

DELPHI FINANCIAL GROUP INC/DE

Form DEF 14A

April 08, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities  
Exchange Act of 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

**DELPHI FINANCIAL GROUP, INC.**

(Name of Registrant as Specified in Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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:

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April 8, 2010

Dear Stockholder,

It is a pleasure to invite you to Delphi Financial Group, Inc.'s 2010 Annual Meeting of Stockholders, to be held on May 4, 2010 at the University Club, One West 54th Street, New York, New York, commencing at 10:00 a.m., Eastern Daylight Time. We hope that you will be able to attend.

Whether or not you plan to attend the meeting, please exercise your right to vote as an owner of Delphi Financial Group, Inc. We ask that you review the proxy materials and then mark your votes on the enclosed proxy card and return it in the envelope provided as soon as possible.

At the meeting, the stockholders will be electing directors and voting on the adoption of the 2010 Outside Directors Stock Plan, the adoption of the 2010 Employee Stock Purchase Plan and the ratification of the appointment of the independent registered public accounting firm for 2010, all as described in the enclosed formal Notice of Annual Meeting of Stockholders and Proxy Statement. We will also report on the progress of Delphi Financial Group, Inc. and respond to questions posed by stockholders.

We look forward to seeing you at the Annual Meeting.

Sincerely,

Robert Rosenkranz  
Chairman of the Board

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**DELPHI FINANCIAL GROUP, INC.  
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
TO BE HELD ON MAY 4, 2010**

To the Stockholders of Delphi Financial Group, Inc.:

Notice is hereby given that the 2010 Annual Meeting of Stockholders of Delphi Financial Group, Inc. will be held at the University Club, One West 54th Street, New York, New York on May 4, 2010, commencing at 10:00 a.m., Eastern Daylight Time, for the following purposes:

1. To elect ten directors to serve for a term of one year, one of whom shall be elected by the holders of the Class A Common Stock, voting as a separate class.
2. To consider and vote upon the 2010 Outside Directors Stock Plan.
3. To consider and vote upon the 2010 Employee Stock Purchase Plan.
4. To ratify the appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010.
5. To transact such other business as properly comes before the meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on March 31, 2010 as the record date for stockholders entitled to notice of and to vote at the meeting or any adjournment of the meeting. The list of stockholders entitled to vote at the meeting shall be available at the offices of Delphi Capital Management, Inc., 590 Madison Avenue, New York, New York 10022, for a period of ten days prior to the meeting date.

A copy of Delphi Financial Group, Inc.'s 2009 Annual Report, which includes its Annual Report on Form 10-K for the fiscal year ended December 31, 2009, is being mailed to stockholders together with this notice.

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 4, 2010:**

**The Proxy Statement for the 2010 Annual Meeting of Stockholders and Delphi Financial Group, Inc.'s 2009 Annual Report are available at [www.delphifin.com/financial/proxymaterials.html](http://www.delphifin.com/financial/proxymaterials.html).**

Your attendance at this meeting is very much desired. However, whether or not you plan to attend the meeting, please sign the enclosed Proxy and return it in the enclosed envelope. If you attend the meeting, you may revoke the Proxy and vote in person.

By Order of the Board of Directors,

Robert Rosenkranz  
Chairman of the Board

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**DELPHI FINANCIAL GROUP, INC.  
1105 North Market Street, Suite 1230  
Wilmington, DE 19899  
PROXY STATEMENT**

This Proxy Statement is furnished for the solicitation by the Board of Directors (the Board of Directors or the Board ) of Proxies for the Annual Meeting of Stockholders of Delphi Financial Group, Inc., a Delaware corporation (the Company ), scheduled to be held on May 4, 2010 at the University Club, One West 54th Street, New York, New York, commencing at 10:00 a.m., Eastern Daylight Time. The submission of a signed Proxy will not affect the stockholder s right to attend the meeting and vote in person. Any person giving a Proxy may revoke it at any time before it is exercised by the delivery of a later dated signed Proxy or written revocation sent to the Investor Relations Department of the Company, 1105 North Market Street, Suite 1230, Wilmington, Delaware 19899 or by attending the Annual Meeting and voting in person.

Management of the Company is not aware of any matters other than those set forth herein that may come before the meeting. If any other business should properly come before the meeting, the persons named in the enclosed Proxy will have discretionary authority to vote the shares represented by the effective Proxies and intend to vote them in accordance with their best judgment in the interests of the Company.

The Company s 2009 Annual Report, which includes its Annual Report on Form 10-K for the fiscal year ended December 31, 2009, is being mailed together with this Proxy Statement to each stockholder of record as of the close of business on March 31, 2010.

**MAILING AND VOTING OF PROXIES**

This Proxy Statement and the enclosed Proxy were first mailed to stockholders on or about April 8, 2010. Properly executed Proxies, timely returned, will be voted and, where the person solicited specifies choices with respect to the election of the director nominees chosen by the Board, the shares will be voted as indicated by the stockholder. Each share of the Company s Class A Common Stock, par value \$.01 per share (the Class A Common Stock ), entitles the holder thereof to one vote, and each share of the Company s Class B Common Stock, par value \$.01 per share (the Class B Common Stock ) and, together with the Class A Common Stock, the Common Stock ), entitles the holder thereof to a number of votes per share equal to the lesser of (i) the number of votes such that the aggregate of all outstanding shares of Class B Common Stock will be entitled to cast 49.9% of all of the votes represented by the aggregate of all outstanding shares of Class A Common Stock and Class B Common Stock or (ii) 10 votes. Based on the shares of Common Stock outstanding as of March 31, 2010, the Class B Common Stock will have the number of votes described in clause (i) of the preceding sentence. Proposals submitted to a vote of stockholders will be voted on by holders of Class A Common Stock and Class B Common Stock voting together as a single class, except that holders of Class A Common Stock will vote as a separate class to elect one director (the Class A Director ). Proxies marked as abstaining or which contain no voting indication on any matter to be acted upon by stockholders will be treated as present at the meeting for purposes of determining a quorum but will not be counted as votes cast on such matters. In this regard, since the New York Stock Exchange (the NYSE ) rules no longer grant brokers discretionary authority to vote on behalf of their account holders in the election of directors, any shares held in street name through a broker as to which voting instructions for the elections of directors to occur at the 2010 Annual Meeting are not provided to the broker will not be voted in such elections.

As of March 31, 2010, Mr. Robert Rosenkranz, by means of beneficial ownership of the general partner of Rosenkranz & Company, L.P. and direct share ownership, had the power to vote all of the outstanding shares of Class B Common Stock, which as of such date represented 49.9% of the combined voting power of the Common Stock. Mr. Rosenkranz has entered into an agreement with the Company not to vote or cause to be voted certain shares of Common Stock, if and to the extent that such shares would cause him and Rosenkranz & Company, L.P., collectively, to have more than 49.9% of the combined voting power of the Company s stockholders. Rosenkranz & Company, L.P. and Mr. Rosenkranz have informed the Company that they intend to vote all shares as to which they have voting power in favor of each of (i) the election of all director nominees selected by the Board for which they are entitled to vote, (ii) the adoption of the 2010 Outside Directors Stock Plan, (iii) the adoption of the 2010 Employee Stock Purchase Plan; and (iv) the ratification of the appointment of Ernst & Young LLP as the Company s independent

registered public accounting firm for the fiscal year ending December 31, 2010.

