed proxy card as promptly as possible in the postage-paid envelope provided. If you are a registered shareholder, you may also give a proxy by telephone or through the Internet by following the instructions 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.

Table of Contents**TABLE OF C ONTENTS**

<u>QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING</u>	1
<u>Proxy and Proxy Statement</u>	1
<u>Voting and Record Date</u>	1
<u>Quorum and Required Vote</u>	5
<u>Shareholder Proposals, Nominations and Communications</u>	5
<u>Cost of Proxy Solicitation</u>	7
<u>Additional Information about Unitrin and Householding Requests</u>	7
<u>OWNERSHIP OF UNITRIN COMMON STOCK</u>	8
<u>Directors and Executive Officers</u>	8
<u>Certain Beneficial Owners</u>	10
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	11
<u>PROPOSAL 1: ELECTION OF DIRECTORS</u>	12
<u>Election</u>	12
<u>Business Experience of Nominees</u>	12
<u>CORPORATE GOVERNANCE</u>	14
<u>Related Person Transactions</u>	15
<u>Director Independence</u>	16
<u>Meetings and Committees of the Board of Directors</u>	17
<u>Selection of Board Nominees</u>	20
<u>Compensation Committee Interlocks and Insider Participation</u>	20
<u>AUDIT COMMITTEE REPORT</u>	22
<u>INDEPENDENT REGISTERED PUBLIC ACCOUNTANT</u>	23
<u>Independent Registered Public Accountant Fees for 2007 and 2006</u>	23
<u>Pre-Approval of Services</u>	23
<u>PROPOSAL 2: RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANT</u>	24
<u>UNITRIN EXECUTIVE OFFICERS</u>	24
<u>EXECUTIVE COMPENSATION</u>	25
<u>Discussion of Compensation Committee Governance</u>	25
<u>Compensation Discussion and Analysis</u>	27
<u>COMPENSATION COMMITTEE REPORT</u>	39
<u>EXECUTIVE OFFICER COMPENSATION AND BENEFITS</u>	40
<u>Summary Compensation Table for 2007</u>	40
<u>Grants of Plan-Based Awards</u>	42
<u>Grants of Plan-Based Awards in 2007 Table</u>	43
<u>Outstanding Equity Awards at 2007 Fiscal Year-End Table</u>	46
<u>Option Exercises and Stock Vested in 2007 Table</u>	50
<u>Retirement Plans</u>	50
<u>Pension Benefits in 2007 Table</u>	52

Table of Contents

<u>Deferred Compensation Plan</u>	52
<u>Nonqualified Deferred Compensation in 2007 Table</u>	54
<u>Potential Payments upon Termination or Change in Control</u>	54
<u>Potential Payments upon Termination or Change in Control Table</u>	56
<u>DIRECTOR COMPENSATION</u>	58
<u>Director Compensation for 2007 Table</u>	58
<u>2007 Annual Non-Employee Director Compensation Program</u>	60
<u>INCORPORATION BY REFERENCE</u>	61

Table of Contents

**PROXY STATEMENT FOR THE
2008 ANNUAL MEETING OF SHAREHOLDERS**

The Company's Board of Directors is furnishing you with this Proxy Statement to solicit proxies to be voted at the 2008 Annual Meeting of Shareholders. The Annual Meeting will be held at 10:00 a.m. Central Daylight Saving Time on Wednesday, May 7, 2008, 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 31, 2008 to all shareholders entitled to vote at the 2008 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, Richard C. Vie, our President and Chief Executive Officer, Donald G. Southwell, and our Executive Vice President and Chief Financial Officer, Eric J. Draut, 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.

Voting and Record Date

On what am I being asked to vote?

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

1. Election of Directors (see pages 12-14 for a list of the Director Nominees); and

Table of Contents

2. Ratification of the selection of Deloitte & Touche LLP as the Company's independent registered public accountant for 2008.

Who can vote?

You are entitled to vote at the Annual Meeting if you owned Unitrin common stock at the close of business on March 14, 2008. 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 63,209,505 shares of Unitrin common stock issued and outstanding. Accordingly, 63,209,505 shares of Unitrin common stock are eligible to be voted at the Annual Meeting. Unitrin had no other voting securities outstanding on March 14, 2008.

How many votes do I have?

Each share of Unitrin common stock that you owned on the record date entitles you to one vote. Your proxy card indicates the number of shares of Unitrin common stock that you owned on March 14, 2008 which are eligible to be voted at the Annual Meeting.

How do I give a proxy to vote my shares?

How you give a proxy to vote your shares depends on whether you hold your shares of Unitrin 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 Unitrin common stock as a registered shareholder (or through the Company's employee 401(k) Savings Plan), you may give a proxy to vote your shares by one of the following methods:

Edgar Filing: UNITRIN INC - Form DEF 14A

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 6, 2008;

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 6, 2008; or

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

Table of Contents

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.* The reason for this cut-off is to allow for the timely assembly and tabulation of telephonic and internet voting instruction data.

Shares held in street name: If you hold your shares of Unitrin common stock in street name through an institution, the institution 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 your proxy card and timely send it to Computershare, or timely deliver your voting instructions by telephone or over the Internet, the individuals designated as proxies on the proxy card will be authorized to 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.

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.

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.

Table of Contents

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

Broker non-votes can occur in some instances when a stockbroker holding securities in street name for its customer does not receive voting instructions from the customer. In these cases, the applicable New York Stock Exchange (NYSE) rules governing stockbrokers allow brokers to exercise discretionary voting power 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. Under the NYSE rules, Proposals 1 and 2 involve discretionary matters for brokers, and a broker not receiving voting instructions from a customer will be free to cast a vote in its discretion as to these matters. Accordingly, there can be no broker non-votes at the 2008 Annual Meeting.

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?

If you are a registered shareholder, you may revoke your proxy or change your voting instructions as follows:

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

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 on the proxy card and re-vote anytime prior to 11:59 p.m. Central Daylight Saving Time on Tuesday, May 6, 2008;

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 6, 2008; 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.

If you own your shares of Unitrin common stock 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. Please refer to the discussion under the above question *How do I give a proxy to vote my shares?* regarding shareholders of record and 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.

Table of Contents

How do I vote in person?

If you owned Unitrin common stock in your own name on March 14, 2008, 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, 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 14, 2008 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.

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 Unitrin 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 Unitrin common stock having voting power present, in person or by proxy, at the Annual Meeting, is required to elect each nominee for director and to ratify the selection of the independent registered public accountant.

Shareholder Proposals, Nominations and Communications

May a shareholder nominate someone at the 2008 Annual Meeting to be a director of Unitrin or bring any other business before the 2008 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 2008 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 2008 Annual Meeting will be in order.* The procedures for shareholders to nominate directors or make other proposals relating to the 2009 Annual Meeting are summarized below in the answers to the following two questions.

Table of Contents

How can a shareholder nominate someone to be a director of Unitrin or bring any other business before the 2009 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 2009 Annual Meeting, such proposals must be made in writing to the Company no earlier than February 6, 2009 and no later than March 9, 2009. However, if the date of the 2008 Annual Meeting is advanced by more than 30 days or delayed by more than 60 days from the anniversary date of the 2008 Annual Meeting (*i.e.*, May 7, 2009), then such nominations and proposals must be delivered in writing to the Company no earlier than 90 days prior to the 2009 Annual Meeting and no later than the close of business on the *later* of (i) the 60th day prior to the 2009 Annual Meeting, or (ii) the 10th day following the day on which public announcement of the date of the 2009 Annual Meeting is first made.

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 2009 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 2009 Annual Meeting?

Pursuant to regulations of the SEC, shareholders who intend to submit proposals for inclusion in the Company's proxy materials for the 2009 Annual Meeting must do so no later than December 1, 2008. 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 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 directors as a group.

Table of Contents

Cost of Proxy Solicitation

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

The Company has retained the services of W.F. Doring & Co., Inc. (Doring) to aid in the solicitation of proxies. Doring estimates that its fees and expenses for these services will not exceed \$15,000. The Company will bear the total expense of the solicitation which will include, in addition to the amounts paid to Doring, amounts paid 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.

Additional Information about Unitrin and Householding Requests

Where can I find more information about Unitrin?

Unitrin 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, Room 1580, 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 these materials 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?

Edgar Filing: UNITRIN INC - Form DEF 14A

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.

Table of Contents

OWNERSHIP OF UNITRIN COMMON STOCK

Directors and Executive Officers

The following table shows the beneficial ownership of the Company's common stock (Common Stock) as of March 14, 2008 (unless otherwise indicated) by: (i) each director; (ii) each executive officer named in the SUMMARY COMPENSATION TABLE FOR 2007 on page 40 (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</i>		
James E. Annable	67,468(2)	*
Eric J. Draut <i>Executive Vice President and Chief Financial Officer</i>	444,658(2)	*
Donald V. Fites	25,000(2)	*
Douglas G. Geoga	41,596(2)	*
Reuben L. Hedlund	26,020(2)	*
Jerrold V. Jerome	339,831(2)	*
William E. Johnston, Jr.	44,894(2)	*
Wayne Kauth	24,090(2)	*
Fayez S. Sarofim	4,453,770(2)(3)	7.0%
Donald G. Southwell <i>President and Chief Executive Officer</i>	504,658(2)	*
Richard C. Vie <i>Chairman</i>	1,818,055(2)(4)	2.8%
Ann E. Ziegler	33,200(2)	*
<i>Named Executive Officers (other than Messrs. Vie, Southwell and Draut, who are listed above)</i>		
Scott Renwick <i>Senior Vice President, General Counsel and Secretary</i>	203,574(2)	*
Richard Roeske <i>Vice President and Chief Accounting Officer</i>	125,553(2)	*
<i>Directors and All Executive Officers as a Group (17 persons)</i>	8,440,135(5)	12.8%

- (1) Based on the number of shares outstanding on the record date, March 14, 2008, plus shares deemed outstanding pursuant to rules of the SEC that are attributable to vested stock options (see notes (2) and (5) below). An asterisk in this 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 Company's existing stockholder, Singleton

Group LLC, and certain related persons) of

Table of Contents

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 which they have the right to acquire as of March 14, 2008 or within 60 days thereafter through the exercise of stock options. The number of such shares for each of such persons is as follows: Annable (33,617); Draut (338,097); Fites (16,000); Geoga (36,596); Hedlund (24,000); Jerome (51,472); Johnston (35,096); Kauth (17,090); Sarofim (0); Southwell (386,852); Vie (1,199,849); Ziegler (28,000); Renwick (155,177); and Roeske (72,758). Shares shown for Mr. Southwell include 63,549 shares held in a collateral account with his brokerage firm to secure a line of credit and a loan. Shares shown for Mr. Vie include 268,919 shares held in a collateral account with his brokerage firm to secure a line of credit. Shares shown for Mr. Hedlund include 2,020 shares held in a collateral account to secure a loan. Shares shown for Messrs. Draut and Roeske include, respectively, 20,000 and 15,000 shares of restricted stock subject to forfeiture and other restrictions until vesting on September 1, 2010.

- (3) Based on information as of December 31, 2007 contained in a Schedule 13G/A filed jointly with the SEC by Mr. Sarofim and Faye Sarofim & Co., Mr. Sarofim may be deemed to be the beneficial owner of 4,453,770 shares of Common Stock. Of such shares, Mr. Sarofim reported sole voting and dispositive power as to 2,411,070 shares, shared voting power as to 1,879,366 shares, and shared dispositive power as to 2,042,700 shares. Substantially all of the shares which are not subject to sole voting and dispositive power are held in accounts managed by Faye 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. Faye Sarofim & Co. maintains policies which preclude Mr. Sarofim from exercising voting and dispositive power with respect to Common Stock held in accounts managed by Faye Sarofim & Co. and its subsidiaries. Shares shown also include 46 shares held in trusts for which Mr. Sarofim is a trustee, and with respect to which he disclaims beneficial ownership. Mr. Sarofim's mailing address is Two Houston Center, Suite 2907, Houston, Texas 77010.

- (4) Shares shown for Mr. Vie include 15,834 shares held by a trust, the trustee of which is his wife. Mr. Vie disclaims beneficial ownership of such shares.

- (5) 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 shares that any such director or executive officer has the right to acquire as of March 14, 2008 or within 60 days thereafter through the exercise of stock options.

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	13,300,520(2)	21.0%
Barclays Global Investors, NA, Barclays Global Fund Advisors and Barclays Global Investors, Ltd. 45 Fremont Street San Francisco, California 94105	5,182,160(3)	8.2%

- (1) Based on the number of shares outstanding on the record date, March 14, 2008. 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) The following information is based on a Schedule 13D/A filed with the SEC on August 17, 2007 (the Schedule 13D/A). The Singleton Group LLC (LLC) directly owns 13,300,520 shares of Common Stock. Christina Singleton Mednick is the trustee and beneficial owner of a trust that has a membership interest in the LLC. William W. Singleton also is the trustee and beneficiary of a trust that has a membership interest in the LLC.

As reported in the Schedule 13D/A, 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.

The Schedule 13D/A reports that Donald E. Rugg has sole voting and dispositive power with respect to 289 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 13,300,809 shares of Common Stock, which constitutes 21.0% of the Common Stock.

- (3) Based on information as of December 31, 2007 contained in a Schedule 13G filed with the SEC, Barclays Global Investors, NA, Barclays Global Fund Advisors and Barclays Global Investors, Ltd. beneficially own an aggregate of 5,182,160 shares of Common Stock, as to which they have sole dispositive power and which

Edgar Filing: UNITRIN INC - Form DEF 14A

includes 4,961,978 shares as to which they have sole voting power. Of such aggregate ownership: Barclays Global Investors, NA beneficially owns 994,615 shares, as to which it has sole dispositive power and which includes 774,433 shares as to which it has sole voting power; Barclays Global

Table of Contents

Fund Advisors beneficially owns 4,118,072 shares, as to which it has sole dispositive and voting power; and Barclays Global Investors, Ltd. beneficially owns 69,473 shares as to which it has sole dispositive and voting power. According to the Schedule 13G, the shares are held by the respective companies in trust accounts for account beneficiaries.

