

UNICO AMERICAN CORP
Form DEF 14A
April 22, 2009

SCHEDULE 14A

(RULE 14A-101)

SCHEDULE 14A INFORMATION

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

Filed by the registrant [X]

Filed by a party other than the registrant []

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 Rule 14a-11(c) or Rule 14a-12.

UNICO AMERICAN CORPORATION

(Name of Registrant as Specified in Its Charter)

Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of filing fee (check the appropriate box):

[X] No fee required.

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

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

[] 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:

UNICO AMERICAN CORPORATION
23251 Mulholland Drive
Woodland Hills, California 91364-2732

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held Thursday, May 28, 2009

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Unico American Corporation (the "Company") to be held at the Hilton Garden Inn, 24150 Park Sorrento, Calabasas, California 91302, at 2:00 p.m. local time, to consider and act upon the following matters:

The election of nine (9) directors to hold office until the next annual meeting of shareholders and until their
1. successors are elected and qualified; and

The transaction of such other business as may properly be brought before the meeting.
2.

The Board of Directors has fixed the close of business on April 10, 2009, as the record date for the determination of shareholders who will be entitled to notice of and to vote at the meeting. The voting rights of the shareholders are described in the Proxy Statement.

IT IS IMPORTANT THAT ALL SHAREHOLDERS BE REPRESENTED AT THE ANNUAL MEETING. SHAREHOLDERS WHO DO NOT PLAN TO ATTEND THE MEETING IN PERSON ARE REQUESTED TO VOTE, DATE, AND RETURN THE ENCLOSED PROXY IN THE ACCOMPANYING POSTAGE-PAID AND ADDRESSED RETURN ENVELOPE. PROXIES ARE REVOCABLE AT ANY TIME, AND SHAREHOLDERS WHO ARE PRESENT AT THE MEETING MAY WITHDRAW THEIR PROXIES AND VOTE IN PERSON IF THEY SO DESIRE.

By Order of the Board of Directors,

/s/ Cary L. Cheldin

Cary L. Cheldin
Chairman of the Board, President, and
Chief Executive Officer

Woodland Hills, California
April 22, 2009

UNICO AMERICAN CORPORATION
23251 Mulholland Drive
Woodland Hills, California 91364-2732

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

May 28, 2009

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Unico American Corporation, a Nevada corporation (the "Company"), for use at the Annual Meeting of Shareholders of the Company to be held at the Hilton Garden Inn, 24150 Park Sorrento, Calabasas, California 91302, on May 28, 2009, at 2:00 p.m. local time. Accompanying this Proxy Statement is a proxy card, which you may use to indicate your vote as to each of the proposals described in this Proxy Statement. If you are planning to attend our Annual Meeting and require directions to the meeting, please call 818-591-9800 Extension 565.

All shares represented by proxies that are properly completed, signed, and returned to the Company prior to the Annual Meeting and which have not been revoked, will be voted in accordance with instructions contained in the proxies. At the Annual Meeting, the only scheduled matter to be acted upon by the shareholders is the election of nine (9) directors to hold office until the next annual meeting of shareholders and until their successors are elected and qualified. The Board of Directors recommends a vote FOR the nominees for director listed in the proxy. In the absence of voting instructions to the contrary, shares represented by properly executed proxies will be voted in accordance with the foregoing recommendation. The Company does not know of any other matter that will be presented for action at the Annual Meeting, but if any other matter is properly presented, the persons that are named in the accompanying proxy will vote thereon in accordance with their best judgment. A shareholder may revoke his or her proxy at any time before it is voted either by filing with the Secretary of the Company at its principal executive offices a written notice of revocation or a duly executed proxy bearing a later date or by appearing in person at the Annual Meeting and expressing a desire to vote his or her shares in person.

The close of business on April 10, 2009, has been fixed as the record date for the determination of shareholders entitled to notice of and to vote at the Annual Meeting or any adjournment thereof. As of the record date, the Company had outstanding 5,567,627 shares of common stock, the only outstanding voting security of the Company. For each share held on the record date, a shareholder is entitled to one vote on all matters to be considered at the Annual Meeting. The Company's Articles of Incorporation do not provide for cumulative voting. Directors are elected by a plurality of the votes cast and abstentions and broker non-votes are counted for the purposes of determining the existence of a quorum at the meeting but not for purposes of determining the results of the vote.

The Company will bear the cost of the Annual Meeting and the cost of soliciting proxies, including the cost of preparing, assembling and mailing the proxy material. In addition to solicitation by mail, officers and other employees of the Company may solicit proxies by telephone, facsimile, or personal contact without additional compensation.

The Company's principal executive offices are located at 23251 Mulholland Drive, Woodland Hills, California 91364-2732. The approximate mailing date of this Proxy Statement and the Company's proxy card is April 22, 2009.