**SOLICITATION OF PROXIES**

The cost of soliciting Proxies will be borne by the Company. It is expected that the solicitation of Proxies will be primarily by mail. The Company has retained Georgeson, Inc. to assist with the solicitation for a fee of \$7,000 plus reasonable out-of-pocket expenses. Proxies may also be solicited by officers and employees of the Company, at no additional cost to the Company, in person or by telephone, e-mail or other means of communication. Upon written request, the Company will reimburse custodians, nominees and fiduciaries holding the Common Stock for their reasonable expenses in sending proxy materials to beneficial owners and obtaining their Proxies.



**Table of Contents****STOCKHOLDERS ENTITLED TO VOTE AND SHARES OUTSTANDING**

Holders of record of Common Stock at the close of business on March 31, 2010 will be eligible to vote at the meeting. The Company's stock transfer books will not be closed. As of the close of business on March 31, 2010, 48,361,466 shares of Class A Common Stock and 5,753,833 shares of Class B Common Stock were outstanding.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information regarding the beneficial ownership of shares of Common Stock by each of the Company's directors and named executive officers, who are identified in the Summary Compensation Table below (see page 19), each person known by the Company to own beneficially more than five percent of the Common Stock and all directors and executive officers of the Company as a group as of March 31, 2010. This information assumes the exercise by each person (or all directors and officers as a group) of such person's stock options exercisable on or within 60 days of such date and the exercise by no other person (or group) of stock options. Unless otherwise indicated, each beneficial owner listed below is believed by the Company to own the indicated shares directly and have sole voting and dispositive power with respect thereto.

Name of Beneficial Owner	Amount and Nature of Ownership	Percent of Class
Class B Common Stock:		
Five or greater percent owner:		
Rosenkranz & Company, L.P.	5,228,739 (1)	86.3%
Directors, Nominees for Director and Named Executive Officers:		
Robert Rosenkranz	6,055,345 (1)	100.0%
Kevin R. Brine		
Thomas W. Burghart		
Lawrence E. Daurelle		
Edward A. Fox		
Steven A. Hirsh		
Harold F. Ilg		
James M. Litvack		
James N. Meehan		
Philip R. O'Connor		
Terrence T. Schoeninger		
Donald A. Sherman		
Robert M. Smith, Jr.		
Robert F. Wright		
Directors, Nominees for Director and Officers as a group (15 persons)	6,055,345	100.0%
Class A Common Stock:		
Five or greater percent owners:		
BlackRock, Inc	3,432,850 (2)	7.1%
EARNEST Partners, LLC	3,250,513 (3)	6.7%
Dimensional Fund Advisors LP	2,915,058 (4)	6.0%
Allianz Global Investors Management Partners LLC	2,800,323 (5)	5.8%
Directors, Nominees for Director and Named Executive Officers:		
Robert Rosenkranz	271,826 (1)	*
Kevin R. Brine	274,699 (6)	*
Thomas W. Burghart	326,172 (7)	*
Lawrence E. Daurelle	304,847 (8)	*
Edward A. Fox	153,753 (9)	*
Steven A. Hirsh	70,541 (10)	*

Harold F. Ilg	337,500 (11)	*
James M. Litvack	48,543 (12)	*
James N. Meehan	71,524 (13)	*
Philip R. O Connor	90,491 (14)	*
Terrence T. Schoeninger	459,238 (15)	*
Donald A. Sherman	414,483 (16)	*
Robert M. Smith, Jr.	123,538 (17)	*
Robert F. Wright	59,356 (18)	*
Directors, Nominees for Director and Executive Officers as a group (15 persons)	(19) 3,087,880	6.1%

\* Amount is less than 1% of Class.

(1) Mr. Rosenkranz, as the beneficial owner of the general partner of Rosenkranz & Company, L.P., has the power to vote the shares of Class B Common Stock held by Rosenkranz & Company, L.P. Accordingly, Mr. Rosenkranz may be deemed to be the beneficial owner of all of the shares of the Company held by Rosenkranz & Company, L.P. Mr. Rosenkranz disclaims beneficial ownership in such shares except to the extent of his pecuniary interest therein. At March 31, 2010, a total of

2,148,175 of such shares were pledged as security in connection with a revolving line of credit, as well as a separate loan and obligations under a standby letter of credit. In addition, Mr. Rosenkranz has direct or beneficial ownership of 525,094 additional shares of Class B Common

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Stock and direct or beneficial ownership of 71,826 shares of Class A Common Stock and may be deemed to be the beneficial owner of 200,000 shares of Class A Common Stock owned by a closely-held corporation. Mr. Rosenkranz disclaims beneficial ownership in such shares except to the extent of his pecuniary interest therein. The remaining indicated shares of Class B Common Stock consist of 301,512 shares of Class B Common Stock which may be acquired pursuant to stock options within 60 days. The address of Rosenkranz & Company, L.P. and Mr. Rosenkranz is 590 Madison Avenue, New York, NY 10022.

- (2) Based on a Schedule 13G/A, dated January 29, 2010, filed with the Securities and

Exchange  
Commission (the  
SEC ),  
BlackRock, Inc.  
is deemed to have  
beneficial  
ownership of  
3,432,850 shares  
of the Class A  
Common Stock  
owned by clients  
of BlackRock,  
Inc., of which  
BlackRock, Inc.  
is considered a  
beneficial owner  
since it shares the  
power to make  
investment  
decisions for  
those clients,  
with no  
BlackRock, Inc.  
client 's interest  
relating to more  
than five percent  
of the class. The  
address of  
BlackRock, Inc.  
is 40 East 52nd  
Street, New  
York, NY 10022.

- (3) Based on a  
Schedule 13G/A,  
dated February 9,  
2010, filed with  
the SEC,  
EARNEST  
Partners, LLC is  
deemed to have  
beneficial  
ownership of  
3,250,513 shares  
of the Class A  
Common Stock  
owned by clients  
of EARNEST  
Partners, LLC, of  
which EARNEST  
Partners, LLC is

considered a beneficial owner since it has the sole power to dispose or to direct the disposition of such shares and the sole or shared power to vote such shares, with no EARNEST Partners, LLC client's interest relating to more than five percent of the class. The address of EARNEST Partners, LLC is 1180 Peachtree Street NE, Suite 2300, Atlanta, GA 30309.

- (4) Based on a Schedule 13G/A, dated February 8, 2010, filed with the SEC, Dimensional Fund Advisors LP is deemed to have beneficial ownership of 2,915,058 shares of the Company's Class A Common Stock owned by advisory clients consisting of commingled group trusts and separate accounts managed by Dimensional Fund Advisors LP, no one of which, to the knowledge of

Dimensional  
Fund Advisors  
LP, owns more  
than five percent  
of the class.

Dimensional  
Fund Advisors  
LP disclaims  
beneficial  
ownership of all  
such securities.

The address of  
Dimensional  
Fund Advisors  
LP is Palisades  
West, Building  
One, 6300 Bee  
Cave Road,  
Austin, Texas  
78746.

- (5) Based on a  
Schedule 13G,  
dated  
February 12,  
2010, filed with  
the SEC, NFJ  
Investment  
Group LLC, a  
wholly owned  
subsidiary of  
Allianz Global  
Investors  
Management  
Partners LLC, is  
deemed to have  
beneficial  
ownership of  
2,800,323 shares  
of the Class A  
Common Stock,  
with NFJ  
Investment  
Group LLC  
having the sole  
power to dispose  
or to direct the  
disposition of  
such shares and  
to vote such  
shares. The

address of NFJ  
Investment  
Group LLC is  
2100 Ross  
Avenue,  
Suite 700, Dallas,  
TX 75201 and  
the address of  
Allianz Global  
Investors  
Management  
Partners LLC. is  
680 Newport  
Center Drive,  
Suite 250,  
Newport Beach,  
CA 92660.