The address of the principal business office of Barclays Global Investors, NA and Barclays Global Fund Advisors is 45 Fremont Street, San Francisco, California 94105. The address of the principal business office of Barclays Global Investors, Ltd. is Murray House, 1 Royal Mint Court, London, England EC3N 4HH.

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, 2007.

Table of Contents

PROPOSAL 1:

ELECTION OF DIRECTORS

Election

Twelve 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

The following is a summary of the business experience for at least the last five years of each person nominated to be a director of the Company. All of the nominees are incumbent directors.

James E. Annable, 64, 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.

Eric J. Draut, 50, 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.

Donald V. Fites, 74, has been a director since November 2004. From 1990 until his retirement in 1999, Mr. Fites served as Chairman and Chief Executive Officer of Caterpillar Inc., a global manufacturer of construction and mining equipment and engines. Mr. Fites currently serves on the Board of Advisors of Thayer Capital Partners, a private equity investment firm.

Douglas G. Geoga, 52, has been a director of the Company since February 2000. Mr. Geoga is founder and principal of Geoga Group, L.L.C., a hospitality investment and advisory consulting firm. 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 served as the President of Hospitality Investment Fund, L.L.C., a privately-

Table of Contents

held firm which was engaged in making investments in lodging and hospitality companies and projects. Mr. Geoga currently serves as a director of Opus North Corporation, a privately-held real estate development firm.

Reuben L. Hedlund, 71, has been a director of the Company since November 1993. He has been a managing director or partner of the Chicago law firm of Hedlund & Hanley, LLC (and its predecessor firms) for more than the last five years.

Jerrold V. Jerome, 78, is a retired executive of the Company and has been a director of the Company since February 1990. He was President and Chief Executive Officer from February 1990 through February 1992, Vice Chairman of the Company's Board of Directors from March 1992 through January 1994, and Chairman of the Company's Board of Directors from February 1994 through December 1998, at which time he retired as an employee.

William E. Johnston, Jr., 67, has been a director of the Company since October 1997. Until August 2004, Mr. Johnston served as President de Conseil de Surveillance and as a director of Salins Europe, a privately-held salt company in which he was an investor. Prior to his retirement in June 2000, Mr. Johnston served as President, Chief Operating Officer and a director of Morton International, Inc., and as Senior Vice President of Rohm & Haas Company following its acquisition of Morton International, Inc. Mr. Johnston is also a director of Autoliv, Inc., a provider of automotive safety systems headquartered in Sweden.

Wayne Kauth, 74, 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.

Fayez S. Sarofim, 79, 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. He is also a director of Argo Group International Holdings, Ltd. (resulting from the merger of Argonaut Group, Inc. and PXRE Group Ltd.), an international underwriter of specialty insurance and reinsurance products in the property and casualty market, and Knight Inc. (formerly known as Kinder Morgan, Inc.), an energy services provider.

Donald G. Southwell, 56, has been a director of the Company since February 2002 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

Table of Contents

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 Group.

Richard C. Vie, 70, has been a director of the Company since March 1990, has served as Chairman of the Board of Directors since January 1999, and has held the executive office of Chairman since August 2006. From March 1992 until August 2006, Mr. Vie served as Chief Executive Officer, and also served as President from March 1992 until February 2002.

Ann E. Ziegler, 49, has been a director of the Company since November 2001. Ms. Ziegler will become Senior Vice President and Chief Financial Officer of CDW Corporation, with an expected effective date of April 14, 2008. CDW is a leading provider of technology solutions for business, government and education. Ranked No. 39 on Forbes Magazine's list of America's Largest Private Companies, CDW was part of the FORTUNE 500 before going private in October 2007. Since November 2000, Ms. Ziegler has served as a Senior Vice President of Sara Lee Corporation, a global branded consumer packaged goods company.

Recommendation of the Board of Directors

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE *FOR*
THE ELECTION OF ALL TWELVE 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 Nominating & Corporate Governance Committee

Code of Business Conduct and Ethics

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

Table of Contents

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 the Company's 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 reviewed certain transactions with the Company involving Fayez Sarofim & Co. (*FS&C*), a registered investment advisory firm of which Mr. Sarofim, a member of the Company's Board of Directors, serves as Chairman of the Board, President, a director, and is the majority shareholder. Certain of the Company's insurance company subsidiaries and *FS&C* are parties to an agreement under which *FS&C* provides investment management services to these subsidiaries. In addition, *FS&C* provides investment

Table of Contents

management services with respect to certain funds of the Company's pension plans. The agreement governing these arrangements is terminable by either party at any time on 30 days advance written notice.

Under these investment advisory arrangements, FS&C is entitled to a fee calculated and payable quarterly based on the fair market value of the assets under management. At December 31, 2007, the Company's subsidiaries and the Company's pension plans had \$226.2 million and \$99.6 million, respectively, in assets under management with FS&C. During 2007, the Company's subsidiaries and the Company's pension plans paid \$0.8 million in the aggregate to FS&C.

With respect to the Company's 401(k) Savings Plan, one of the alternative investment choices afforded to participating employees is the Dreyfus Appreciation Fund, an open-end, diversified management investment fund (the Fund). FS&C provides investment management services to the Fund as a sub-investment advisor. 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, 2007, Company employees participating in the Company's 401(k) Savings Plan had allocated \$25.3 million for investment in the Fund, representing 9% of the total amount invested in the Company's 401(k) Savings Plan.

Following its review of the relevant facts and circumstances, the Nominating & Corporate Governance Committee determined that the transactions involving Mr. Sarofim and FS&C were entered into and maintained on terms no less favorable to the Company than could have been negotiated with non-affiliated third parties, concluded that they were consistent with the best interests of the Company and its shareholders, and ratified the transactions under the Company's Policy on Related Person Transactions.

Director Independence

To assist in its determination of director independence, the Board of Directors has adopted categorical standards (Director Independence Standards) consistent with Section 303A of the Listed Company Manual (NYSE Listing Standards) of the NYSE. 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 unless the director and his or her immediate family members meet the independence requirements under the NYSE Listing Standards and applicable SEC rules.

The Director Independence Standards incorporate by reference the 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

Table of Contents

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, 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 other available information. The Board of Directors examined certain relationships between particular directors and the Company or other entities with which the Company has business dealings from time to time, and concluded that all such relationships were categorically immaterial under the Director Independence Standards. Based on its review and discussion, the Board of Directors affirmatively determined that, under the NYSE Listing Standards, applicable SEC rules, and the Director Independence Standards, the majority of the members of the Board of Directors is independent, and that Messrs. Annable, Fites, Geoga, Hedlund, Johnston and Kauth and Ms. Ziegler are each independent and have no material relationships with the Company.

Meetings and Committees of the Board of Directors

The Company's Board of Directors met four times during 2007.

The Board of Directors has four committees: the Executive Committee, the Audit Committee, the Compensation Committee and the Nominating & Corporate Governance Committee. The following table shows Board committee membership and the number of meetings held in 2007:

Executive Committee	Audit Committee	Compensation Committee	Nominating & Corporate Governance Committee
James E. Annable	Douglas G. Geoga	James E. Annable *	James E. Annable
Jerrold V. Jerome *	Reuben L. Hedlund	Donald V. Fites	Donald V. Fites
Fayez S. Sarofim	William E. Johnston, Jr. *	Douglas G. Geoga	Reuben L. Hedlund *
Donald G. Southwell	Wayne Kauth	William E. Johnston, Jr.	Ann E. Ziegler
Richard C. Vie 1 meeting	Ann E. Ziegler 9 meetings	Wayne Kauth 4 meetings	4 meetings
held in 2007 **	held in 2007	held in 2007	held in 2007

* Committee Chairman

** In addition, the Executive Committee took action by unanimous consent in lieu of meetings four times in 2007.

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 2007, each director attended at least 75% of the meetings of the Board of Directors and Board committees

Table of Contents

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 attended the 2007 Annual Meeting of Shareholders.

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.

The following is a description of each of the four Board committees:

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.

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. Johnston, Chairman of the Audit Committee, 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;

Table of Contents

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;

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. Incentive Bonus Plan (*Incentive Bonus Plan*);

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

administering the Company's 1990, 1997 and 2002 Stock Option Plans (*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 Employee Stock Option Plan and the Restricted Stock Plan (no new grants may be awarded under the 1990 or 1997 Stock Option Plans); 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*.

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, 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.

Table of Contents

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 recruits, 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 retain search firms to identify director candidates.

The Nominating & Corporate Governance Committee evaluates potential nominees for director against the following standards:

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 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.

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, Donald V. Fites, Douglas G. Geoga, William E. Johnston, Jr. and Wayne Kauth. None of these individuals is a current or former

Table of Contents

officer or employee of the Company or any of its subsidiaries, and none of these individuals had a relationship with the Company during 2007 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 member of the compensation committee, any other board committee, or the board of directors, of another entity that had an executive officer who served on the Company's Compensation Committee or Board of Directors.

Table of Contents

AUDIT COMMITTEE REPORT

This report concerns the Audit Committee and its activities regarding the Company's financial reporting and auditing processes.

The Audit Committee consists of the following members of the Company's Board of Directors: William E. Johnston, Jr. (Chairman), Douglas G. Geoga, Reuben L. Hedlund, Wayne Kauth and Ann E. Ziegler.

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.

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, 2007, 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 (Communication with Audit Committees). The Audit Committee has received from and discussed with Deloitte & Touche its written disclosures and letter regarding its independence required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) 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, 2007 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.

Edgar Filing: UNITRIN INC - Form DEF 14A

William E. Johnston, Jr. *Chairman*

Douglas G. Geoga

Reuben L. Hedlund

Wayne Kauth

Ann E. Ziegler

Table of Contents**INDEPENDENT REGISTERED PUBLIC ACCOUNTANT****Independent Registered Public Accountant Fees for 2007 and 2006**

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, 2007 and 2006. The following table provides information regarding the fees for professional services provided by Deloitte & Touche for 2007 and 2006.

	2007	2006
Audit Fees	\$ 3,690,123	\$ 3,584,560
Audit-Related Fees	36,500	
Tax Fees		
All Other Fees		10,000
Total Fees	\$ 3,726,623	\$ 3,594,560

Audit Fees in 2007 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 2007 fiscal year. Audit-Related Fees in 2007 represent fees incurred to audit one of the Company's employee benefit plans and fees to review auditor workpapers in connection with the Company's pre-acquisition due diligence reviews.

Audit Fees in 2006 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 and an opinion on management's assessment of 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 2006 fiscal year.

All Other Fees in 2006 represent a fee related to the issuance of an independent actuarial opinion required by a state insurance department in connection with the initial licensing of one of the Company's insurance subsidiaries in the state.

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

Table of Contents

services may be delegated to the Chairman of the Audit Committee. All services provided to the Company by Deloitte & Touche in 2007 and 2006 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 2008, 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 of Deloitte & Touche as the Company's independent registered public accountant for the 2008 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. Vie, Southwell and Draut, whose business experience is described above in the section entitled Business Experience of Nominees. The executive officers serve at the pleasure of the Board of Directors.

David F. Bengston, 59, was elected a Vice President of the Company in April 1992, and served as Treasurer between February 1990 and April 1992.

Table of Contents

John M. Boschelli, 39, was elected a Vice President of the Company in May 2007 and Treasurer in February 2002. Before becoming Treasurer, Mr. Boschelli served as the Assistant Treasurer of the Company's wholly-owned subsidiary, Unitrin Services Company, a position he held from December 1997 through April 2002.

Edward J. Konar, 51, was elected a Vice President of the Company in January 2001. Mr. Konar has served as Group Executive since January 2008, and as Vice President of Corporate Administration since October 2002. Mr. Konar joined the Company in March 1990 as Tax Director and served in that capacity until October 2002.

Scott Renwick, 56, 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, 47, 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.

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 have any subcommittees, and no such delegations have been made.

Under the terms of the Restricted Stock Plan, the Compensation Committee may delegate administrative duties to Company officers and specified categories of other individuals. 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 awards under the plans, and the size, terms and conditions for such awards, but 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). Any such Board resolution under the Restricted Stock Plan must specify an aggregate number of shares

Table of Contents

of Common Stock that may be awarded under such delegated authority and require any authorized officers to report periodically to the Compensation Committee regarding the nature and scope of any awards granted pursuant to such delegated authority. More information about delegations and awards thereunder which have been made under these plans is included under the heading *Equity-Based Compensation Granting Process* in the Compensation Discussion and Analysis section below.

Compensation Committee Process

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 its determinations as to the current year base salary and equity-based compensation awards and prior year bonuses to be paid to the Company's executive officers, operating company presidents and group executives, as well as any changes to the director compensation program. The Compensation Committee also sets the formulas under the Incentive Bonus Plan for the current year and approves equity-based compensation awards to other employees under the Employee Stock Option Plans and the Restricted Stock Plan.

Compensation Consultant

The Compensation Committee engaged the services of Hewitt Associates (Hewitt) as its independent compensation consultant in connection with its deliberations on executive officer and director compensation for 2007. The Compensation Committee directed Hewitt to provide the committee with benchmarking data based on comparable companies in the industry for the executive officer and operating company president positions. Hewitt also provided to the Committee data and practices with respect to the pay of a non-CEO executive chairman and 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 2007 executive compensation decision-making process is described in more detail in the discussion under the heading *Benchmarking Analysis* in the Compensation Discussion and Analysis section below.

The Role of Executive Officers

The Chief Executive Officer plays an important role in the annual compensation decision-making process for the executive officers of the Company other than himself and the Chairman, 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

Table of Contents

salary and the number of options to be granted to the other members of senior management and the selection and weighting of the specific performance criteria under the Incentive Bonus Plan for the Company and individual business units.

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, relies on the recommendations provided by the Chief Executive Officer with regard to the compensation of executive officers other than himself and the Chairman, and discusses the rationale and strategy involved in determining these recommendations in meetings with the Chief Executive Officer. The 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.