ELECTION OF DIRECTORS

The Company's Bylaws provide for a range of three to eleven directors and allow the Board of Directors to set the exact number of authorized directors within that range. The current number of authorized directors is nine (9). Directors are elected at each Annual Meeting of Shareholders to serve thereafter until their successors have been duly elected and qualified. Each nominee is currently a director having served in that capacity since the date indicated in the following table. All nominees have advised the Company that they are able and willing to serve as directors. If any nominee refuses or is unable to serve (an event which is not anticipated), the persons named in the accompanying proxy card will vote for another person nominated by the Board of Directors. Unless otherwise directed in the accompanying proxy card, the persons named therein will vote FOR the election of the nine nominees listed in the following table.

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The following table provides certain information as of April 10, 2009, for each person nominated for election as a director, all of whom are presently serving as directors, and which includes all executive officers of the Company:

Name	Age	Present Position with Company or Principal Occupation and Prior History	First Elected Director
Cary L. Cheldin	52	President and Chief Executive Officer since April 1, 2009. Executive Vice President 1991 to 2009. Vice President 1986 to 1991 and Secretary 1987 to 1991.	1983
Lester A. Aaron, CPA	63	Treasurer and Chief Financial Officer since 1985. Secretary 1991 to 1992.	1985
Terry L. Kinigstein	63	General Counsel since 2002. Vice President and Secretary since 2008.	2008
Erwin Cheldin	77	Retired from the Company effective April 1, 2009. Formerly President and Chief Executive Officer 1969 to 2009 and Chairman of the Board 1987 to 2009.	1969
George C. Gilpatrick	64	Retired from the Company in 2008. Formerly Vice President, Management Information Systems 1981 to 2008 and Secretary 1982-2008.	1985
David A. Lewis, CPCU	87	Retired insurance executive with over 40 years' insurance experience. The last 28 years were with the Transamerica Group of insurance companies.	1989
Warren D. Orloff	74	Retired actuary with over 40 years' experience specializing in retirement plans. From 1990 until retiring in 1997, he was an independent actuarial consultant for pension administration firms. He is a Fellow of Society of Actuaries, Fellow of Conference of Consulting Actuaries, and member of Academy of Actuaries.	2001
Donald B. Urfrig	67	Consulting engineer in the areas of project management and integrated product development since 1996. In addition, he is also a private investor and owner of commercial and agricultural businesses for the past 36 years. From 1963 to 1996 he worked in the aerospace industry in both technical and management positions.	2001
John P. Kocourek	54	Semi-retired insurance executive with over 28 years experience in the reinsurance business. From 2001 to 2008 was with Willis Re, Inc., reinsurance brokers. Currently works part-time as a consultant in the insurance/reinsurance industry.	2008

On March 23, 2009, the Board of Directors elected Mr. Cary L. Cheldin as Chairman of the Board of Directors, President and Chief Executive Officer of the Company effective April 1, 2009. Mr. Cary L. Cheldin replaced Mr. Erwin Cheldin, who retired effective April 1, 2009 as Chairman of the Board of Directors, President, Chief Executive Officer and as an employee of the Company. Mr. Erwin Cheldin continued as a Director of the Company. Except for Cary L. Cheldin, who is the son of Erwin Cheldin, none of the executive officers or directors of the Company are related to any other officer or director of the Company. The executive officers of the Company are elected by the Board of Directors. Messrs. Cary L. Cheldin, Lester A. Aaron and Terry L. Kinigstein each serves in his present

office pursuant to an employment agreement with the Company. The employment agreement of Cary L. Cheldin was amended effective April 1, 2009, to indicate the change in his offices and responsibility and to extend the end of the term of the agreement from December 31, 2012 to December 31, 2013. The employment agreement of Mr. Aaron was amended effective April 1, 2009, to extend the end of the term of the Agreement from December 31, 2010 to December 31, 2011. The employment agreement of Mr. Kinigstein expires December 31, 2011.

Messrs. Erwin Cheldin, Cary L. Cheldin, Lester A. Aaron, and George C. Gilpatrick who hold approximately 50.519% of the voting power of the Company have agreed to vote the shares of common stock held by each of them so as to elect each of them to the Board of Directors and to vote on all other matters as they may agree. As a result of this agreement, the Company is a "Controlled Company" as defined in the NASDAQ Stock Market ("NASDAQ") Marketplace Rule 4350(c)(5). A Controlled Company is exempt from the requirements of NASDAQ Marketplace Rule 4350(c) requiring that (i) the Company have a majority of independent directors on the Board of Directors, (ii) the Compensation Committee be composed solely of independent directors, (iii) the compensation of the executive officers be determined by a majority of the independent directors or a compensation committee comprised solely of independent directors and (iv) director nominees be elected or recommended either by a majority of the independent directors or a nominating committee comprised solely of independent directors. The Board of Directors determined that Messrs. Kocourek, Lewis, Orloff, and Urfrig are independent directors as defined by NASDAQ listing standards. In reaching the conclusion that Mr. Kocourek is an independent director, the Board of Directors considered the fact that he is rendering consulting services in the insurance/reinsurance industry including consulting to Willis Re, Inc., a reinsurance broker to the Company.

During the year ended December 31, 2008, the Company's Board of Directors held one meeting. Non-employee directors met without any management directors or employees present four times during the year ended December 31, 2008. Non-employee directors receive \$2,000 each quarter plus \$1,000 for each board meeting they attend. All directors attended at least 75% of the combined total meetings of the Board of Directors and the committees on which they served.