- (6) Of the indicated shares of Class A Common Stock, 1,915 shares are owned directly by Mr. Brine and 211,379 shares are presently owned by a limited partnership beneficially owned by Mr. Brine and are deemed to be beneficially owned by Mr. Brine. The remaining shares indicated consist of 60,766 shares of Class A Common Stock which may be acquired pursuant to stock options within 60 days and 639 Class A Common Stock restricted shares which will vest within 60 days. Mr. Brine s



address is c/o  
Delphi Capital  
Management,  
Inc., 590  
Madison Avenue,  
New York, NY  
10022.

- (7) Of the indicated shares of Class A Common Stock, 3,672 shares are presently owned by Mr. Burghart. The remaining shares indicated may be acquired pursuant to stock options within 60 days.

Mr. Burghart's  
address is c/o  
Reliance  
Standard Life  
Insurance  
Company, 2001  
Market Street,  
Suite 1500,  
Philadelphia, PA  
19103.

- (8) Of the indicated shares of Class A Common Stock, 4,847 shares are presently owned by Mr. Daurelle. The remaining shares indicated may be acquired pursuant to stock options within 60 days.

Mr. Daurelle's  
address is c/o  
Reliance  
Standard Life  
Insurance  
Company, 2001  
Market Street,  
Suite 1500,

Philadelphia, PA  
19103.

- (9) Of the indicated shares of Class A Common Stock, 15,000 shares are presently owned by Mr. Fox. The remaining shares indicated may be acquired pursuant to stock options within 60 days. Mr. Fox's address is c/o Delphi Capital Management, Inc., 590 Madison Avenue, New York, NY 10022.
- (10) The indicated shares of Class A Common Stock include 20,425 shares presently owned by Mr. Hirsh. The remaining shares indicated may be acquired pursuant to stock options within 60 days. Mr. Hirsh's address is c/o Delphi Capital Management, Inc., 590 Madison Avenue, New York, NY 10022.
- (11) All of the indicated shares of Class A Common Stock may be acquired pursuant to stock options within

60 days. Mr. Ilg's address is c/o Safety National Casualty Corp., 1832 Schuetz Road, St. Louis, MO 63146.

(12) Of the indicated shares of Class A Common Stock, 583 shares are presently owned by Mr. Litvack. The remaining shares may be acquired pursuant to stock options within 60 days. Mr. Litvack's address is c/o Delphi Capital Management, Inc., 590 Madison Avenue, New York, NY 10022.

(13) Of the indicated shares of Class A Common Stock, 4,403 shares are presently owned by Mr. Meehan. The remaining shares indicated may be acquired pursuant to stock options within 60 days. Mr. Meehan's address is c/o Delphi Capital Management, Inc., 590 Madison Avenue, New York, NY 10022.

(14) Of the indicated shares of Class A

Common Stock,  
2,500 shares are  
presently owned  
by Mr. O Connor.

The remaining  
shares indicated  
may be acquired  
pursuant to stock  
options within 60  
days.

Mr. O Connor s  
address is c/o  
Delphi Capital  
Management,  
Inc., 590  
Madison Avenue,  
New York, NY  
10022.

- (15) Of the indicated  
shares of Class A  
Common Stock,  
121,738 shares  
are presently  
owned by Mr.  
Schoeninger, who  
retired from the  
position of  
Chairman and  
Chief Executive  
Officer of the  
Company s  
subsidiary, Safety  
National Casualty  
Corporation,  
effective  
December 31,  
2009. The  
remaining shares  
indicated may be  
acquired pursuant  
to stock options  
within 60 days.  
Mr. Schoeninger s  
address is c/o  
Safety National  
Casualty Corp.,  
1832 Schuetz  
Road, St. Louis,  
MO 63146.

(16) Of the indicated shares of Class A Common Stock, 192,370 shares are presently owned by Mr. Sherman. The remaining shares indicated may be acquired pursuant to stock options within 60 days. Mr. Sherman's address is c/o Delphi Capital Management, Inc., 590 Madison Avenue, New York, NY 10022.

(17) Of the indicated shares of Class A Common Stock, 4,938 shares are presently owned by Mr. Smith. Of the shares presently owned, Mr. Smith has sole voting and dispositive power with respect to 3,494 shares and shared voting and dispositive power with respect to 1,444 shares. The remaining shares indicated may be acquired pursuant to stock options within 60 days. Mr. Smith's address is c/o Delphi Capital Management, Inc., 590 Madison Avenue, New York, NY 10022.

(18) Of the indicated shares of Class A Common Stock, 6,647 shares are directly owned by Mr. Wright. In addition, each of Mr. Wright and a corporation wholly owned by Mr. Wright may be deemed to beneficially own 2,974 shares of such stock. The remaining shares indicated may be acquired pursuant to stock options within 60 days. Mr. Wright's address is c/o Delphi Capital Management, Inc., 590 Madison Avenue, New York, NY 10022.

(19) Includes 2,188,628 shares of Class A Common Stock which may be acquired pursuant to stock options within 60 days and 40,069 Class A Common Stock restricted share units.

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The Board of Directors presently consists of eleven members and will be reduced to ten members following the elections to occur at the 2010 Annual Meeting. Each director is elected annually to serve until his successor has been elected and qualified, or he has resigned or been removed from office. All nominees for election are currently directors of the Company and have been previously elected by the Company's stockholders.

The Company's Restated Certificate of Incorporation provides that the holders of Class A Common Stock are entitled to vote as a separate class to elect the Class A Director so long as the outstanding shares of Class A Common Stock represent at least 10% of the aggregate number of outstanding shares of the Company's Class A and Class B Common Stock. As of the date of this Proxy Statement, this condition continues to be satisfied. Mr. Philip R. O Connor was elected by the holders of the Class A Common Stock in 2009 as the Class A Director, and the Board of Directors has unanimously recommended Mr. O Connor for re-election as the Class A Director in 2010.

While it is not expected that any of the nominees will be unable to qualify for or accept office, if for any reason any nominee shall be unable to do so, Proxies that would otherwise have been voted for such nominee will instead be voted for a substitute nominee selected by the Board.

*Nominees for Director*

The following sets forth information as to each nominee for election at the 2010 Annual Meeting, including his age, positions with the Company, length of service as a director of the Company, other directorships currently held, if any, principal occupations and employment and public company directorships during the past five years and other experience, as well as, for each nominee, a brief summary of the qualifications of such person to serve as a director of the Company. In addition to their qualifications indicated in these summaries, these qualifications also include the significant tenures of their service to the Company and, where indicated, its insurance company subsidiaries.

**Robert Rosenkranz**, 67, has served as the Chief Executive Officer of the Company since May 1987 and has served as Chairman of the Board of Directors of the Company since April 1989. He served as President of the Company from May 1987 to April 2006. He also serves as Chairman of the Board or as a Director of the Company's principal subsidiaries and as Chairman and Chief Executive Officer of Delphi Capital Management, Inc. ( DCM ).

Mr. Rosenkranz has served since October 1978 as either sole or managing general partner of Rosenkranz & Company, L.P. or as beneficial owner of its general partner. Mr. Rosenkranz founded Acorn Partners, L.P. in 1982 as a multi-manager, multi-strategy fund of hedge funds and, in 2004, founded Pergamon Advisors LLC ( Pergamon Advisors ), an investment adviser that, along with its affiliated entities, pursues a market neutral equity investment strategy. Mr. Rosenkranz's qualifications to serve as a director of the Company include his years of business experience in the insurance and investment management sectors, including his service as the Company's Chief Executive Officer since its formation in 1987.