Neither the Chief Executive Officer nor any other executive officer makes recommendations or is otherwise involved in the process of analyzing and determining compensation for the non-employee members of the Board of Directors. Non-employee director compensation is determined exclusively by the Board of Directors, after considering the recommendation of the Compensation Committee.

Compensation Discussion and Analysis

Overview of the Company's Executive Compensation Program

The Company maintains an uncomplicated executive compensation program with bonus and long-term incentive 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 executive officers receive few, modest perquisites, and participate in employee health and welfare benefits and retirement plans generally consistent with those provided to other full-time salaried employees.

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

Table of Contents

the executive officers with programs that tie a substantial portion of compensation to the long-term appreciation in the value of the Company's stock.

Historically, the alignment of 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 options provide the most effective means of motivating shareholder-focused behavior by key executives, since the compensation associated with stock options is truly at risk, i.e., stock options ultimately have value to the executive only to the extent that the Company's share price appreciates after the grant date. The restorative option feature of the Company's stock option plans has been instrumental in encouraging shareholdings by its executive officers. (The restorative option feature is explained in more detail below on pages 36 and 42 under the headings "Equity-Based Compensation Granting Process" and "Grants of Plan-Based Awards", respectively.)

Allocation of Specific Elements of Compensation

To enable the Company to successfully compete for talent and retain its valued executives, the Company provides a package of compensation that is generally competitive with the marketplace, and consists of a variety of elements emphasizing long-term and contingent rewards linked to Company performance. The Compensation Committee believes that the success of the program is illustrated by the fact that there has been substantially no turnover among the Company's executive officers in its eighteen-year history. The Company's executive compensation consists principally of cash salary, cash bonus and stock options. Although grants under the Restricted Stock Plan are generally not included as a basic component of annual executive officer compensation, they are considered by the Company as an additional compensation tool available to provide flexibility in response to changing circumstances and specific developments.

There are no fixed formulas in the Company's executive compensation program which allocate compensation between cash and non-cash compensation, or determine the mix or levels of compensation, except in connection with formula bonuses under the Incentive Bonus Plan. Rather, the program includes a range of tools aimed at providing competitive advantage and flexibility to respond to developments within or otherwise affecting the Company from time to time. Consistent with its overall program objectives and underlying philosophy, as described above, the Company emphasizes the compensation elements linked most closely to increasing shareholder value.

Providing a competitive salary is important in achieving the Company's objective of attracting and retaining superior executive talent. Salary generally reflects an individual's responsibilities and experience as well as competitive marketplace factors. The bonus component of compensation furthers the fundamental principle of linking compensation to Company performance, particularly growth and profitability, two metrics which the Company believes are critical to driving the creation of shareholder value. Equity-based compensation is considered a key source of contingent compensation intended to align management incentives with shareholder interests.

Table of Contents

Compensation Strategy and Analysis

General Strategy

In its deliberations on executive compensation, the Compensation Committee considers cash and equity-based compensation in light of its consistency with the Company's underlying principles and objectives, the total value to individual executives and the cost to the Company. Executive compensation decisions incorporate the following three-part strategy by the Compensation Committee:

Reward results primarily through long-term incentives with contingent value based on stock performance;

Consider, with the assistance of its independent compensation consultant, industry data on levels of executive compensation for certain specific positions at similar companies in the industry to assess the extent to which the Company's practices may vary from industry practices and determine whether any noted variances are reasonable, appropriate and purposefully designed to successfully attract and retain skilled executives in a highly competitive marketplace; and

Obtain a clear understanding of the business strategies and objectives of the Chief Executive Officer and other members of senior management, and their reasoning and recommendations for motivating their key subordinates. The Compensation Committee believes it is important and appropriate to give serious consideration to the views of senior management who run the Company and supervise its key managerial employees.

Benchmarking Analysis

The background work for the compensation decisions made in the first quarter of 2007 was performed at the end of 2006. In the course of its executive compensation review for 2007, the Compensation Committee considered a benchmarking analysis of the compensation of the Named Executive Officers. The compensation components in the analysis, which was provided by Hewitt, included base salary, actual bonus, target bonus, long-term incentives, and total compensation. In addition, the Committee considered a benchmarking analysis of the compensation of Unitrin's operating company presidents.

Two different groups of comparator companies were utilized in the Hewitt compensation benchmarking analysis. One comparator group (Proxy Group) consisted of eleven publicly-traded companies in the insurance industry with profiles similar to the Company's based on information disclosed in their proxy statements. Most of the companies included in the Proxy Group had a majority of their operations in the property and casualty insurance sector of the insurance industry and revenues, assets and market capitalization at levels comparable to those of the Company. The following

companies were included in the Proxy Group: W. R. Berkley Corporation; Cincinnati Financial Corporation; HCC Insurance Holdings, Inc.; Leucadia National Corporation; Markel Corporation; Ohio Casualty Corporation; Old Republic International Corporation; Progressive Corporation; Selective Insurance Group, Inc.; Torchmark Corporation; and White Mountains Insurance Group, Ltd.

Table of Contents

The chief executive officer and other executive officer positions were matched for the Proxy Group analysis and were based on compensation data disclosed in proxy statements filed in 2006. As reported in such proxy statements, bonus data included in the analysis were actual bonuses earned in 2005 and paid in 2006. Long-term incentives were annualized and valued using Hewitt's valuation methodology.

The second comparator group (Custom Insurance Group) included in the Hewitt analysis encompassed a custom group of thirty-seven companies derived from a proprietary Hewitt database of the insurance industry, which includes many privately-held corporations. The large number of companies in this group enabled Hewitt to better identify positions within those companies that are comparable to Unitrin's operating company presidents, whose blended responsibilities make such a matching process difficult. The following companies were included in the Custom Insurance Group:

AEGON USA, Inc.	Health Net
Aetna Inc.	Humana Inc.
Alfa Corporation	Kaiser Permanente
American Family Insurance Group	Liberty Mutual Insurance Group
American International Group, Inc.	Lincoln National Corporation
American National Insurance Company	Mercury Insurance
American United Life Insurance Co	Metropolitan Life Insurance Company
Aon Corporation	Nationwide Insurance Companies
Arkansas Blue Cross and Blue Shield	The Northwestern Mutual Life Insurance Company
The Auto Club Group Michigan	Pacific Life Insurance Co.
Blue Cross and Blue Shield of South Carolina	Pennsylvania National Mutual Casualty Insurance Company
Blue Cross Blue Shield of Kansas City	
Blue Shield of California	PMA Capital Corporation
The Chubb Corporation	The PMI Group, Inc.
CIGNA Corporation	Protective Life Corporation
CNA Financial Corporation	SAFECO Corporation
Coventry Health Care	Sentry Insurance
Fireman's Fund Insurance Company	State Farm Insurance Companies
The Hartford Financial Services Group, Inc.	Wellpoint, Inc.

The Custom Insurance Group analysis compared the compensation of Unitrin's Chief Executive Officer and its operating company presidents with the compensation for comparable positions at companies within the Custom Insurance Group. Because of the variance in size among companies within the Custom Insurance Group, compensation data were selected from companies with the same percentile ranking as the Company's ranking, based in each case on assets. The Company ranked at the 33rd percentile of the Custom Insurance Group based on assets. Accordingly, compensation data were extracted from other companies in the 33rd percentile. Long-term incentives were annualized and valued using Hewitt's valuation methodology.

The Compensation Committee utilized the benchmarking data as a test of the reasonability of the compensation paid to the Company's Chief Executive Officer, other executive officers, and operating company presidents. All of the benchmarking data were subjectively considered by the Compensation Committee as one point of reference in its deliberations on compensation levels for

Table of Contents

these executives, along with other factors such as Company and individual performance. In evaluating the benchmarking data, the Compensation Committee did not follow a rigid process, did not have a specific pay objective in evaluating the benchmarking data (such as, for example, targeting different elements of compensation at the median), and did not utilize the data as part of specific formulas when making compensation determinations for these executives.

The Compensation Committee considered the benchmarking analysis as a means of identifying any outliers and determining whether the levels of compensation provided to the Chief Executive Officer, other executive officers, and operating company presidents are fair, reasonable and within appropriate ranges in comparison to comparable companies. The Compensation Committee believes that the Company's executive compensation program is competitive with marketplace practices and effective in enhancing shareholder value.

Annual Determination of Specific Compensation

The determination of the specific amount of salary and stock options to be awarded to a particular executive officer depends in substantial part on the nature and scope of the responsibilities of the individual's job and the quality and impact of the individual's performance and contributions.

Salary

In determining the amount of base salary for the Chief Executive Officer for 2007, the Compensation Committee gave substantial consideration to Mr. Southwell's new responsibilities as the Company's Chief Executive Officer, and to the Company's performance in light of the key role he played in his prior position as Chief Operating Officer. The Committee also took into account the other components of Mr. Southwell's total compensation and the benchmarking analysis provided by Hewitt.

In determining the amount of base salary for the Chairman for 2007, the Compensation Committee considered Mr. Vie's revised role and responsibilities following the relinquishment of his duties as Chief Executive Officer and the data provided by Hewitt for a non-CEO executive chairman position. The Compensation Committee reduced Mr. Vie's base salary to better correspond to his new role as an advisor to the Company with limited involvement in the Company's policy-making and operational oversight.

In reviewing the amount of base salary for each of the other executive officers for 2007, the Compensation Committee considered the recommendations made by the Chief Executive Officer based on his assessment of the individual's job performance and contributions, relevant benchmarking analysis, and observations of the Committee regarding the individual's job performance. The executive officer performance assessments were subjective and did not entail

measurement against specific goals or other objective factors.

Formula Bonuses

The Named Executive Officers other than Mr. Vie and Mr. Roeske are eligible for annual cash bonuses under the Company's Incentive Bonus Plan based on formulas set by the Compensation Committee in the form of financial measures of Company performance. The

Table of Contents

Incentive Bonus Plan is an annual cash incentive program used to motivate and reward eligible executives of the Company and its subsidiaries for achieving the Company's performance objectives. The Incentive Bonus Plan is designed to qualify as a performance-based compensation program under Section 162(m) of the Internal Revenue Code of 1986, as amended, and the regulations and interpretations promulgated thereunder (the Internal Revenue Code) to preserve the Company's federal income tax deduction for bonuses paid thereunder. The Incentive Bonus Plan was approved by the Company's shareholders at the 2004 Annual Meeting of the Shareholders.

The Compensation Committee made the decision to discontinue Mr. Vie's eligibility for participation in the Incentive Bonus Plan beginning in 2007 following the relinquishment of his duties as Chief Executive Officer. The Committee determined that, in light of Mr. Vie's more limited role in the Company's day-to-day operations as executive Chairman, the bonus component of his compensation would no longer be appropriate.

To ensure the absence of any actual or potential conflict of interest, or even the appearance of any such conflict of interest, under the Incentive Bonus Plan and related Company policy, the Company's principal accounting officer and controller, and certain other financial employees involved in the preparation of the Company's financial statements or the process of setting the Company's insurance reserves, are not eligible to participate in the Incentive Bonus Plan in light of their key roles in these processes. As the Company's principal accounting officer and controller, Mr. Roeske is therefore not eligible for bonuses under the Incentive Bonus Plan. For information about the discretionary bonus provided to Mr. Roeske, see the discussion below under the heading Discretionary Bonuses.

The award of a bonus under the Incentive Bonus Plan for any particular year is conditioned on the attainment of the relevant performance criteria as established by the Compensation Committee the previous year. The Committee makes an annual selection of the specific performance criteria applicable for the next year from a range of performance indicators set forth in the Incentive Bonus Plan. Once established by the Compensation Committee, the performance criteria for a particular year cannot be changed by the Committee or the Company. Such criteria may (but need not) differ for each participant in the Incentive Bonus Plan, but must be based on one or more of the following factors, individually or in combination: operating income of the Company or any of its subsidiaries or operating units; operating earnings per share of the Company; return on revenues, assets or equity; increases in revenues or cash flow; reductions in costs; bad debt experience of the Company's automobile finance business; or the market value of the Company's Common Stock.

In 2007, the selected criteria applicable to the eligible Named Executive Officers related to the increase in revenues and operating income (adjusted and measured as profit margin as described below) of the Company's business units. These particular metrics were chosen because Company management believes, and the Compensation Committee concurs, that they emphasize operational excellence and building healthy businesses and are instrumental in driving increased shareholder value. The 2007 bonus formulas heavily weighted profits, while

Table of Contents

recognizing the importance of revenue growth. For 2007, the eligible Named Executive Officers could potentially have received cash bonuses of up to 70% of their base salaries based on formulas that were adopted by the Compensation Committee at its February 2007 meeting.

The bonus percentage that was applied against base salary for the eligible Named Executive Officers of the Company was comprised of two parts. The first part was growth in 2007 in insurance earned premium revenues and automobile finance revenues, compared to 2006, expressed as a percentage (Revenue Growth Component). The second part was adjusted net operating income as a percentage of insurance premium and automobile finance revenues (Profit Margin Percentage), multiplied by a bonus factor that varied from 6 to 12 depending on the achievement of certain levels of performance (Profit Margin Component). In calculating Profit Margin Percentage, net operating income from both continuing and discontinued operations was adjusted to exclude net realized investment gains, equity in net income of the Company's investee (Intermec, Inc.), investment income on capital, and various other non-operating revenues or expenses. The total bonus percentage was the sum of the Revenue Growth Component and the Profit Margin Percentage. No bonuses were to be payable if the Profit Margin Percentage was below 1% or if the Revenue Growth Component was lower than a negative 10%.

At its meeting in February 2008, the Compensation Committee determined the extent to which performance criteria for 2007 under the Incentive Bonus Plan had been met and awarded bonuses to eligible executive officers in accordance with the plan. The amounts paid to the eligible Named Executive Officers in 2008 for 2007 performance are disclosed below in the Non-Equity Incentive Plan Compensation column of the SUMMARY COMPENSATION TABLE FOR 2007.