**Donald A. Sherman**, 59, has served as the President and Chief Operating Officer of the Company and DCM since April 2006 and has served as a Director of the Company since August 2002. Mr. Sherman also serves as a Director of the Company's principal subsidiaries. Mr. Sherman served as Chairman and Chief Executive Officer of Waterfield Mortgage Company, Inc. ( Waterfield ) from 1999 to 2006 and as President of Waterfield from 1989 to 1999. From 1985 to 1988, he served as President and as a member of the Board of Directors of Hyponex Corporation ( Hyponex ) and from 1983 to 1985 served as Chief Financial Officer of Hyponex. From 1975 to 1983, he held various positions with the public accounting firm of Coopers and Lybrand and was elected to partner in 1981. Mr. Sherman has previously served as a director of White River Capital Inc. Mr. Sherman's qualifications to serve as a director of the Company include his years of business experience in the insurance and banking sectors, including, prior to his service as the Company's President and Chief Operating Officer, service as the chief executive officer of a substantial banking institution.

**Kevin R. Brine**, 59, has served as a Director of the Company since July 2004. He is Managing Director of Artemis IV LLC and a board member of Coyuchi, LLC and Organic Bouquet LLC. Previously, he was a partner and board member of Sanford C. Bernstein & Co., Inc. Over his twenty-two year career at Sanford C. Bernstein & Co., Inc., Mr. Brine had senior management responsibilities for the firm's U.S. Private Client Business and Global Institutional Asset Management Division. Mr. Brine has served as a trustee for the Whitney Museum of American Art and New York University as an Overseer for the Weill Cornell Medical College. Currently, he is an Overseer of the Faculty of

Arts and Science at New York University and Chair of the Dean's Counsel for the Division of Libraries at New York University. He is a trustee of the Jessica E. Smith and Kevin R. Brine Charitable Trust. Mr. Brine's qualifications to serve as a director of the Company include his years of business experience in the investment management sector and his experience in serving as a director and in similar capacities in both the corporate and non-profit sectors.



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**Edward A. Fox**, 73, has served as a Director of the Company since March 1990. He served as Chairman of the Board of SLM Corporation from August 1997 until May 2005, and is currently a Director of Capmark Financial Group, Inc. From May 1990 until September 1994, Mr. Fox was the Dean of the Amos Tuck School of Business Administration at Dartmouth College, and from April 1973 until May 1990, he was President and Chief Executive Officer of the Student Loan Marketing Association (SallieMae). Mr. Fox's qualifications to serve as a director of the Company include his years of business experience in the financial sector, including service as chief executive officer of a major publicly-traded financial institution, and his experience in serving as a director, board committee member and in similar capacities in both the corporate and non-profit sectors.

**Steven A. Hirsh**, 70, has served as a Director of the Company since August 2005. He has also served as a Director of Reliance Standard Life Insurance Company ( RSLIC ) and First Reliance Standard Life Insurance Company ( FRSLIC ) since January 1988. He currently serves as Chairman of the Board and President of Astro Communications, Inc., a provider of industrial lighting products. He previously served as a portfolio manager with William Harris & Company and predecessor firms for thirty-seven years. Mr. Hirsh's qualifications to serve as a director of the Company include his years of business experience in the investment management sector, as well as his experience in the management of various types of business organizations.

**Harold F. Ilg**, 62, has served as a Director of the Company since August 2002. Since April 2008, he has served as Executive Vice President, Business Development of the Company and Chairman Emeritus of Safety National Casualty Corporation ( SNCC ), where he served as Chairman from January 1999 to April 2008. He serves on the Board of Directors of RSLIC, FRSLIC, and Reliance Standard Life Insurance Company of Texas ( RSLIC-Texas ). From April 1999 until October 2000, he served as President and Chief Executive Officer of RSLIC, FRSLIC, and RSLIC-Texas. Prior to January 1999, he served as Vice Chairman of the Board of SNCC, where he had been employed in various capacities since 1978. Mr. Ilg's qualifications to serve as a director of the Company include his years of business experience in the insurance sector, including past service as the Chief Executive Officer of both SNCC and of RSLIC.

**James M. Litvack**, 68, has served as a Director of the Company since August 2005. He has also served as a Director of FRSLIC since April 1990. He is an economic consultant and previously taught economics for 31 years at Princeton University, where he also served as Assistant Dean of the Faculty and as Executive Director of the Ivy League. He has served on numerous commissions advising on financial issues for the State of New Jersey. Mr. Litvack's qualifications to serve as a director of the Company include his years of academic experience and expertise in the field of economics, including associated university administrative responsibilities, and his experience serving on financial advisory commissions in the governmental context.

**James N. Meehan**, 64, has served as a Director of the Company since May 2003. He also has served as a Director of RSLIC since July 1988 and FRSLIC since April 1993. Mr. Meehan retired from Banc of America Securities/Bank of America as a Managing Director in May 2002 after 15 years of service with the organization and its predecessors. During his tenure, he was responsible for the bank's commercial relationships with the insurance industry. Mr. Meehan also serves as a director of American Fuji Fire and Marine Insurance Company and has previously served as a director of Bristol West Holding, Inc. Mr. Meehan's qualifications to serve as a director of the Company include his years of business experience in the banking and investment banking sectors with a focus on insurance company financial matters, and his experience in serving as a director for a number of publicly-traded and other companies in the insurance sector.

**Robert F. Wright**, 84, has served as a Director of the Company since August 2005. He has also served as a Director of RSLIC and RSLIC-Texas since April 1990 and as a Director of FRSLIC since October 1989. He serves as the President and Chief Executive Officer of Robert F. Wright Associates, Inc., a business consultancy which he founded in 1988. Prior to founding this consultancy, he was a senior partner of the public accounting firm of Arthur Andersen. Mr. Wright also serves as a director of The Navigators Group, Inc. and Universal American Corp. and has previously served as a director of USI Holdings Corporation. Mr. Wright's qualifications to serve as a director of the Company include his years of business experience as a business consultant, his years of experience in the field of accounting and his experience in serving as a director and board committee member for a number of publicly-traded and other companies, including a number of companies in the insurance sector.

*Nominee for Class A Director*

**Philip R. O Connor**, 61, has served as a Director of the Company since May 2003. He also has served as a Director of RSLIC since March 1993. Dr. O Connor is currently the President of PROactive Strategies, a provider of policy analysis and advice on insurance and energy regulation. Until November 2008, he also served as a Vice President of Constellation NewEnergy, Inc. ( CNE ), a provider of competitive retail electricity. From March 2007 to March 2008, he served at the U.S. Embassy in Baghdad, Iraq as an advisor to the Iraqi Ministry of Electricity. Dr. O Connor served as the Illinois Director of Insurance from 1979 to 1982. From 1983 through 1985, Dr. O Connor was Chairman of the Illinois Commerce Commission, the utility regulatory body of Illinois, and he served on the Illinois State Board of Elections from 1998 until April 2004. After 1985, Dr. O Connor formed Palmer Bellevue Corporation, an energy and insurance consulting firm that became a part of Coopers and Lybrand in 1993.

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He also serves as a member of the Board of the Big Shoulders Foundation for the schools of the Archdiocese of Chicago and is a member of the Board of the Loyola University Museum of Art in Chicago. Dr. O'Connor's qualifications to serve as a director of the Company include his years of experience in insurance and utility regulatory matters, including service as a state commissioner of insurance and experience as a consultant, and his experience in serving as a director of several companies in the insurance sector.