Discretionary Bonuses

As noted above, Mr. Roeske is not eligible for bonuses under the Incentive Bonus Plan in light of his key role as Chief Accounting Officer in the preparation of the Company's financial statements. Mr. Roeske may be awarded a discretionary bonus by the Compensation Committee based on the subjective evaluation of the Compensation Committee and members of senior management with regard to his performance and specific recommendations provided by the Company's Chief Executive Officer that take into account his individual performance and contributions to the Company as well as competitive job market factors.

In determining whether to award Mr. Roeske a discretionary bonus for 2007, and the amount of any such bonus, the Compensation Committee considered the recommendation provided by the Chief Executive Officer, which took into account such factors as Mr. Roeske's particular contributions over the year and whether his overall compensation with or without a bonus would be fair and appropriate as a member of the senior management team, as well as the Committee's own assessment of Mr. Roeske's performance. At its meeting in February 2008, the Compensation Committee awarded a discretionary bonus to Mr. Roeske.

Table of Contents

The amount paid to Mr. Roeske in 2008 for 2007 performance is disclosed below in the Bonus column of the SUMMARY COMPENSATION TABLE FOR 2007.

Discretionary cash bonuses are occasionally awarded by the Compensation Committee to other executive officers in addition to formula bonuses under the Incentive Bonus Plan. Mr. Roeske was the only Named Executive Officer awarded a discretionary bonus for 2007.

Stock Options

As noted above, stock options are an integral part of the Company's compensation program. The Compensation Committee pays close attention to share retention resulting from the exercise of option awards previously granted to the Company's executive officers, and includes share retention as one of the factors considered in determining the appropriate award level for new equity grants. However, the Committee does not utilize formulas in making such determinations, other than to assess compliance with the Stock Ownership Policy described below. The Committee believes that the Company's stock option program, including its restorative option feature, has played the principal role in the acquisition of significant levels of Company stock held by its executive officers, thereby better aligning the interests of the Company's management and shareholders.

In considering the number of stock options to award to a particular executive officer, the Compensation Committee also takes into account the subjective evaluation of the Committee or the Chief Executive Officer as to the individual's ability to influence the long-term growth and profitability of the Company, given his or her particular job responsibilities. In light of his overall responsibility for the Company's operations and financial results, the Chief Executive Officer would ordinarily be deemed to have the greatest ability to influence the long-term growth and profitability of the Company.

In determining the size of the 2007 annual option grant to the Chief Executive Officer, the Compensation Committee focused on incenting Mr. Southwell to increase his shareholdings in the Company to better align his interests with those of the other shareholders, and on establishing his leadership role with regard to share ownership by executive officers. The Committee considered the number of options previously awarded to, and shares already held by, Mr. Southwell, his accountability for the Company's performance in both his new and prior positions with the Company, and the benchmarking analysis provided by Hewitt.

The Compensation Committee ended Mr. Vie's participation in the Company's long-term compensation programs in 2007. In making the decision to grant him no further stock options, the Compensation Committee considered Mr. Vie's more limited advisory role as the Company's executive Chairman, the prior option grants he had been awarded during his fourteen-year tenure as Chief Executive Officer and in previous positions with the Company and his current stockholdings in the Company. In reviewing his prior awards and noting his significant holdings of Company stock,

the Compensation Committee concluded that the option program had accomplished its goals with regard to aligning the interests of Mr. Vie and the other shareholders.

Table of Contents

The size of the option grant for each of the other executive officers was determined by the Compensation Committee after considering recommendations made by the Chief Executive Officer, the number of options previously granted to, and shares already held by, such officer.

Stock Ownership Policy

Consistent with its fundamental executive compensation principles, Company philosophy has always encouraged long-term ownership of the Company's Common Stock by its executive officers, although mandatory levels of stock ownership were not imposed prior to 2006. The Company maintains a Stock Ownership Policy that applies to the Company's non-employee directors and specified executive officers ("Designated Officers"). The required ownership amounts applicable to the Designated Officer range from: (i) the lesser of 5,000 or the number of shares valued at the officer's annual base salary; to (ii) the lesser of 50,000 or the number of shares valued at three times the officer's annual base salary. More importantly, as noted above, the Compensation Committee closely monitors shareholdings by executive officers and expects them to substantially exceed the formal minimums set forth in the policy. The shareholdings of each of the Named Executive Officers exceeded the minimum levels required under the policy as of December 31, 2007. The shareholdings of the Named Executive Officers represent the following multiples of their respective 2007 Salaries (as shown in the Summary Compensation Table for 2007 on page 40), based on the closing price of a share of Common Stock and the number of shares held as of March 14, 2008: Southwell (4.2); Draut (5.2); Vie (22.5); Renwick (3.4); and Roeske (6.3).

In addition, pursuant to the Stock Ownership Policy, each grant agreement executed after January 31, 2006 between the Company and a Designated Officer imposes a holding period of one year for shares of Common Stock acquired in connection with the exercise of stock options or the vesting of restricted stock, with the exception of shares sold, tendered or withheld to pay the exercise price or settle tax liabilities in connection with such exercise or vesting.

Equity-Based Compensation Granting Process

The Compensation Committee follows an established Company process for the review, approval and timing of grants of equity-based compensation. The Compensation Committee believes that non-discretionary timing is necessary for effective operation of the Company's long-term incentive program, and insists that, with the exceptions noted below, all original equity-based compensation awards occur at predictable cycles, with grant dates scheduled in advance. The Company's practice with regard to timing of equity-based compensation grants is the same for all eligible employees of the Company, including the executive officers.

The Company's predominant practice is to award options and restricted stock at the same time each year following release of its annual earnings and the filing of its Annual Report on Form 10-K with the SEC. The Compensation Committee approves option grants to executive officers at its regular meeting in late January or early February each

year. The dates of regular

Table of Contents

Board and Board committee meetings in a given year, and hence the dates of annual equity-based compensation grants, are typically set in advance by the Board in the middle of the preceding year. Each option grant other than a restorative option grant (as discussed below) is effective on the date that the grant is specifically approved by the Compensation Committee, and the exercise price of such option is the closing price of a share of Common Stock on the effective date.

The Board of Directors has delegated authority to the Chief Executive Officer to grant up to an aggregate total of 100,000 option shares under the 2002 Stock Option Plan in connection with new hires or employee promotions, and up to an aggregate total of 50,000 shares of restricted stock under the Restricted Stock Plan in connection with new hires, provided that such awards are not made to himself or any Section 16 Officer. A total of 60,000 option shares and 9,500 restricted stock shares have been awarded under the delegated authority through 2007. The exercise price of stock option awards granted under the delegated authority is the closing price of a share of Common Stock on the grant date. The Compensation Committee is informed periodically about the awards granted pursuant to the delegated authority. In 2007, no options were granted under the delegated authority, and 7,500 shares of restricted stock were granted under the delegated authority, representing approximately 6% of all shares of restricted stock granted in 2007.

As discussed in more detail below in the narrative under the caption Grants of Plan-Based Awards, the Company's stock option plans provide for automatic grants of restorative options (Restorative Options) to replace shares of previously-owned common stock that an exercising option holder surrenders, either actually or constructively, or are withheld by the Company, to satisfy the exercise price and/or tax withholding obligations relating to the exercise of the underlying option (Underlying Option), so long as certain requirements are met at the time of exercise. Each Restorative Option is granted at the time of the exercise of the Underlying Option. As Restorative Options are granted automatically under the express terms of the option plans and the individual option agreements previously approved by the Compensation Committee, they are deemed to have been approved by the Compensation Committee on their grant dates.

In making his annual option grant recommendations to the Compensation Committee, the Chief Executive Officer follows the established option grant cycle, with the limited exception of infrequent, off-cycle option grants made in connection with key new hires or promotions under the delegated authority mentioned above. The Company's executive officers play no role in the timing of option grants except with regard to such new hire or promotion awards (the timing of which is driven by the particular circumstances of the underlying personnel action), and to Restorative Option grants received by an executive officer (the timing of which is determined by the option holder when he or she decides to exercise the Underlying Option).

Ongoing administration of the Company's equity-based compensation plans is performed by the Company. Following Compensation Committee approval, the Company promptly delivers stock option and restricted stock agreements for signature by the option recipients. All forms of stock option and restricted stock agreements are approved by the Compensation Committee in advance of their initial use.

Table of Contents

Perquisites

Consistent with the Company's fundamental approach to executive compensation, executive officers receive a few, modest perquisites from the Company. Perquisites received by the Named Executive Officers include eligibility for annual physical examinations and membership in certain dining clubs at the Company's cost, payment for spousal travel when accompanying the officer to occasional off-site business meetings when required for bona fide business reasons in accordance with Company policy, and incidental personal use of cell phones, PDAs, computer equipment and other resources provided primarily for business purposes. The Company does *not* provide the Named Executive Officers with certain other commonly provided personal benefits or perquisites, such as country club memberships, financial planning or tax preparation services, personal use of Company-provided automobiles, or use of private airplanes for business or personal travel.

Employee Benefit Plans

The Named Executive Officers are eligible for employee welfare benefits under plans which are available generally to all full-time salaried employees and which do not discriminate in scope, terms or operation in favor of executive officers. Under these plans, the Named Executive Officers:

receive at the Company's cost basic life and accident insurance coverage in an amount equal to the individual's annual base salary up to a maximum of \$400,000, business travel insurance in an amount based on the individual's annual base salary up to a maximum of \$200,000, and short-term disability coverage for up to 26 weeks; and

are eligible to participate in the Company's employee welfare benefit plans that provide typical offerings such as health and dental insurance, health and dependent care reimbursement accounts, supplemental life, accident and long-term disability insurance.

Deferred Compensation Plans

The Named Executive Officers are eligible under the Unitrin, Inc. Non-Qualified Deferred Compensation Plan (Deferred Compensation Plan) to elect to defer a portion of their cash salaries and bonuses. Information about the Company's Deferred Compensation Plans in general, and more specific information about participation therein by the Named Executive Officers, is provided in the Executive Compensation section below in the narrative discussion to the NONQUALIFIED DEFERRED COMPENSATION IN 2007 table.

Retirement Plans

The Named Executive Officers are generally eligible for the following plans:

Tax-qualified defined benefit Pension Plan applicable to all full-time salaried employees hired prior to 2006, including executive officers, meeting age and service-based eligibility requirements (such employees hired after 2005 are instead eligible for the Company's Defined Contribution Retirement Plan);

Table of Contents

Supplemental non-qualified pension plan available to key employees, including executive officers, so designated annually by the Board of Directors; and

Voluntary 401(k) plan participation which includes a Company matching contribution feature offered to all full-time salaried employees, including executive officers, meeting age and service-based eligibility requirements.

Additional information about the Company's retirement plans and participation therein by the Named Executive Officers is provided in the Executive Compensation section below in the narrative discussions to the PENSION BENEFITS IN 2007 table.

Other Post-Employment Compensation

Change-in-control benefits applicable to the Named Executive Officers are described in more detail below under the section entitled Potential Payments Upon Termination or Change in Control. These benefits are provided under individual severance agreements with the Named Executive Officers, and provisions in their stock option and restricted stock agreements which are included in agreements with all grant recipients under these equity-based compensation plans. The Named Executive Officers are not entitled to other post-termination benefits except pursuant to the standard provisions of any of the plans discussed above.

Impact of Accounting and Tax Regulations

Compensation-related plans have been and may be amended from time to time to accommodate changes in tax and accounting rules. To the extent practicable and consistent with the objectives and underlying philosophy of its executive compensation program, the Company generally intends executive compensation to qualify as tax deductible for federal income tax purposes.

The Employee Stock Option Plans and the Incentive Bonus Plan have been designed to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code. Section 162(m) generally disallows a tax deduction to the Company for compensation in excess of \$1 million paid to the Company's Named Executive Officers other than its Chief Financial Officer. The tax deduction limitation does not currently apply to the Company's Chief Financial Officer as a result of revised SEC rules adopted in 2006 which changed the definition of the named executive officers to be included in proxy statement compensation tables. However, legislation was introduced in 2007 that, if enacted, would reinstate the tax deduction limitation with regard to chief financial officers. Under Section 162(m) and the regulations and interpretations promulgated thereunder, certain performance-based compensation (Performance-Based Compensation) is specifically exempt from the deduction limit of Section 162(m). All outstanding stock options that have been granted to the Company's executive officers through the end of 2007 are exempt from Section 162(m) because they qualify as Performance-Based Compensation, and therefore are not subject

to the deduction limit thereunder.

The Incentive Bonus Plan was also designed to qualify as a Performance-Based Compensation program under Section 162(m) to preserve the Company's federal income tax

Table of Contents

deduction for bonuses paid thereunder. A discretionary bonus, such as the discretionary bonus paid to Mr. Roeske for 2007, is not considered Performance-Based Compensation. However, Mr. Roeske's compensation in 2007 was substantially below the Section 162(m) limit and thus no disallowance occurred.

The September 1, 2006 restricted stock grants made to Messrs. Draut and Roeske may not qualify as Performance-Based Compensation under Section 162(m). The amount of compensation related to these grants that will be disallowed under Section 162(m) cannot be determined at this time. It is reasonable to expect that some portion of these grants may be disallowed as a tax deduction in the year in which they vest, scheduled to occur in 2010. In addition, dividends paid on these grants do not qualify as Performance-Based Compensation.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis set forth above. Based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

COMPENSATION COMMITTEE OF THE
BOARD OF DIRECTORS OF UNITRIN, INC.

James E. Annable *Chairman*

Donald V. Fites

Douglas G. Geoga

William E. Johnston, Jr.

Wayne Kauth

Table of Contents**EXECUTIVE OFFICER COMPENSATION AND BENEFITS****SUMMARY COMPENSATION TABLE FOR 2007**

The following table shows the compensation paid to the Named Executive Officers, which include the Company's Chief Executive Officer, Chief Financial Officer and three other most highly compensated executive officers serving during the year ended December 31, 2007.

Name and Principal Position	Year	Salary \$(1)	Bonus \$(2)	Stock Awards \$(3)	Option Awards \$(4)	Non-Equity Incentive Plan Compensation \$(5)	Change in Pension Value and Nonqualified Deferred Compensation Earnings \$(6)	All Other Compensation \$(7)	Total (\$)
Donald G. Southwell	2007	\$ 937,500	\$	\$	\$ 1,694,075	\$ 240,350	\$ 360,826	\$ 6,750	\$ 3,239,501
<i>President and Chief Executive Officer</i>	2006	881,250			1,533,219	630,000	273,346	6,600	3,330,003
Eric J. Draut	2007	687,500		220,091	1,112,205	177,100	234,410	6,750	2,438,057
<i>Executive Vice President & Chief Financial Officer</i>	2006	637,500		73,569	1,018,028	455,000	194,664	6,600	2,405,959
Richard C. Vie	2007	925,000			3,808,495		197,683	6,750	4,937,928
<i>Chairman</i>	2006	1,000,000			2,104,980	700,000	312,214	6,600	4,123,431
Scott Renwick	2007	480,000			436,563	123,970	228,453	6,750	1,275,736
<i>Senior Vice President, General Counsel & Secretary</i>	2006	440,000			309,952	315,000	180,637	6,600	1,252,189
Richard Roeske	2007	282,500	50,000	165,079	203,078		57,685	6,750	765,092
<i>Vice President & Chief Accounting Officer</i>	2006	253,750	80,000	55,188	336,792		47,401	6,600	786,741

- (1) The amounts included in the Salary column represent all salary earned for 2007. None of the Named Executive Officers elected to defer compensation earned in 2007 under the Deferred Compensation Plan. See the narrative discussion below under the caption Deferred Compensation Plan for more information about the plan.
- (2) The amount included in the Bonus column represents discretionary cash bonuses for 2007 and 2006 that were paid in 2008 and 2007, respectively.

- (3) The amounts included in the Stock Awards column represent the compensation expense recognized by the Company in 2007 and 2006 related to restricted stock awards granted under the Restricted Stock Plan in 2006 to the designated Named Executive Officer, as calculated in accordance with Statement of Financial Accounting Standards No. 123(R). The Company recognizes compensation expense on a straight-line basis over the total requisite service period for the entire award. The grant date fair values of the restricted stock awards were determined using the closing price (\$44.08) of a share of Common Stock on September 1, 2006, the grant date. Amounts shown do not include an estimate of forfeitures, as the Company does not assume a forfeiture rate for its executive officer group. For a discussion of valuation assumptions, see Note 11 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007. These shares of

Table of Contents

restricted stock are subject to forfeiture and transfer restrictions until they vest on the fourth anniversary of the grant date. Under the Restricted Stock Plan, outstanding shares of restricted stock may be voted and are entitled to receive dividends on the same basis as all other outstanding shares of Common Stock.

- (4) The amounts included in the **Option Awards** column represent the compensation expense recognized by the Company in 2007 and 2006 related to stock option awards to the designated Named Executive Officers, as calculated in accordance with Statement of Financial Accounting Standards No. 123(R). The Black-Scholes option pricing model was used to estimate the fair value of each option (including its tandem stock appreciation right) on the grant date. Amounts shown do not include an estimate of forfeitures, as the Company does not assume a forfeiture rate for its executive officer group. For a discussion of valuation assumptions, see Note 11 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

All options in this column were granted pursuant to the Company's 1990, 1997 and 2002 Stock Option Plans and include automatic grants of Restorative Options, which are listed individually below in the GRANTS OF PLAN-BASED AWARDS IN 2007 table. All grants awarded under the 2002 Stock Option Plan and certain grants awarded under the 1997 Stock Option Plan are coupled with tandem stock appreciation rights (SARs). For further information about Restorative Options and SARs, see the narrative discussion under the caption **Grants of Plan-Based Awards** in the next section below.

- (5) The amounts included in the **Non-Equity Incentive Plan Compensation** column represent formula bonuses earned under the Company's Incentive Bonus Plan for 2007 and 2006 which were paid in 2008 and 2007, respectively.
- (6) Except for Mr. Vie, the amounts included in this column represent the change in pension value for each Named Executive Officer under the Company's qualified Pension Plan and non-qualified Pension Equalization Plan as of December 31, 2007 from the value at the end of the prior year (**Pension Value Change**). For Mr. Vie, the amount shown includes a change in pension value of \$197,152 and preferential or above-market earnings of \$531 on his deferred compensation balance in the Deferred Compensation Plan. Preferential or above-market earnings is defined under applicable SEC rules as the amount of the total annual earnings for 2007 credited to the Named Executive Officer's account under the plan in excess of 5.68%, which is 120% of the long-term Applicable Federal Rate of interest for December 2007. More information about Mr. Vie's balance in the Deferred Compensation Plan is included below in the narrative preceding the NONQUALIFIED DEFERRED COMPENSATION IN 2007 table and in footnote (1) to that table.
- (7) The amounts shown in the **All Other Compensation** column represent Company matching contributions to the Named Executive Officers' accounts under the Company's 401(k) Savings Plan. None of the Named Executive Officers received perquisites or other personal benefits in 2007 or 2006 with aggregate incremental costs to the Company in excess of \$10,000.

Table of Contents**Grants of Plan-Based Awards**

Stock Appreciation Rights. Grants awarded under the 2002 Stock Option Plan and original grants awarded under the 1997 Stock Option Plan after January 31, 2005 (including Restorative Options related to such original grants), are coupled with tandem stock appreciation rights (SARs). A SAR entitles the holder to surrender all or a portion of an unexercised vested option in exchange for shares of Common Stock having an aggregate value equal to the embedded gain in the surrendered option. The embedded gain in an option is derived by taking the difference between the per share exercise price of the option and the market price of a share of Common Stock on the date of exercise and multiplying such difference by the number of shares covered by such option.

Option Features. Each option granted to the Named Executive Officers in 2007 was a non-qualified option for federal income tax purposes, with an exercise price that is the closing price of a share of Common Stock on its grant date. Each original stock option grant (Original Option) granted to the Named Executive Officers in 2007 becomes exercisable in four equal, annual installments beginning on the six-month anniversary of the grant date and expires on the tenth anniversary of its grant date. Each Restorative Option granted in 2007 becomes exercisable on the six-month anniversary of its grant date and expires on the expiration date of the Underlying Option.

Restorative Options. All options granted to the Named Executive Officers under the Employee Stock Option Plans include the right to receive Restorative Options in defined circumstances. These stock option plans provide for automatic grants of Restorative Options to replace shares of previously-owned Common Stock that an exercising option holder surrenders, either actually or constructively, or that the Company withholds to satisfy the exercise price and/or tax withholding obligations relating to the exercise of the Underlying Option, subject to certain restrictions at the time of exercise. Restorative Options are subject to the same terms and conditions as the Underlying Options, including the expiration date, except that the exercise price of a Restorative Option is equal to the fair market value of Common Stock on the date of its grant. Restorative Options cannot be exercised until six months after the date of grant.

The grant of a Restorative Option does not result in an increase in the total number of shares and options held by an option holder, but changes the mix of the two. A Restorative Option is intended to enable an option holder to remain in essentially the same economic position with respect to potential appreciation of the Common Stock as if he or she had continued to hold the Underlying Option unexercised.

Pursuant to 2006 stock option plan amendments approved by the Board of Directors and stock option grant agreement amendments approved by the Compensation Committee, Restorative Options will not be granted to an option holder in connection with the exercise of an Original Option granted on or after February 1, 2006, or a Restorative Option granted thereunder, unless: (i) the closing price of a share of Common Stock is at least 15% higher than the exercise price of the Underlying Option; and (ii) the Underlying Option is not scheduled to expire within twelve months of the exercise date.

Table of Contents**GRANTS OF PLAN-BASED AWARDS IN 2007**

The following table shows each grant of an award to the Named Executive Officers in 2007 under the Company's executive compensation plans. These plans include the Incentive Bonus Plan, Employee Stock Option Plans and the Restricted Stock Plan.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(3)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)(4)	Equity Plan Reference (5)	Exercise or Base Price of Option Awards (\$/Sh)(6)	Grant Date Fair Value(7)
		Threshold (\$)	Target (\$)	Maximum (\$)					
Donald G. Southwell		\$ 45,500	\$ 240,350	\$ 665,000					
	2/6/2007(1)				*100,000	2002 plan	\$ 49.79	\$ 816,630	
	3/26/2007(2)				12,217	2002 plan	47.59	70,914	
	5/22/2007(2)				13,705	1997 plan	48.81	78,697	
	5/22/2007(2)				28,575	2002 plan	48.81	164,083	
	6/1/2007(2)				401	1997 plan	49.58	2,279	
	6/1/2007(2)				4,992	1997 plan	49.58	28,376	
	6/1/2007(2)				11,136	1997 plan	49.58	63,299	
	6/1/2007(2)				124	2002 plan	49.58	705	
	6/1/2007(2)				20,426	2002 plan	49.58	116,105	
	9/18/2007(2)				16,407	1997 plan	47.67	89,764	
	9/26/2007(2)				16,476	2002 plan	49.11	92,865	
Eric J. Draut		\$ 35,000	\$ 177,100	\$ 490,000					
	2/6/2007(1)				*50,000	2002 plan	\$ 49.79	\$ 408,315	
	5/23/2007(2)				1,183	2002 plan	48.76	6,786	
	5/23/2007(2)				2,490	2002 plan	48.76	14,283	
	5/23/2007(2)				4,566	2002 plan	48.76	26,192	
	5/23/2007(2)				15,595	2002 plan	48.76	89,458	
	5/23/2007(2)				7,820	2002 plan	48.76	44,858	
	5/23/2007(2)				399	1997 plan	48.76	2,289	
	5/23/2007(2)				7,170	1997 plan	48.76	41,129	
	5/23/2007(2)				7,503	1997 plan	48.76	43,039	
	5/23/2007(2)				11,432	1997 plan	48.76	65,577	
	5/23/2007(2)				8,915	1997 plan	48.76	51,139	
	5/23/2007(2)				3,082	1997 plan	48.76	17,679	
	5/23/2007(2)				359	1997 plan	48.76	2,059	
	5/23/2007(2)				3,807	1997 plan	48.76	21,838	
	5/23/2007(2)				5,284	1997 plan	48.76	30,311	
	5/23/2007(2)				270	1997 plan	48.76	1,549	

Table of Contents

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(3)			All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)(4)	Equity Plan Reference (5)	Exercise or Base Price of Option Awards (\$/Sh)(6)	Grant Date Fair Value(7)
		Threshold (\$)	Target (\$)	Maximum (\$)					
Richard C. Vie	5/23/2007(2)				34,449	2002 plan	\$ 48.76	\$ 172,727	
	9/20/2007(2)				46,568	1997 plan	48.30	237,301	
	9/21/2007(2)				46,725	2002 plan	49.75	245,250	
	9/21/2007(2)				27,351	2002 plan	49.75	143,560	
	9/21/2007(2)				16,049	2002 plan	49.75	84,238	
	9/21/2007(2)				36,937	1997 plan	49.75	193,875	
	9/21/2007(2)				53,970	1997 plan	49.75	283,278	
	9/21/2007(2)				6,465	1997 plan	49.75	33,933	
	9/21/2007(2)				23,249	1997 plan	49.75	122,029	
	9/21/2007(2)				10,946	1997 plan	49.75	57,453	
	9/21/2007(2)				30,308	1997 plan	49.75	159,081	
	9/21/2007(2)				7,532	1997 plan	49.75	39,534	
	9/21/2007(2)				1,141	1997 plan	49.75	5,989	
	9/21/2007(2)				24,861	1997 plan	49.75	130,490	
	9/21/2007(2)				3,447	1997 plan	49.75	18,093	
	9/21/2007(2)				2,320	1997 plan	49.75	12,177	
	9/21/2007(2)				3,820	1997 plan	49.75	20,050	
Scott Renwick		\$ 24,000	\$ 123,970	\$ 343,000					
	02/06/2007(1)				*25,000	2002 plan	\$ 49.79	\$ 204,158	
	05/22/2007(2)				13,523	1997 plan	48.81	77,652	
	05/22/2007(2)				1,398	1997 plan	48.81	8,028	
	05/22/2007(2)				4,068	2002 plan	48.81	23,359	
	06/04/2007(2)				11,276	2002 plan	50.04	64,689	
Richard Roeske									
	02/06/2007(1)				*15,000	2002 plan	\$ 49.79	\$ 122,495	
	06/04/2007(2)				3,197	2002 plan	50.04	18,341	
	09/23/2007(2)				2,263	2002 plan	49.75	12,921	
	09/23/2007(2)				2,308	2002 plan	49.75	13,178	

- (1) These are Original Options, granted on the date the award was approved by the Compensation Committee.
- (2) These are Restorative Options, granted on the date of exercise of the Underlying Option, and deemed approved by the Compensation Committee under the automatic grant provisions of the Restorative Option feature under the stock option plans and the stock option agreements approved by the Compensation Committee at the time of the Original Option grant. For additional information on Restorative Options see the discussion in the narrative section preceding this table.
- (3) These columns show the range of payouts for 2007 performance that were possible under the Company's Incentive Bonus Plan as described in the section titled "Formula Bonuses" in the Compensation Discussion and Analysis. The bonuses shown in the "Target" column were earned in 2007 and paid in 2008, and are also shown above in the SUMMARY.

Table of Contents

COMPENSATION TABLE FOR 2007 in the column titled Non-equity Incentive Plan Compensation. The amounts shown in the Threshold and Maximum columns represent, respectively, 5% and 70% of the individual's 2007 annual base salary, the minimum and maximum amounts of payouts that were possible for any bonuses paid under the Incentive Bonus Plan for 2007.

- (4) All options granted in 2007 were non-qualified options for federal income tax purposes. Grants in this table marked with an asterisk represent Original Option awards made to the Named Executive Officers by the Compensation Committee in 2007. Grants not so marked represent Restorative Options granted automatically under the Restorative Option feature of the plans.
- (5) All options were granted to the Named Executive Officers under the Unitrin, Inc. 1990, 1997 and 2002 Employee Stock Option Plans (1990 Plan, 1997 Plan and 2002 Plan, respectively).
- (6) The exercise price of the awards is equal to the closing price of a share of Common Stock on the grant date.
- (7) For stock options, the Black-Scholes option pricing model was used to estimate the fair value of each option/SAR on the grant date. For a discussion of valuation assumptions, see Note 11 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007. Amounts shown do not include an estimate of forfeitures, as the Company does not assume a forfeiture rate for its executive officer group.