### **Directors Attendance**

The Board of Directors held nine meetings during 2009. Each incumbent director attended at least 75% of the aggregate of (i) the total number of meetings of the Board of Directors held during the period for which such incumbent was a director and (ii) the total number of meetings held by all committees of the Board of Directors on which such incumbent served. Directors are encouraged to attend each annual meeting of stockholders of the Company where practicable. All of the directors then serving attended last year's annual meeting. The non-management members of the Board of Directors of the Company hold regularly scheduled executive sessions on a quarterly basis, and the presiding director for these sessions is selected by rotating among the chairs of the committees of the Board.

### **Communication with Board of Directors**

Any stockholder or interested party may communicate with the Board of Directors, any Board committee or any individual director(s) by directing such communication in writing to the Company's Secretary, at 1105 North Market Street, Suite 1230, Wilmington, Delaware 19899. The communication should indicate whether the communicating party is a stockholder and whether it is a Board, Board committee or individual director communication, as the case may be. The Secretary will forward such communication to the members of the Board or of the relevant committee or individual director(s), as indicated in such communication.

## **CORPORATE GOVERNANCE**

### **Board Leadership Structure**

As noted above, Robert Rosenkranz has served as the Company's Chairman of the Board since 1989 and as its Chief Executive Officer since 1987. The Board believes that this combination of the Chairman and Chief Executive Officer roles has benefited the Board and the Company by maintaining unified and clear leadership over time and enhancing focus on important matters affecting the Company's business and operating strategy, thus contributing to the more efficient and effective functioning of the Board. As a complement to this structure, as further discussed below, a majority of the Board is composed of independent directors, who comprise all of the members of each of the Board's committees and who meet in executive session as part of each regular Board meeting. Such meetings facilitate an open dialogue between management and the independent directors, enabling them to exercise independent oversight and effectively express an independent perspective.

### **Director Independence**

The Board has adopted categorical standards for evaluating the independence of its members. Under these standards, a director is presumed to be independent if (i) neither the director nor any immediate family member of the director (a family member) is currently employed or has been employed (as an executive officer, in the case of a family member) by the Company during the past three years; (ii) neither the director nor any family member has received in any twelve-month period within the past three years more than \$100,000 in direct compensation from the Company, other than director and committee fees, or in the case of a family member, compensation received for service as a non-executive employee of the Company; (iii) neither the director nor any family member (a) is a current partner (or, in the case of a director, an employee) of a firm that is the Company's external or internal auditor, (b) within the last three years was a partner or employee of such a firm and personally worked on the Company's audit within that time, or, (c) in the case of a family member, is a current employee of such a firm and participates in the Company's audit, assurance or tax compliance (but not tax planning) practice; (iv) neither the director nor any family member is currently employed or has been employed during the past three years as an executive officer of another company where any of the Company's present executives at the same time serves or served on that other company's compensation committee; and (v) the director is not an executive officer, and no family member is an employee, of a company that during the past three full calendar years made payments to, or received payments from, the Company for property or services in an amount which, in any single fiscal year, exceeded the greater of \$1 million or 2% of such

other company's consolidated revenues. In addition, under such standards, a director is not deemed to have a material relationship with the Company that impairs the director's independence as a result of (i) the director or any family member being an executive officer, director or trustee of a foundation, university or other charitable or not-for-profit organization to which the Company or its charitable foundation makes contributions that did not exceed the greater of \$1 million or 2% of such organization's consolidated gross revenues in any single fiscal year during the preceding three years; (ii)

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the director's beneficial ownership of less than 5% of the outstanding equity interests of an entity that has a business relationship with the Company; (iii) the director being an officer or director of an entity that is indebted to the Company, or to which the Company is indebted, where the total amount of the indebtedness was less than 3% of the total consolidated assets of such entity as of the end of the previous fiscal year; or (iv) the director (or an entity of which such director is an officer, employee or director) obtaining products or services from the Company on terms generally available to customers of the Company for such products or services. In making its independence determinations with respect to Messrs. Brine, Fox, Hirsh, Litvack, Meehan, O'Connor and Wright, the Board determined that none of such directors had any relationship with the Company that would be contrary to the provisions of these standards or the listing standards of the NYSE. The Company's director independence standards are available on its website ([www.delphifin.com/corp\\_governance](http://www.delphifin.com/corp_governance)) and in print to any stockholder upon request.

**Committees of the Board of Directors**

The Board of Directors maintains three committees: the Compensation Committee, the Nominating and Corporate Governance Committee (the Governance Committee), and the Audit Committee. Each of such committees is comprised solely of individuals who are independent directors as described above. Descriptions of these committees and their respective duties follow.

**Compensation Committee**

The responsibilities of the Compensation Committee include, among others, oversight and approval of the compensation of the Company's executive officers, including the Chief Executive Officer, administration of the stock option and other stock-related plans of the Company, and making recommendations regarding the compensation of the Company's outside directors. The Compensation Committee's responsibilities and authority are described in greater detail in its written charter, which is available on the Company's website ([www.delphifin.com/corp\\_governance](http://www.delphifin.com/corp_governance)) and in print to any stockholder upon request. The committee's membership consists of Messrs. Wright (Chairman), Meehan and O'Connor. The Compensation Committee held seven meetings during 2009. The Compensation Committee's report is set forth on page 13 of this Proxy Statement.

**Compensation Committee Interlocks and Insider Participation**

Messrs. Meehan, O'Connor and Wright, the directors who served on the Compensation Committee during 2009, are not insiders within the meaning of the Securities Act of 1933 (the Securities Act) and there were no interlocks within the meaning of the Securities Act.

**Governance Committee**

The Governance Committee consists of Messrs. O'Connor (Chairman), Brine and Fox. The Governance Committee, among other things, identifies and recommends to the Board nominees for election as directors, recommends committee appointments to the Board, oversees the Board's performance evaluation processes and reviews proposed and existing related party transactions pursuant to the Company's review policy for such transactions. See Certain Relationships and Related Transactions beginning at page 30 below. The Governance Committee's responsibilities and authority are described in greater detail in its written charter. This charter, along with the Company's Corporate Governance Guidelines and other Company corporate governance-related documents, are available on the Company's website ([www.delphifin.com/corp\\_governance](http://www.delphifin.com/corp_governance)) and in print to any stockholder upon request. The Governance Committee met four times in 2009.

For purposes of identifying Board nominees, the Governance Committee relies primarily on personal contacts of members of the Board and does not maintain a formal process in this regard. The Governance Committee will consider stockholder recommendations of Board nominees which are made in accordance with the requirements set forth below. The Company has not engaged the services of any third party search firm in connection with the identification or evaluation of potential Board nominees. While the Governance Committee has not adopted specific, minimum qualifications for director nominees or a specific policy regarding diversity in the Board's composition, the Board has adopted criteria that are considered by the Governance Committee and the Board in its review of such nominees, individually and as a group, which form part of the Company's Corporate Governance Guidelines. These criteria provide that the members of the Board should bring a range of skills, perspectives and backgrounds and should be composed of individuals who have demonstrated substantial achievements in business, government, education or other relevant fields, and who possess the requisite intelligence, experience and education to make meaningful

contributions to the Board, as well as high ethical standards and a dedication to exercising independent business judgment. The evaluative factors contained in the criteria address, in addition to various factors relevant to these general attributes, whether the nominee has the ability, in light of his or her personal circumstances, to devote sufficient time to carry out his or her duties and responsibilities effectively.

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Any stockholder recommendation of a Board nominee must be sent to the Company at 1105 North Market Street, Suite 1230, Wilmington, Delaware 19899, attention: Secretary, and must be received by the Secretary no later than November 30 of the calendar year preceding the Annual Meeting of Stockholders to which the recommendation relates. The recommendation must include information demonstrating that the person submitting the recommendation is in fact a stockholder, the proposed candidate's written consent to the nomination, background information regarding the proposed candidate and an undertaking by the proposed candidate to provide any further information requested by the Governance Committee, including by means of an in-person interview. The Secretary will forward the recommendation to each member of the Governance Committee. The Governance Committee, with reference to the Board member criteria discussed above and taking into account the Board's then-current needs, size and composition and any other factors it deems relevant, will determine whether to accept such recommendation.

**Audit Committee**

The Audit Committee consists of Messrs. Meehan (Chairman), Brine, Hirsh and Litvack. A copy of the Audit Committee's charter is available on the Company's website ([www.delphifin.com/corp\\_governance](http://www.delphifin.com/corp_governance)) and in print to any stockholder upon request. Pursuant to such charter, the Audit Committee, among other things, assists the Board of Directors in its oversight of the integrity of the Company's financial statements, the Company's compliance with legal and regulatory requirements, the qualifications, independence and performance of the Company's independent auditor, and the performance of the Company's internal audit function. Management has the primary responsibility for the Company's financial statements and its reporting process, including its systems of internal controls, and for the assessment of the effectiveness of the Company's internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002. The independent auditor is responsible for performing an audit of the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board, expressing opinions as to the conformity of such financial statements with generally accepted accounting principles and as to the effectiveness of the Company's internal control over financial reporting. Each of the current members of the Audit Committee meets the criteria for independence set forth in Rule 10A-3 under the Securities Exchange Act of 1934 (the Exchange Act), in addition to the director independence standards described above. See Director Independence above. The Board of Directors has determined that Mr. Meehan is an audit committee financial expert as that term is defined in the rules of the SEC. Further information concerning the Audit Committee and its activities is set forth in the Audit Committee's report set forth on page 31 of this Proxy Statement. The Committee held eight meetings during 2009.

**Board Oversight of Risk**

Management of the Company is responsible for implementing measures to assess, monitor and manage the risks to which the Company and its subsidiaries are subject and, in doing so, is subject to the oversight of the Board, as a whole and acting through its committees. Pursuant to its charter and in accordance with the listing standards of the NYSE, the Audit Committee is responsible for discussing the Company's policies with respect to risk assessment and risk management. To fulfill this responsibility, the Audit Committee, with the participation of all of the other members of the Board, on an annual basis receives from and discusses with management a report describing and assessing the significant risks to which the Company is subject and the steps taken by management to monitor and manage these risks. In addition, on an ongoing basis, significant strategic, financial, operational and other risks, along with management's responses to these risks, are discussed in the context of management's reports on operations and investments presented at the regular meetings of the Board, and in the context of management's reports presented to the Board in connection with the Company's annual financial planning process, and are also addressed in various other presentations by management to the Board and, as to risks specific to their areas of responsibility, its committees.

**Code of Ethics**

The Company has a written Code of Conduct that is applicable to all of the directors and employees of the Company and its subsidiaries, as well as a supplemental written Code of Ethics for Senior Financial Officers that applies specifically to the Company's Chief Executive Officer, President and Chief Operating Officer, Executive Vice President and Senior Vice President and Treasurer. Such Codes are available on the Company's website ([www.delphifin.com/corp\\_governance](http://www.delphifin.com/corp_governance)) and in print to any stockholder upon request. The Company intends to satisfy any disclosure requirements under Item 5.05 of Form 8-K regarding an amendment to, or a waiver from, a provision

of the Code of Ethics by posting such information on its website at the aforementioned address.



**Table of Contents****PROPOSAL TO ADOPT THE 2010 OUTSIDE DIRECTORS STOCK PLAN**

The 2010 Outside Directors Stock Plan (the "2010 Directors Plan") was adopted by the Board on April 1, 2010, subject to stockholder approval. The 2010 Directors Plan is intended to replace the existing Second Amended and Restated Directors Stock Plan, the stock plan for Company's outside directors (the "Existing Directors Plan") which was adopted, in its original form, in 1994 and, upon stockholder approval of the 2010 Directors Plan, the Existing Directors Plan will be terminated as to future grants of awards.

The 2010 Directors Plan is similar to the Existing Directors Plan in that it provides for annual share-based grants to each member of the Board who is not an employee of the Company or a subsidiary of the Company (an "outside director"), as well as for grants of stock options or restricted shares to outside directors in lieu of cash as payment of their annual retainer for Board service (the "Annual Retainer"), at the individual election of each outside director. See

Directors Compensation, beginning at page 29 below. However, in the case of the annual share-based grants, such grants will consist of equal components of restricted shares and stock options under the 2010 Directors Plan, as further described below, rather than entirely of stock options, as has been the case under the Existing Directors Plan. The number of shares of Class A Common Stock available for issuance under the 2010 Directors Plan is 750,000, subject to certain antidilution adjustments set forth in the plan.

The following summary of the 2010 Directors Plan is qualified in its entirety by reference to the actual text of the 2010 Directors Plan document, which is attached as Exhibit A to this Proxy Statement.

*Annual Grants of Restricted Shares and Options.* Under the 2010 Directors Plan, on the business day following the Company's annual meeting of stockholders for each year that the plan is in effect, each outside director then in office will be granted (a) restricted shares of Class A Common Stock in an amount equal to the nearest whole number determined by dividing \$50,000 by the fair market value on the award date and (b) options exercisable for a number of shares of Class A Common Stock equal to the nearest whole number determined pursuant to the following formula:  $\text{Number of Option Shares} = (\$50,000 \text{ multiplied by } 3) \text{ divided by (fair market value on the award date)}$ . For the option grant, the exercise price per share is 100% of the fair market value of the Class A Common Stock on the date of the grant. For all purposes of the 2010 Directors Plan, the fair market value for a given date is the closing price per share of Class A Common Stock, as reported through the NYSE (the "NYSE Closing Price"), for such date. The restricted shares and options vest in three equal annual installments, commencing on the first anniversary of the date of the grant, and the options expire ten years from the date of grant.

*Annual Retainer.* The 2010 Directors Plan also provides for the Annual Retainer to be paid through the grant of options to purchase shares of Class A Common Stock to each outside director for the period from the director's date of election to the Board to the Company's next annual meeting of stockholders, unless such director makes an election in advance to receive all or part of the Annual Retainer in cash or in restricted shares for such period. Options (or, to the extent elected by the outside director, restricted shares) are granted on the first business day following the date on which each outside director is elected, reelected or appointed. The number of shares of Class A Common Stock to which each option relates is equal to (a) three times the director's Annual Retainer that would otherwise be payable in cash for the applicable period divided by (b) the NYSE Closing Price on the date of grant, and the exercise price is 100% of the NYSE Closing Price on the date of grant. If restricted shares are elected by an outside director, the number of restricted shares granted to the outside director will be the nearest number of whole shares determined by dividing the Annual Retainer by the NYSE Closing Price on the date of grant. Options or restricted shares granted in respect of the Annual Retainer become vested in four equal 90-day installments and options expire ten years from the date of grant. The number of options or restricted shares that an outside director may receive in lieu of cash for the Annual Retainer will depend on the time at which such director is elected and the fair market value of the Class A Common Stock on the date of grant and, therefore, are not determinable in advance.