Table of Contents**OUTSTANDING EQUITY AWARDS AT 2007 FISCAL YEAR-END**

The following table shows the unexercised stock option awards and unvested restricted stock awards for each Named Executive Officer which were outstanding as of December 31, 2007. The awards were granted under the Company's Employee Stock Option and Restricted Stock Plans.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Option Awards			Vesting Date	Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date		Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(3)
Donald G. Southwell	1,777		\$ 52.17	5/13/2008			
	13,705		48.81	5/13/2008			
	1,182		50.00	5/5/2009			
	10,151		52.17	5/5/2009			
	4,992		49.58	5/5/2009			
	6,703		52.17	5/3/2010			
	5,824		48.50	5/3/2010			
	10,329		48.70	5/3/2010			
	401		49.58	5/3/2010			
	3,383		48.50	5/2/2011			
	28,576		48.70	5/2/2011			
	14,312		48.70	5/1/2012			
	28,575		48.81	5/1/2012			
	20,426		49.58	5/1/2012			
	23,054		52.17	2/5/2013			
	11,347		48.50	2/5/2013			
	12,217		47.59	2/5/2013			
	124		49.58	2/5/2013			
	32,896		48.50	2/3/2014			
	16,665		48.16	2/3/2014			
		16,476	49.11	2/3/2014	3/26/2008		
		17,500	43.10	2/1/2015	8/1/2008		
	4,808		48.50	2/1/2015			
	16,386		48.16	2/1/2015			
	11,136		49.58	2/1/2015			
		16,407	47.67	2/1/2015	3/18/2008		
	50,000	50,000	47.86	2/1/2016	(1)		
	25,000	75,000	49.79	2/6/2017	(2)		

Table of Contents

Name	Option Awards				Stock Awards		
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Vesting Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(3)
Eric J. Draut	4,284		\$ 47.40	5/13/2008			
	8,256		48.16	5/13/2008			
	18,935		48.76	5/13/2008			
	11,137		47.31	5/5/2009			
	1,846		46.69	5/5/2009			
	4,708		48.16	5/5/2009			
	16,163		48.76	5/5/2009			
	8,430		47.37	5/3/2010			
	10,043		47.31	5/3/2010			
	13,123		48.76	5/3/2010			
	21,788		46.67	5/2/2011			
	1,731		47.15	5/2/2011			
	17,145		47.37	5/2/2011			
	377		46.69	5/1/2012			
	29,629		48.58	5/1/2012			
	15,481		47.40	5/1/2012			
	1,831		52.00	2/5/2013			
	7,080		47.31	2/5/2013			
	8,295		47.40	2/5/2013			
	8,186		48.16	2/5/2013			
	8,239		48.76	2/5/2013			
	12,500		44.37	2/3/2014			
	19,903		48.16	2/3/2014			
15,595		48.76	2/3/2014				
12,500	12,500	43.10	2/1/2015	8/1/2008			
11,699		47.40	2/1/2015				
3,873		46.06	2/1/2015				
7,820		48.76	2/1/2015				
25,000	25,000	47.86	2/1/2016	(1)			
12,500	37,500	49.79	2/6/2017	(2)			
				9/1/2010	20,000	\$ 881,600	

Table of Contents

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Option Awards			Vesting Date	Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date		Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(3)
Richard C. Vie	1,620		\$ 47.64	5/13/2008			
	38,167		49.96	5/13/2008			
	32,255		50.83	5/13/2008			
		36,937		49.75	5/13/2008	3/21/2008	
	16,831		47.64	5/5/2009			
	8,356		50.87	5/5/2009			
		131,544		49.75	5/5/2009	3/21/2008	
	8,934		49.96	5/3/2010			
	30,727		51.74	5/3/2010			
	31,667		50.53	5/3/2010			
		25,569		49.75	5/3/2010	3/21/2008	
	2,079		47.64	5/2/2011			
	38,935		50.53	5/2/2011			
	76,483		50.83	5/2/2011			
	38,828		50.87	5/2/2011			
	54,182		49.96	5/1/2012			
	52,476		52.97	5/1/2012			
	26,608		51.74	5/1/2012			
	44,619		50.87	5/1/2012			
	34,495		52.00	2/5/2013			
	16,066		48.90	2/5/2013			
	34,449		48.76	2/5/2013			
		43,400		49.75	2/5/2013	3/21/2008	
	139,724		50.03	2/3/2014			
		46,725		49.75	2/3/2014	3/21/2008	
		50,000		43.10	2/1/2015	8/1/2008	
	34,224		51.74	2/1/2015			
46,435		48.85	2/1/2015				
	46,568		48.30	2/1/2015	3/20/2008		
	10,946		49.75	2/1/2015	3/21/2008		
	50,000	50,000	47.86	2/1/2016	(1)		
Scott Renwick	8,205		\$ 46.65	5/13/2008			
	1,398		48.81	5/13/2008			
	2,105		47.10	5/05/2009			
	2,645		46.65	5/05/2009			
	7,814		48.16	5/05/2009			
	9,019		46.43	5/03/2010			
	2,943		47.46	5/03/2010			
	20,425		46.65	5/02/2011			
	9,096		48.16	5/01/2012			
	13,523		48.81	5/01/2012			
	4,249		46.43	2/05/2013			
	4,075		47.46	2/05/2013			
	4,336		44.81	2/05/2013			
	4,068		48.81	2/05/2013			
	25,000		44.37	2/03/2014			

Table of Contents

Name	Option Awards				Stock Awards		
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Vesting Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(3)
	6,250	6,250	43.10	2/01/2015	8/1/2008		
	11,276		50.04	2/01/2015			
	12,500	12,500	47.86	2/01/2016	(1)		
	6,250	18,750	49.79	2/06/2017	(2)		
Richard Roeske	3,143		\$ 47.89	5/13/2008			
	4,675		48.26	5/13/2008			
	3,844		47.89	5/03/2010			
	2,959		48.26	5/03/2010			
	810		50.03	5/03/2010			
	5,994		47.89	5/02/2011			
	1,984		48.26	5/02/2011			
	3,423		47.89	5/01/2012			
	948		52.17	5/01/2012			
	4,672		48.26	5/01/2012			
	3,187		52.17	2/05/2013			
	3,267		48.26	2/05/2013			
	3,163		50.03	2/05/2013			
	3,197		50.04	2/05/2013			
	2,396		47.14	2/03/2014			
	4,618		50.03	2/03/2014			
		2,308	49.75	2/03/2014	3/23/2008		
		2,500	43.10	2/01/2015	8/1/2008		
	2,309		48.26	2/01/2015			
	2,348		47.14	2/01/2015			
		2,263	49.75	2/01/2015	3/23/2008		
	7,500	7,500	47.86	2/01/2016	(1)		
	3,750	11,250	49.79	2/06/2017	(2)		
					9/1/2010	15,000	\$ 661,200

(1) These options vest ratably in equal increments on 8/1/2008 and 8/1/2009.

(2) These options vest ratably in equal increments on 8/6/2008, 8/6/2009 and 8/6/2010.

(3) Market value in this column was determined using the closing price (\$47.99) of a share of Common Stock on December 31, 2007, the last business day of the year.

Table of Contents**OPTION EXERCISES AND STOCK VESTED IN 2007**

The following table shows the stock options exercised by each of the Named Executive Officers in 2007 on an aggregated basis. No shares of restricted stock held by Named Executive Officers vested in 2007.

Name	Option Awards	
	Number of	Value
	Shares	Realized on
	Acquired on	Exercise (\$)(2)
	Exercise #(1)	
Donald G. Southwell	131,401	\$ 496,428
Eric J. Draut	88,068	250,737
Richard C. Vie	393,893	1,394,518
Scott Renwick	33,462	223,062
Richard Roeske	8,565	56,100

- (1) The shares of Common Stock shown in this column are the gross number of shares issued in the exercise transactions, without deduction of any previously acquired shares surrendered or withheld to satisfy the exercise price and/or tax withholding obligations related thereto. (See the narrative discussion above under the caption Grants of Plan-Based Awards.) Taking into account such surrendered and withheld shares, the actual net increase in the number of shares issued to these officers was as follows: Southwell (6,942); Draut (3,647); Vie (17,755); Renwick (3,197); and Roeske (797).
- (2) Value Realized on Exercise represents the difference between the exercise price of the shares acquired and the market price of such shares on the date or dates of exercise, without regard to any related tax obligations.

Retirement Plans

The Unitrin, Inc. Pension Plan (the Pension Plan) is a tax-qualified defined benefit pension plan that covers certain full-time salaried employees meeting minimum age and service-based eligibility requirements. In general, to be eligible, employees must be at least 21 years old and have provided at least one year of service (as defined in the Pension Plan) to the Company. The Company's Pension Plan covers employees hired prior to January 1, 2006, while those hired on or after January 1, 2006 are instead eligible to participate in the Company's Defined Contribution Retirement Plan. All of the Company's current executive officers were hired prior to January 1, 2006 and therefore are participants in the Pension Plan.

A participant earns a benefit under the Pension Plan in an amount equal to specified percentage of Average Monthly Compensation plus an additional specified percentage of Average Monthly Compensation above the monthly Social Security Covered Compensation, multiplied by the participant's eligible years of service, up to a maximum of 30 years.

Average Monthly Compensation is generally equal to the average of a participant's highest monthly compensation over a 60-consecutive-month period during the 120-month period which ends three calendar months prior to a participant's termination date.

Table of Contents

The Social Security Covered Compensation amount is determined from tables published by the Internal Revenue Service and changes each year. For 2007, the annual Social Security Covered Compensation was \$51,349.

Compensation covered by the Pension Plan is the participant's annual base salary, formula bonus under the Incentive Bonus Plan and annual discretionary bonus. The normal retirement age under the Pension Plan is age 65, and the normal form of distribution under the Pension Plan is a life annuity for a single retiree, or a joint and fifty percent survivor annuity for a married retiree. Other forms of annuity are available to participants, but all forms of payment are actuarially equivalent in value.

Messrs. Southwell and Renwick are currently eligible for early retirement under the Pension Plan. A participant is eligible for early retirement benefits upon attaining age 55 with five years of service to the Company. The early retirement benefit payable to a participant under the Pension Plan is the retirement benefit that would have been payable at the normal retirement age of 65 actuarially reduced to give effect to the participant's age at the time of early retirement.

Mr. Vie previously participated in the United Insurance Company of America Pension Plan for Management and Clerical Employees (United Insurance Company Plan), which was subsequently merged into the Company's Pension Plan. His participation in the United Insurance Company Plan was suspended on January 1, 1992 and no further contributions will be made on his behalf. However, Mr. Vie will be entitled to benefits under the plan upon his retirement from the Company based on his contributions made through the end of 1991.

The Unitrin, Inc. Pension Equalization Plan (the SERP) was established to provide benefits to certain individuals in excess of the limitations imposed on the Pension Plan under the Internal Revenue Code. The SERP benefit is computed using the same formula applicable to the Pension Plan without regard to the limits imposed under the Internal Revenue Code. An employee who earns compensation over the qualified plan limitation may be eligible to participate in the SERP by designation of the Board of Directors. For 2007, compensation to determine the benefit under the Pension Plan was limited to \$225,000. The Company's executive officers are eligible to participate in the SERP.

The executive officers are also eligible to participate in a voluntary 401(k) plan that includes a Company matching contribution feature offered to all full-time salaried employees meeting age and service-based eligibility requirements.

Table of Contents**PENSION BENEFITS IN 2007**

The following table shows the years of credited service and the present values of the accumulated benefits under the Pension Plan and SERP for each Named Executive Officer.

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefit (\$)(1)
Donald G. Southwell	Pension Plan	11	\$ 216,600
	SERP	11	1,137,349
Eric J. Draut	Pension Plan	16	228,368
	SERP	16	813,721
Richard C. Vie	Pension Plan	16	609,272(2)
	SERP	16	2,890,349(2)
Scott Renwick	Pension Plan	16	310,408
	SERP	16	628,380
Richard Roeske	Pension Plan	16	184,316
	SERP	16	78,331

- (1) These present value amounts were determined on the assumption that the Named Executive Officers have been or will remain in service until age 65, the age at which retirement may occur under the Pension Plan and SERP without any reduction in benefits, using the same measurement date, discount rate assumptions and actuarial assumptions described in Note 17 to the consolidated financial statements included in the Company's 2007 Annual Report on Form 10-K. The discount rate assumption was 5.75% for 2007 and the mortality assumptions were based upon the 1983 Group Annuity Male Mortality Table. The accumulated benefits are based on the years of credited service shown in the table and the Average Monthly Compensation as of December 31, 2007 as described above in the narrative preceding this table.
- (2) This amount includes Mr. Vie's benefit under the United Insurance Company Plan. Mr. Vie's eight years of participation under the United Insurance Company Plan earned him an annual accrued benefit equal to \$20,971 in addition to the benefit earned under the Pension Plan and the SERP. The present value of his benefit under the United Insurance Company Plan is \$182,217, consisting of \$171,780 under the Pension Plan and \$10,437 under the SERP.

Deferred Compensation Plan

The Deferred Compensation Plan was established to allow certain executives that are designated by the Board of Directors, as well as the non-employee members of the Board of Directors, to elect to defer a portion of their current

year compensation to a future period. The Deferred Compensation Plan is unfunded and exempt from certain provisions of the Employee Retirement Income Security Act of 1974, as amended. The Company does not fund or make profit-sharing or matching contributions under the Deferred Compensation Plan, and

Table of Contents

participants have an unsecured contractual commitment by the Company to pay the amounts deferred, adjusted to recognize earnings or losses determined in accordance with their elections under the plan.