*Discretionary Grant Provision.* In addition to the formulaic annual option and restricted share grants for which the 2010 Directors Plan provides, the Board may make grants of options to outside directors at such times and in such amounts as are determined by such committee in its discretion. As is the case for options granted under the formulaic provisions of the plan, the exercise price for any options granted under this provision would be the NYSE Closing Price on the date of grant. It is anticipated that grants under this provision will occur primarily under unusual circumstances in which the formulaic provisions would not otherwise effectively operate; for example, as to a new

outside director joining the Company's Board on a date other than the annual grant date under the formulaic provisions.

*Change of Ownership, Death and Disability.* In the event of a change of ownership (as defined in the 2010 Directors Plan), all options outstanding under the 2010 Directors Plan will become immediately exercisable in full, and all restricted shares granted under the plan will become vested in full. In the event that an outside director dies or becomes disabled, all of such director's options outstanding under the 2010 Directors Plan will become immediately exercisable in full, and all of such director's restricted shares granted under the plan will become vested in full.

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*Amendment.* The Board may amend, suspend or discontinue the 2010 Directors Plan, subject to the approval of stockholders of the Company where such approval is required by law or regulation or pursuant to the rules of any stock exchange or market on which the Shares may be traded.

*Market Value.* The per share closing price of the Shares on March 31, 2010 was \$25.16.

**U.S. Federal Income Tax Consequences**

The following is a summary of the federal income tax consequences of the 2010 Directors Plan, based upon current provisions of the Internal Revenue Code of 1986, as amended (the Code), the Treasury regulations promulgated thereunder and administrative and judicial interpretation thereof, and does not address the consequences under any state, local or foreign tax laws.

*Stock Options.* Options to purchase Class A Common Stock granted under such plan will be treated as nonqualified stock options for federal income tax purposes. No taxable income will be recognized by the optionee upon the grant of nonqualified stock options. In general, the optionee will recognize ordinary taxable income in the year in which the options are exercised equal to the excess of the fair market value of the shares received upon exercise over the exercise price. The Company will generally be entitled to a deduction in an equivalent amount. Any gain or loss upon a subsequent sale or exchange of the shares received will be capital gain or loss, long-term or short-term, depending on the holding period for the shares.

*Restricted Shares.* An outside director who receives restricted shares will generally recognize ordinary income at the time that they vest; i.e., when they are not subject to a substantial risk of forfeiture. The amount of ordinary income so recognized will be the fair market value of the shares of Class A Common Stock at the time the income is recognized (determined without regard to forfeiture conditions). This amount is generally deductible for federal income tax purposes by the Company. Dividends paid with respect to unvested shares of Class A Common Stock will be ordinary compensation income to the outside director (and generally deductible by the Company). Any gain or loss upon a subsequent sale or exchange of the shares, measured by the difference between the sale price and the fair market value on the date the shares vest, will be capital gain or loss, long-term or short-term, depending on the holding period for the shares. The holding period for this purpose will begin on the date following the date the shares vest.

In lieu of the treatment described above, an outside director may elect immediate recognition of income under Section 83(b) of the Code. In such event, the outside director will recognize as income the fair market value of the restricted shares at the time of grant (determined without regard to forfeiture conditions), and the Company will generally be entitled to a corresponding deduction. Dividends paid with respect to shares of Class A Common Stock as to which a proper Section 83(b) election has been made will not be deductible to the Company. If a Section 83(b) election is made and the restricted shares are subsequently forfeited, the outside director will not be entitled to any offsetting tax deduction.

**Recommendation of the Board of Directors**

The Board of Directors recommends a vote **FOR** the adoption of the 2010 Outside Directors Stock Plan.

**PROPOSAL TO ADOPT THE 2010 EMPLOYEE STOCK PURCHASE PLAN**

The 2010 Employee Stock Purchase Plan (the 2010 ESPP) was adopted by the Board on April 1, 2010, subject to stockholder approval. The 2010 ESPP is intended to replace, beginning with the offering period to commence on July 1, 2010, the Company's existing Employee Stock Purchase Plan, which was established in 1994 (the Existing ESPP). The terms of the 2010 ESPP, which are described below, are substantially similar to those of the Existing ESPP. The number of shares reserved for issuance to employees of the Company under the 2010 ESPP is 750,000. Because the 2010 ESPP will continue the Company's practice of providing its employees with an advantageous means of increasing their equity ownership in the Company, thus further aligning their interests with those of the Company's stockholders, the Board of Directors believes that it is desirable that the 2010 ESPP be adopted.

The following describes the material terms of the 2010 ESPP. This description does not purport to be complete and is qualified in its entirety by reference to the full text of the Share Purchase Plan as amended, which is attached hereto as Exhibit B.

It is the intention of the Company that this plan will qualify as an employee stock purchase plan under Section 423 of the Code. The 2010 ESPP will be administered by the Compensation Committee.



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In general, all employees of the Company and any subsidiaries designated by the Compensation Committee from time to time shall be eligible to participate in the 2010 ESPP. However, unless determined otherwise by the Compensation Committee, the following employees of the Company and its subsidiaries will be excluded from participation in the 2010 ESPP: (i) employees who have been employed less than twelve months, and (ii) employees whose customary employment is not more than twenty hours per week or not more than five months per calendar year. The number of employees eligible to participate in the 2010 ESPP is currently approximately 1,350.

Under the 2010 ESPP, unless otherwise determined by the Compensation Committee, offerings will be made at the commencement of each twenty-six week period beginning each January 1 and July 1 (each twenty-six week period, an

Offering Period ) during which deductions are made from the pay of participants (in accordance with their authorizations) and credited to their payroll deduction accounts under the 2010 ESPP, beginning with the Offering Period commencing on July 1, 2010. Shares of Class A Common Stock will be purchased for each participant in the 2010 ESPP as of the last day of each Offering Period, with the money deducted from his or her payroll deduction account at the end of the Offering Period. The purchase price per share of Class A Common Stock will be either (i) an amount equal to 85% of the fair market value of a share of Common Stock on the first or last day of the Offering Period, whichever is lower, or (ii) such higher price as may be set by the Compensation Committee before the first day of the Offering Period.

A participant may elect to have payroll deductions made under the 2010 ESPP for the purchase of Class A Common Stock in an amount not to exceed the lesser of 10% of the participant's compensation, \$21,250 per calendar year, or the \$25,000 limit imposed by Section 423(b)(8) of the Code. Compensation for the purposes of the 2010 ESPP means the participant's pay for services, including overtime, premium pay, commissions and annual bonus, exclusive of severance pay, tuition, automobile expense or moving expense reimbursement or allowances, and any imputed taxable income resulting from any group life insurance coverage provided by the Company or a subsidiary. Contributions to the 2010 ESPP will be on an after-tax basis. A participant may terminate his or her payroll deductions at such times as the Compensation Committee may permit and subject to such rules and procedures established by the Compensation Committee.

A payroll deduction account will be established for each participant in the 2010 ESPP. Amounts deducted from participants' paychecks will be credited to their payroll deduction accounts. No interest will accrue with respect to any amounts credited to the payroll deduction accounts, unless the Compensation Committee so prescribes. As of the last day of each Offering Period, the amount credited to a participant's payroll deduction account will be used to purchase the largest number of whole shares of Class A Common Stock possible based upon such amount at the price as determined above. The Class A Common Stock will be purchased directly from the Company. No brokerage or other fees will be charged to participants.

A participant may withdraw from participation in the 2010 ESPP at any time during an Offering Period by written notice to the Company. Upon withdrawal, a participant's account balance will be distributed as soon as practicable and no shares of Class A Common Stock will be purchased for such participant. Rights to purchase shares of Class A Common Stock under the 2010 ESPP are exercisable only by the participant and are not transferable, except by the laws of descent and distribution.

The 2010 ESPP may be amended by the Board of Directors, without shareholder approval, at any time and in any respect, unless shareholder approval of the amendment in question is required under Section 423 of the Code. The 2010 ESPP may also be terminated at any time by the Board of Directors.

### **Federal Income Tax Consequences**

The following is a summary of certain of the federal income tax consequences to participants in the 2010 ESPP and to the Company, based upon current provisions of the Code and the regulations and rulings thereunder, and does not address the consequences under state or local or any other applicable tax laws.

Participants in the 2010 ESPP will not recognize income at the time that a purchase right is granted to them at the beginning of an Offering Period or when they purchase shares at the end of the Offering Period. However, participants will be taxed on amounts withheld from their salary under the 2010 ESPP as if actually received, and the Company will generally be entitled to a corresponding income tax deduction.

If a participant disposes of the shares of Class A Common Stock purchased pursuant to the 2010 ESPP after one year from the end of the applicable Offering Period and two years from the beginning of the applicable Offering Period, the participant must include in gross income as compensation (as ordinary income and not as capital gain) for the taxable year of disposition an amount equal to the lesser of (a) the excess of the fair market value of such shares at the beginning of the applicable Offering Period over the purchase price computed on the first day of the Offering Period or (b) the excess of the fair market value of such shares at the time

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of disposition over their purchase price. Thus, if the one and two year holding periods described above are met, a participant's ordinary compensation income will be limited to the discount available to the participant on the first day of the applicable Offering Period. If the amount recognized upon such a disposition by way of sale or exchange of the Class A Common Stock exceeds the purchase price plus the amount, if any, included in income as ordinary compensation income, such excess will be long-term capital gain. If the one and two year holding periods described above are met, the Company will not be entitled to any income tax deduction.

If a participant disposes of the shares of Class A Common Stock within one year from the end of the applicable Offering Period or two years from the beginning of the Offering Period, the participant will recognize ordinary income at the time of disposition which will equal the excess of the fair market value of such shares on the date the participant purchased the shares (i.e., the end of the applicable Offering Period) over the amount paid for the shares. The Company will generally be entitled to a corresponding income tax deduction. The excess, if any, of the amount recognized on disposition of such shares of Class A Common Stock over their fair market value on the date of purchase (i.e., the end of the applicable Offering Period) will be short-term capital gain, unless the participant's holding period for such shares (which will begin at the time of the participant's purchase at the end of the Offering Period) is more than one year. If the participant disposes of the shares for less than the purchase price for the shares, the difference between the amount recognized and such purchase price will be a long- or short-term capital loss, depending upon the participant's holding period for the shares.

**Market Value**

The closing price per share of Class A Common Stock on March 31, 2010 was \$25.16.

**New Plan Benefits**

Participation in the 2010 ESPP is voluntary. Accordingly, the Company cannot at this time determine the amount of shares of Class A Common Stock that will be acquired by participants or the dollar value of any such participation.

**Recommendation of the Board of Directors**

The Board of Directors recommends a vote **FOR** adoption of the 2010 Employee Stock Purchase Plan.

**PROPOSAL TO RATIFY THE APPOINTMENT OF**

**THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2010**

On April 1, 2010, the Audit Committee appointed Ernst & Young LLP to serve as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010. The Company has engaged Ernst & Young LLP and its predecessors to serve in this capacity continuously since the formation of the Company in 1987. Although stockholder ratification of this appointment is not required, the Company is requesting this ratification. If the appointment is not ratified, the Audit Committee may reconsider such appointment. Even if the appointment is ratified, the Audit Committee has the authority to terminate the services of Ernst & Young LLP and select and retain another independent registered public accounting firm at any time.

For further information concerning Ernst & Young LLP, see Independent Registered Public Accounting Firm beginning at page 31 below.

**Recommendation of the Board of Directors**

The Board of Directors recommends a vote **FOR** the ratification of the appointment of Ernst & Young LLP to serve as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2010.

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**EXECUTIVE COMPENSATION  
COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the following Compensation Discussion and Analysis with management, and, based on such review and discussion, recommended to the Board of Directors that such Compensation Discussion and Analysis be included in the Company's proxy statement relating to the 2010 Annual Meeting of Stockholders.

Robert F. Wright, Chairman

James N. Meehan

Philip R. O'Connor

**COMPENSATION DISCUSSION AND ANALYSIS**

**Introduction**

This Compensation Discussion and Analysis describes the material elements of compensation for the Company's executive officers identified in the Summary Compensation Table below (who are referred to below as the "named executive officers"), the process by which such elements are determined and established by the Compensation Committee for the respective individuals and the principles and considerations underlying such determinations. The compensation decisions for the named executive officers relating to 2009 took into account, among other things, the Company's favorable consolidated financial results and investment portfolio performance for the year, which in both cases were significantly improved from 2008 and exceeded the Company's plan for the year, and, for the named executive officers employed by the Company's insurance subsidiaries, the favorable operating performance of these subsidiaries for the year, in light of the market conditions to which they were subject. Discussions relating to the Company's consolidated financial results and insurance operating performance for the year are contained in the Management's Discussion and Analysis section of the Company's 2009 Annual Report on Form 10-K. In addition, during 2009, upon the recommendation of management and in consultation with the Compensation Committee, the Company froze all of its qualified and supplemental pension plans. These actions, which were accompanied by an enhancement to the Company's 401(k) plan contributions for the participants in the frozen plans, were taken in order to manage the level and predictability of the expenses associated with the provision of retirement benefits to the Company's employees. All of the named executive officers other than Mr. Schoeninger are participants in these plans and the plan freezes will apply to these officers. See Pension Plan, SERP and DCM Pension Plan, beginning at page 25 below.

**Compensation Objectives and Approach**

The objectives of our compensation programs are to attract, motivate, retain and reward executives and employees who will make substantial contributions toward the Company's meeting the financial, operational and strategic objectives that we believe will build substantial value for the Company's stockholders. In an effort to achieve these objectives, the key elements of such programs consist of base salary, annual cash bonuses and share-based compensation. The Company emphasizes share-based compensation awards as a large proportion of the named executive officers' total compensation in an effort to align their interests with those of the Company's stockholders, since such awards will appreciate or depreciate in value to the extent that the market price of the Company's common stock increases or decreases over time. These awards entail substantial time vesting requirements to facilitate continued employee retention and, in certain cases, are contingent on the satisfaction of multi-year performance goals, as described below.

The Compensation Committee believes that although a substantial portion of the compensation provided to the Company's executive officers is performance-based, our executive compensation programs do not create incentives for excessive risk-taking. The structures of these programs, as described in more detail below, encourage the executive officers of the Company and of its subsidiaries, including the named executive officers, to remain focused on both short- and long-term operational and financial goals in several important respects. For example, under the terms of the deferred or restricted share units granted to the named executive officers, such officers are not entitled to receive the underlying shares of Company stock until after their termination of employment, thus encouraging a focus upon sustained long-term performance in our stock price. As another example, the multi-year performance goals under the performance-contingent incentive option programs for the executive officers of our insurance subsidiaries encourage



them to focus on achieving strong financial performance for these subsidiaries over long-term periods.

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