To participate in the Deferred Compensation Plan, an eligible individual must make an annual irrevocable election. The form and timing of the distribution of deferrals made during a particular year is chosen when a participant elects to participate for that year and generally cannot be altered or revoked. The distribution for a particular year may be in the form of annual or quarterly installments up to a maximum of ten years or a single lump-sum payment, and may begin on January 1 of any subsequent year. A participant may elect to defer up to 100% of his or her regular annual base salary, formula bonus under the Incentive Bonus Plan, and annual discretionary bonus in excess of a limit established annually under the Internal Revenue Code. For 2007, the compensation limit was \$225,000. No withdrawals are permitted under the Deferred Compensation Plan other than regularly scheduled distributions.

Each participant's bookkeeping account is deemed to be invested in the hypothetical investment choice(s) selected by the participant at the time of his or her annual election to participate in the Deferred Compensation Plan from the choices made available by the Company. Generally, the hypothetical investment alternatives offered by the Company include a range of retail mutual funds selected by the Plan Administrator, which is the Compensation Committee of the Company's Board of Directors. Investment choices selected by a participant are used only to determine the value of the participant's account. The Company is not required to follow these investment selections in making actual investments of amounts deferred under the plan. Investment choices may be changed by participants on a quarterly basis.

As employees designated by the Board of Directors, the Named Executive Officers are eligible to elect deferral of their cash salary and bonus under the Deferred Compensation Plan. None of the Named Executive Officers elected to defer any of their 2007 compensation under the Deferred Compensation Plan. The funds selected for hypothetical investments in 2007 by the Named Executive Officers with balances from prior years in the Deferred Compensation Plan, and the 2007 annual return on investment for each of these funds, are: Wells Fargo Advantage Index Fund 5.22%; Dreyfus Appreciation Fund 6.54%; and Janus Overseas Fund 27.76%.

As a former executive of the Company's former parent corporation, Teledyne, Inc., Mr. Vie had elected to defer some compensation that he earned under the Teledyne Management Bonus Compensation Plan (Teledyne Plan) until his retirement. The Company assumed liability for Mr. Vie's balance under the Teledyne Plan at the time of Unitrin's spin-off from Teledyne in 1990. The amounts deferred to the Teledyne Plan are credited with an interest rate that varies from year to year based on prevailing market interest rates. For 2007, the interest rate used was 6.50%. Upon his retirement from the Company, the bonus amounts deferred by Mr. Vie under the Teledyne Plan, along with the accrued interest on those amounts, will be paid in the form of a 10-year installment payable quarterly, although the Company has the option to pay the amount owed to him in the form of a lump sum.

Table of Contents**NONQUALIFIED DEFERRED COMPENSATION IN 2007**

The following table shows the aggregate earnings in 2007 and the balances as of December 31, 2007 for the Named Executive Officers under the Deferred Compensation Plan.

Name	Aggregate Earnings in Last Fiscal Year (\$)(1)	Aggregate Balance at Last Fiscal Year End (\$)(2)
Donald G. Southwell	\$ 4,941	\$ 34,167
Eric J. Draut	29,084	260,680
Richard C. Vie	4,212	69,018(3)
Scott Renwick		
Richard Roeske	4,215	86,741

- (1) \$531 of the aggregate earnings shown in this column for Mr. Vie is reported above in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column of the SUMMARY COMPENSATION TABLE FOR 2007.
- (2) The balances shown in this column represent the balances for the respective individuals based on prior deferrals plus earnings accrued through December 31, 2007. Of the amounts shown in this column for Messrs. Southwell, Draut and Roeske, the portions representing their original deferral amounts were previously reported as compensation in the Company's SUMMARY COMPENSATION TABLE in prior years. None of the Named Executive Officers elected to defer compensation earned in 2007.
- (3) This amount is the balance on Mr. Vie's account that originated with his management bonus deferral under the Teledyne Plan as described in the narrative preceding this table.

Potential Payments Upon Termination or Change in Control

The table below shows benefits that would have been payable to the Named Executive Officers as a direct result of either a change in control of the Company or the death or disability of the individual officer, had such an event occurred on December 31, 2007. These amounts would have been payable pursuant to individual severance agreements (Severance Agreements) between the Named Executive Officers and the Company in connection with a change in control of the Company, as described below, or individual grant agreements executed with the Company in connection with stock option and/or restricted stock awards they received. However, none of the Named Executive Officers is a party to any other individual employment agreement with the Company that would entitle him to receive any other termination benefits from the Company.

In addition to the amounts shown in the table below, the Named Executive Officers would have been entitled to receive benefits to which they have vested rights, and which are generally available to salaried employees of the Company and do not discriminate in scope, terms or operation in favor of executive officers. These include benefits payable: (i) upon termination of employment, such as payments of 401(k) Savings Plan distributions and

Table of Contents

accrued vacation; and (ii) upon death or disability, such as life, business travel or long-term disability insurance. In addition, under the Deferred Compensation Plan, the Named Executive Officers other than Mr. Renwick (who has never participated in the plan), may have been entitled to receive distributions in accordance with their previously chosen elections under the plan, as described above in the section captioned Deferred Compensation Plan.

In the case of Mr. Vie, any separation from the Company as of December 31, 2007, whether resulting from a change in control, death, disability or voluntary retirement, would also have triggered the start of retirement benefit distributions under the Pension Plan, SERP and the United Insurance Company Plan (as described above in the section captioned Retirement Plans), as he had previously reached the normal retirement age under these plans. In the case of Mr. Southwell or Mr. Renwick, a voluntary early retirement election effective December 31, 2007 would have entitled him to receive vested benefits under the Pension Plan and SERP, actuarially reduced to give effect to his age on such date. The specific retirement benefit amounts that would have been paid to Messrs. Vie, Southwell or Renwick would have been determined in accordance with the form of distribution elected by such individual and based on the present values shown above in the Pension Benefits in 2007 table. Messrs. Draut and Roeske were not eligible to receive retirement benefits as of December 31, 2007.

The Company has entered into Severance Agreements with the Named Executive Officers that provide them with various severance benefits in the event their employment is involuntarily terminated (other than for cause, disability or death) or voluntarily terminated, in either case within two years after a change in control. Such benefits are also payable to such officers in the event their employment is involuntarily terminated (other than for cause, disability or death) or voluntarily terminated for certain specified reasons, in either case in anticipation of a change in control. Under the Severance Agreements, a change in control is deemed to occur if any person (excluding certain defined persons) is or becomes, directly or indirectly, the beneficial owner of 25% or more of the voting power of the Common Stock, or the individuals who comprised the Company's Board of Directors on the date of the Severance Agreement, or any of the individuals they nominate, cease to comprise a majority of the Board. Each Named Executive Officer would be entitled under the Severance Agreements to: (i) a lump sum severance payment based on the multiple (specified below) of his annualized salary; (ii) continuation for up to three years (in the case of Messrs. Southwell and Vie) or two years (for the other Named Executive Officers) of the life and health insurance benefits that were being provided by the Company to such officer and his family immediately prior to termination; and (iii) outplacement services at the Company's expense for up to fifty-two weeks. The Severance Agreements contain identical terms and conditions, except that the severance compensation multiple is 3.0 for Messrs. Southwell and Vie and 2.0 for the other Named Executive Officers.

The agreement for each stock option and restricted stock award to a Named Executive Officer provides that, in the event of a change in control as defined in the grant agreement, the Company's Board of Directors must choose one of four alternative ways to handle the award, which may include the immediate vesting of the award.

Table of Contents

Under the Severance Agreements, benefits payable as a result of a change in control, whether under the Severance Agreements or under any other arrangement with the Company, are to be grossed-up to the extent that a recipient would be subject to an excise tax under Section 4999 of the Internal Revenue Code (including any interest or penalties imposed with respect to such tax) due to the receipt of such benefits or any other benefits that constitute excess parachute payments for purposes of Section 280G of the Internal Revenue Code. Depending on what actions are taken by the Company's Board of Directors under the Company's Employee Stock Option Plans and Restricted Stock Plan in connection with a change in control, certain amounts relating to nonqualified stock options and restricted stock would be factored into the determination regarding excess parachute payments. If there had been a change in control on December 31, 2007, and as a result, severance benefits had been paid and vesting of stock options and restricted stock had been accelerated on December 31, 2007, and valued as described in the following paragraph, no Named Executive Officers would have received gross-ups for excess parachute payments.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

The following table sets forth information concerning payments and benefits that would have become payable to the Named Executive Officers in connection with the termination of their employment as of December 31, 2007 resulting from a change in control of the Company or the death or disability of the individual officer:

	Donald G. Southwell	Eric J. Draut	Richard C. Vie	Scott Renwick	Richard Roeske
<u>Change in Control</u>					
Lump Sum Severance Payments(1)	\$ 2,850,000	\$ 1,400,000	\$ 2,700,000	\$ 980,000	\$ 580,000
Value of Accelerated Stock Options(2)(3)	97,325	64,375	251,000	32,188	13,200
Value of Accelerated Restricted Stock(2)(3)		959,800			719,850
Premium for life insurance(4)	41,136	20,416	47,346	27,424	12,437
Premium for health insurance(4)	20,452	18,741	20,452	18,741	6,386
Outplacement Services(4)	25,000	25,000	25,000	25,000	25,000
Total	\$ 3,033,913	\$ 2,488,332	\$ 3,043,798	\$ 1,083,353	\$ 1,356,873
<u>Death or Disability</u>					
Value of Accelerated Stock Options(3)(5)	\$ 97,325	\$ 64,375	\$ 251,000	\$ 32,188	\$ 13,200
Value of Accelerated Restricted Stock(3)(5)		959,800			719,850
Total	\$ 97,325	\$ 1,024,175	\$ 251,000	\$ 32,188	\$ 733,050

(1) The amounts shown represent severance payable under the Severance Agreements.

Table of Contents

- (2) The amounts shown assume that the Board of Directors elected to accelerate the vesting of these stock options and restricted stock shares as of December 31, 2007.
- (3) The amounts shown represent the value of unvested stock options and restricted stock which would have been accelerated as of December 31, 2007. The value of accelerated stock options was calculated by multiplying the number of in-the-money options which would have been accelerated by the difference between the exercise price and the closing price (\$47.99) of a share of Common Stock on December 31, 2007. The value of accelerated restricted stock was calculated using the closing price of a share of Common Stock on December 31, 2007. The number of shares subject to unvested stock options and exercise prices thereof, and the number of shares of unvested restricted stock awards are set forth in the OUTSTANDING EQUITY AWARDS AT 2007 FISCAL YEAR END table.
- (4) The amounts shown are the estimated costs to provide the outplacement services and continuation for up to three years (in the case of Messrs. Southwell and Vie) or two years (for the other Named Executive Officers) of the life and health insurance benefits pursuant to the Severance Agreements.
- (5) For stock options, the amounts shown represent the value of the accelerated vesting of original stock option awards granted on or after February 1, 2005 and Restorative Options granted in connection with the exercise thereof. Acceleration of vesting of these stock option awards and of all restricted stock awards would occur automatically upon the death or disability of the holder of the options or restricted stock pursuant to the terms of the applicable plans and grant agreements. For original stock option awards granted prior to February 1, 2005 and Restorative Options granted in connection with the exercise thereof, vesting would not accelerate upon the option holder's death or disability.

Table of Contents**DIRECTOR COMPENSATION**

The following table shows the compensation earned for 2007 by the members of the Board of Directors who are not employed by the Company:

DIRECTOR COMPENSATION FOR 2007

Name	Fees Earned or Paid in Cash \$(1)	Option Awards \$(2)	All Other Compensation \$(3)	Total (\$)
James E. Annable	\$ 69,000	\$ 34,315		\$ 103,315
Donald V. Fites	68,000	34,315	\$ 20,000	122,315
Douglas G. Geoga	79,000	34,315		113,315
Reuben L. Hedlund	86,000	34,315		120,315
Jerrold V. Jerome	57,000	79,227	20,000	156,227
William E. Johnston, Jr.	92,000	34,315		126,315
Wayne Kauth	79,000	82,144		161,144
Fayez S. Sarofim	49,000			49,000
Ann E. Ziegler	76,000	34,315		110,315

- (1) Fees shown in this column were paid for service on the Board and/or Board committees, and include amounts deferred at the election of an individual board member under the Deferred Compensation Plan. For more information about the Deferred Compensation Plan, see the narrative discussion above in the Executive Compensation section above under the caption Deferred Compensation Plan.
- (2) The amounts shown in this column represent the compensation costs recognized by the Company in 2007 in connection with stock option awards to the designated non-employee directors, as calculated in accordance with Statement of Financial Accounting Standards No. 123(R). The Black-Scholes option pricing model was used to estimate the fair value of each option on the grant date. Amounts shown do not include an estimate of forfeitures, as the Company does not assume a forfeiture rate for its non-employee director group. For a discussion of valuation assumptions, see Note 11 to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

Under the Director Stock Option Plan, eligible non-employee directors receive an annual option grant to purchase 4,000 shares of Common Stock. Only non-employee directors who first became members of the Board of Directors after November 1, 1993 are eligible to participate in the Director Stock Option Plan. As Mr. Sarofim has been a director since 1990, he is not eligible to receive options under the Director Stock Option Plan. Additional information about the Director Stock Option Plan is provided below in the narrative following the table captioned 2007 Annual Non-Employee Director Compensation Program on page 60.

Table of Contents

For each non-employee director, the following table shows the total number of outstanding option shares held as of December 31, 2007 and the grant date fair value of option shares granted in 2007:

Name	Outstanding Option Shares as of 12/31/07 (#)	Grant Date Fair Value of 2007 Option Grants (\$)
James E. Annable	33,617	\$ 32,358
Donald V. Fites	16,000	32,358
Douglas G. Geoga	36,596	32,358
Reuben L. Hedlund	24,000	32,358
Jerrold V. Jerome	51,472	32,358
William E. Johnston	39,096	32,358
Wayne Kauth	17,090	80,187
Fayez S. Sarofim	0	0
Ann E. Ziegler	28,000	32,358

The model and valuation assumptions used to estimate the fair values shown in the foregoing table are described above in the first paragraph to this footnote. These grant date fair values include the annual option award granted to each eligible non-employee director on May 3, 2007 under the Director Stock Option Plan, and, for Mr. Kauth, Restorative Options with a grant date fair value of \$47,829 granted in connection with an option exercise he made on June 4, 2007. These Restorative Options were granted pursuant to the automatic grant provisions of the Restorative Option feature under the Director Stock Option Plan. Of the option shares shown for Mr. Jerome, 26,034 shares were granted under the 1997 Stock Option Plan in connection with his prior position as an executive officer of the Company.

- (3) The amounts shown in this column represent the aggregate amount of payments by the Company pursuant to its Matching Gifts to Education Program to match donations by the designated director in 2007. Under this program, the Company will match tax deductible donations of up to \$10,000 made to eligible educational institutions by employees, directors and retirees of the Company on a \$2 for \$1 basis up to an annual aggregate of \$20,000 per donor.

Table of Contents**2007 Annual Non-Employee Director Compensation Program**

The amounts shown in the above table as *Fees Earned or Paid in Cash* are based on the annual non-employee director compensation program in effect for 2007 which provided for the following compensation:

<i>Board of Directors</i>	
Annual Retainer	\$35,000
Annual Option Grant	Options to purchase 4,000 shares of Common Stock
Annual Meeting Fee	\$ 1,500 for each Board Meeting attended
<i>Executive Committee</i>	
Annual Member Retainer	\$ 8,000
Annual Chairman Retainer	\$16,000
<i>Audit Committee</i>	
Annual Member Retainer	\$12,000
Annual Chairman Retainer	\$27,000
Meeting Attendance Fee	\$ 2,000 for each Audit Committee Meeting attended on a day other than a day when the Board of Directors meets
<i>Compensation Committee</i>	
Annual Member Retainer	\$ 8,000
Annual Chairman Retainer	\$15,000
<i>Nominating & Corporate Governance Committee</i>	
Annual Member Retainer	\$ 5,000
Annual Chairman Retainer	\$15,000

Under the Director Stock Option Plan, a director who (i) first became a director after November 1, 1993 and is not an employee of the Company or any subsidiary of the Company, or (ii) has retired as an employee of the Company or a subsidiary of the Company, is eligible to receive grants of options to purchase the Company's Common Stock. The Director Stock Option Plan provides that such eligible directors automatically receive at the conclusion of each Annual Meeting a grant of options to purchase 4,000 shares of Common Stock. Upon becoming a director, each new member of the Board of Directors who is not employed by the Company receives an option grant covering 4,000 shares of Common Stock under the Director Stock Option Plan.

The exercise price for all options granted under the Director Stock Option Plan is the closing price of a share of Common Stock on the grant date. All options granted under the Director Stock Option Plan become exercisable on the first anniversary of the grant date, expire on the tenth anniversary of the grant date, and include the right to receive Restorative Options in defined circumstances. Restorative Options are granted automatically to replace shares of previously-owned Common Stock that an exercising option holder surrenders, either actually or constructively, to satisfy the exercise price, so long as certain requirements are met at the time of exercise. For additional information about Restorative Options, see the narrative discussion in the Executive Officer Compensation and Benefits section above under the caption *Grants of Plan-Based Awards*.

Table of Contents

The non-employee directors are eligible to defer up to 100% of the fees earned for service on the board and board committees under the Deferred Compensation Plan. For more information about the Deferred Compensation Plan, see the narrative discussion in the Executive Officer Compensation and Benefits section above under the caption Deferred Compensation Plan.

All directors are entitled to reimbursement for travel expenses incurred in attending Board of Directors and Board committee meetings.

INCORPORATION BY REFERENCE

Notwithstanding any general statement to the contrary set forth in any of the Company's previous or future filings under the Securities Act of 1933, as amended, or the Exchange Act that might incorporate this Proxy Statement into such filings, the Audit Committee Report and the Compensation Committee Report contained in this Proxy Statement shall not be incorporated by reference into any such filings, nor shall they be deemed to be soliciting material or deemed filed under such Acts.

This Proxy Statement and the form of proxy are being mailed and delivered to the Company's shareholders by the authority of the Board of Directors.

Scott Renwick

Secretary

Table of Contents

Electronic Voting Instructions

You can vote by Internet or telephone!

Available 24 hours a day, 7 days a week!

Instead of mailing your proxy or voting in person at the Annual Meeting, you may choose one of the two voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR.

Proxies submitted by the Internet or telephone must be received by 11:59 p.m., Central Daylight Saving Time on Tuesday, May 6, 2008.

Vote by Internet

Log on to the Internet and go to **www.investorvote.com**
Follow the steps outlined on the secured website.

Vote by telephone

Call toll free 1-800-652-VOTE (8683) within the United States, Canada & Puerto Rico any time on a touch tone telephone. There is **NO CHARGE** to you for the call.

Follow the instructions provided by the recorded message.

Using a **black ink** pen, mark your votes with an **X** as shown in this example. Please do not write outside the designated areas. x

À IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. À
A Proposals The Board of Directors recommends a vote FOR Proposals 1 and 2.

1. Election of Directors:

	For	Withhold		For	Withhold		For	Withhold	+
01 - James E. Annable	02 - Eric J. Draut	..	..	03 - Donald V. Fites	..	..
04 - Douglas G. Geoga	05 - Reuben L. Hedlund	..	..	06 - Jerrold V. Jerome	..	..
07 - William E. Johnston, Jr.	08 - Wayne Kauth	..	..	09 - Fayez S. Sarofim	..	..
10 - Donald G. Southwell	11 - Richard C. Vie	..	..	12 - Ann E. Ziegler	..	..

For Against Abstain
..

Edgar Filing: UNITRIN INC - Form DEF 14A

2. Ratification of selection of Deloitte & Touche LLP as Independent Registered Public Accountant for 2008.
B Non-Voting Items

3. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

Change of Address Please print new address below.

Meeting Attendance **
Mark box to the right if you plan to attend the Annual Meeting.

C Authorized Signatures This section must be completed for your vote to be counted. **Date and Sign Below**

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) Please print date below.

/ /

Signature 1 Please keep signature within the box.

Signature 2 Please keep signature within the box.

Table of Contents

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be held on May 7, 2008. The Company's 2008 Proxy Statement and 2007 Annual Report to Shareholders are available under *Investors* on the Company's website at www.unitrin.com.

You may vote your shares by telephone or Internet, by mailing your proxy card, or by attending the Annual Meeting in person. 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.

q IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE. q

Proxy UNITRIN, INC.

One East Wacker Drive

Chicago, Illinois 60601

Annual Meeting of Shareholders

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned appoints Richard C. Vie, Donald G. Southwell and Eric J. Draut as Proxies, each with power of substitution, to vote all shares of Unitrin, Inc. common stock of the undersigned held as of March 14, 2008, at the Annual Meeting of Shareholders of Unitrin, Inc., to be held at the Chase Auditorium, Chase Tower, 10 S. Dearborn Street (Plaza Level), Chicago, IL 60603, at 10:00 a.m. Central Daylight Saving Time, on May 7, 2008, and at any adjournment or postponement thereof, upon the following matters. This proxy card also constitutes confidential voting instructions for all shares, if any, credited to the account of the undersigned in the Unitrin 401(k) Savings Plan (the Plan) to Wells Fargo Bank, N.A. as Trustee for the Plan. Voting instructions for Plan shares must be received by 11:59 p.m., Central Daylight Saving Time, on May 4, 2008.

This proxy, when properly executed, will be voted as directed herein by the undersigned shareholder. If no direction is made, this proxy will be voted FOR Proposals 1 and 2.

(Continued and to be signed on the reverse side)

Table of Contents

**SCRIPT OF VOTING IN ACCORDANCE WITH
RECOMMENDATIONS OF BOARD OF DIRECTORS**

Dialog between application and the caller

IVR: Welcome to InvestorVote at Computershare. <pause>
To vote, you will need to supply some information from your proxy card, this will only take a moment. If you don't have your card handy, feel free to hang-up and call back when you're ready. To start, please enter the control number (pause), this is the 6 digit number that is circled and located in the colored bar on the front of the card.

Caller: #####

IVR: Next, I'm going to need your holder account number. This number is underlined and located next to the control number. Please enter that number now, excluding any letters or leading zeroes.

Caller: #####

IVR: Thank you, please hold while I verify those numbers.

This message will play repeatedly until the host system responds
three seconds of silence followed by) still verifying (three more seconds of silence) please continue to hold

IVR: Before you can vote I need to verify one last piece of information. Located on the proxy card next to the underlined account number is a box that contains your Proxy Access Number, please enter that number now.

Caller: #####

IVR: Ok you will be voting your proxy for **Unitrin, Inc.**

IVR: You can vote one of two ways. To vote all proposals in accordance with the recommendations of the Board of Directors, press 1. To vote one proposal at a time, press 2.

Caller: *Presses 1*

IVR: If you're planning on attending the annual meeting, press 1. Otherwise, press 2

Caller: *Presses 1 OR 2*

IVR: Ok, just to confirm. You've elected to vote all proposals in accordance with the recommendations of the Board of Directors.

IVR: If this is correct, press 1; to hear how you voted again, press 2 and to change your vote, press 3.

[CONFIRMATION REPEATS IF CALLER PRESSES 2; VOTING STEPS REPEAT IF CALLER PRESSES 3]

Table of Contents

Caller: *Presses 1*

IVR: Please hold while I record your vote.

This message will play repeatedly until the host system reponds (three seconds of silence followed by) please continue to hold

IVR: Your vote has been recorded. It is not necessary for you to mail in your proxy card [*ADD IF CALLER PRESSES 1 ABOVE WHEN ASKED ABOUT ATTENDING MEETING:* and we look forward to seeing you at the meeting]. If you have another proxy card or wish to change your vote, press 1, otherwise I m now going to end this call.

[VOTING STEPS REPEAT IF CALLER PRESSES 1]

Caller: *timeout*

IVR: Thank you for voting, goodbye.

Caller: *Hang-up.*

Table of Contents

SCRIPT OF VOTING ONE PROPOSAL AT A TIME

Dialog between application and the caller

IVR: Welcome to InvestorVote at Computershare. <pause>
To vote, you will need to supply some information from your proxy card, this will only take a moment. If you don't have your card handy, feel free to hang-up and call back when you're ready. To start, please enter the control number (pause), this is the 6 digit number that is circled and located in the colored bar on the front of the card.

Caller: #####

IVR: Next, I'm going to need your holder account number. This number is underlined and located next to the control number. Please enter that number now, excluding any letters or leading zeroes.

Caller: #####

IVR: Thank you, please hold while I verify those numbers.

This message will play repeatedly until the host system responds
three seconds of silence followed by) still verifying (three more seconds of silence) please continue to hold

IVR: Before you can vote I need to verify one last piece of information. Located on the proxy card next to the underlined account number is a box that contains your Proxy Access Number, please enter that number now.

Caller: #####

IVR: Ok you will be voting your proxy for **Unitrin, Inc.**

IVR: You can vote one of two ways. To vote all proposals in accordance with the recommendations of the Board of Directors, press 1. To vote one proposal at a time, press 2.

Caller: *Presses 2*

IVR: Ok, let's vote on each proposal.

IVR: Proposal number 1. The Board of Directors recommends a vote for all nominees.

You have three ways to vote this item. You can vote for all nominees, withhold from all nominees or withhold from individual nominees. To vote for all nominees, press 1; withhold from all, press 2 or withhold from individual nominees, press 3. To cancel and start over, press star.

ALTERNATIVES 1 - 3, DEPENDING ON NUMBER PRESSED BY CALLER:

#1 **Caller:** *Presses 1*

Table of Contents

- IVR:** Okay, voting for all nominees
- Or #2** **Caller:** *Presses 2*
- IVR:** Okay, withholding from all nominees
- Or #3** **Caller:** *Presses 3*
- IVR:** For each nominee listed on your card, there is a corresponding two-digit number. Enter the number corresponding to the nominee you want to withhold.
- Caller:** *Presses [XX]*
- IVR:** Ok, withholding from nominee number [XX].
- To withhold your vote from another nominee, enter the two-digit number. If there are no other nominees you wish to withhold press zero. If you've made a mistake and want to start over, press star.
- [PROCESS STARTS OVER IF STAR IS PRESSED AND PROCESS CONTINUES IF OTHER NUMBERS ARE PRESSED UNTIL CALLER PRESSES 0]*
- Caller:** *Presses 0*
- IVR:** Ok, finished withholding for nominees
- IVR:** Proposal number 2. For which the Board of Directors recommends a vote for . To vote, for , press 1; vote against , press 2; or to abstain , press 3.
- Caller:** *Presses 1, 2 OR 3*
- IVR:** If you're planning on attending the annual meeting, press 1. Otherwise, press 2
- Caller:** *Presses 1 OR 2*
- IVR:** Ok, you've finished voting but before we process your vote let me list your choices and then you can confirm your vote at the end.
- You've elected to vote as follows .
- For proposal number 1, you voted
- [CALLER'S VOTE CONFIRMED]*
- [CALLER'S VOTE CONFIRMED ON]* proposal number 2.
- If this is correct, press 1; to hear how you voted again, press 2 and to change your vote, press 3.
- [CONFIRMATION REPEATS IF CALLER PRESSES 2; VOTING STEPS REPEAT IF CALLER PRESSES 3]*
- Caller:** *Presses 1*

Table of Contents

IVR: Please hold while I record your vote.

This message will play repeatedly until the host system reponds (three seconds of silence followed by) please continue to hold

IVR: Your vote has been recorded. It is not necessary for you to mail in your proxy card *[ADD IF CALLER PRESSES 1 ABOVE WHEN ASKED ABOUT ATTENDING MEETING: and we look forward to seeing you at the meeting].* If you have another proxy card or wish to change your vote, press 1, otherwise I m now going to end this call.

[VOTING STEPS REPEAT IF CALLER PRESSES 1]

Caller: timeout

IVR: Thank you for voting, goodbye.

Caller: Hang-up.

Table of Contents

Table of Contents

Table of Contents

Table of Contents

Table of Contents

Table of Contents

Table of Contents