Director Compensation

The compensation of the Company's non-employee directors for the last completed fiscal year is as follows:

Name	Fees Earned or Paid Total in Cash\$ \$
David A. Lewis, CPCU	9,000 9,000
Warren D. Orloff	9,000 9,000
Donald B. Urfrig	9,000 9,000
George C. Gilpatrick	6,000 6,000
John P. Kocourek	6,000 6,000

Committees of the Board of Directors

The Board of Directors has established an Audit Committee in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 presently consisting of David A. Lewis, Warren D. Orloff, and Donald B. Urfrig. The Audit Committee of the Board of Directors oversees the accounting and financial reporting processes of the Company and the audits of its financial statements and has a written charter, a copy of which was an appendix to the Company's Proxy Statement for the Annual Meeting of Shareholders held on May 24, 2007. The Audit Committee met four times during the year ended December 31, 2008, and held one meeting subsequent to the year ended December 31, 2008, to

discuss accounting and financial statement matters related to the year ended December 31, 2008. Messrs. Lewis, Orloff and Urfrig are independent in compliance with the independent standards applicable to audit committee members contained in the NASDAQ listing standards. The Board of Directors has determined that the Company does not have an "Audit Committee Financial Expert" as defined by the SEC serving on the Audit Committee. The Board of Directors believes that the members of the Audit Committee are able to read and understand financial statements of the Company, are familiar with the Company and its business, and are capable of fulfilling the duties and responsibilities of an Audit Committee without the necessity of having an "Audit Committee Financial Expert" as a member.

The Board of Directors has also established a Compensation Committee presently consisting of Messrs. Cary L. Cheldin, Aaron, and Orloff. Messrs. Cary L. Cheldin and Aaron are executive officers of the Company and Cary L. Cheldin is the son of Erwin Cheldin, who served as the Company's chief executive officer during 2008. This Committee considers and recommends to the Board of Directors compensation for executive officers. The Compensation Committee held one meeting during the year ended December 31, 2008. The Compensation Committee does not have a charter.

The Company does not have a Nominating Committee of the Board of Directors. The Board of Directors consists of nine members. Since four directors, of which two are presently executive officers, control approximately 50.5% of the voting power of the outstanding common stock of the Company, the Board of Directors believes that it is appropriate not to have a Nominating Committee. If there were a new nominee for Director to be considered, it is expected that all of the directors would participate in the process. The Board of Directors does not have a formal policy with regard to the consideration of any director candidates recommended by shareholders. The Board of Directors, however, would consider qualified nominees recommended by shareholders. Shareholders who wish to recommend a qualified nominee should submit complete information as to the identity and qualifications of the person recommended to the Secretary of the Company at 23251 Mulholland Drive, Woodland Hills, California 91364-2732. Absent special circumstances, the Board of Directors will continue to nominate qualified incumbent directors whom the Board of Directors believes will continue to make important contributions to the Board of Directors. The Board of Directors generally requires that nominees be persons of sound ethical character, be able to represent all shareholders fairly, have no material conflicts of interest, have demonstrated professional achievement, have meaningful experience, and have a general appreciation of the major business issues facing the Company. The Board of Directors does not have a formal process for identifying and evaluating nominees for director.

Communications with the Board of Directors

The Company provides a process for shareholders to send communications to the Board of Directors or any of the directors. Shareholders may send written communications to the Board of Directors or any director, c/o Secretary, Unico American Corporation, 23251 Mulholland Drive, Woodland Hills, California 91364. All communications will be compiled by the Secretary of the Company and will be submitted to the members of the Board of Directors or to the individual director to whom it was addressed on a periodic basis. The Company does not have a policy with regard to directors' attendance at the Annual Meeting of Shareholders. Four of the directors attended the 2008 Annual Meeting of Shareholders.

Code of Ethics

The Company has adopted a Code of Ethics that applies to its principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the Code of Ethics may be obtained, without charge, upon written request to the Secretary, Unico American Corporation, 23251 Mulholland Drive, Woodland Hills, California 91364.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of April 10, 2009, the names and holdings of all persons who are known by the Company to own beneficially more than 5% of its outstanding common stock, its only class of outstanding voting securities, and the beneficial ownership of such securities held by each director, nominee for director, and all Executive Officers and nominees for director as a group. Unless otherwise indicated, the Company believes that each of the persons and entities set forth below has the sole power to vote and dispose of the shares listed opposite his or its name as beneficially owned by him or it.

Name and Address of Beneficial Owner	Amount Beneficially Owned	Percent Of Class
Certain Beneficial Owners		
Erwin Cheldin (1) 23251 Mulholland Drive, Woodland Hills, CA 91364	2,352,545	42.3%
	488,945	8.8%

Schwartz Investment Counsel, Inc., and Schwartz Investment Trust, on behalf of its series Funds, Schwartz Value Fund, and Ave Maria Catholic Values Fund (2)
3707 W. Maple Rd., Suite 100, Bloomfield Hills, MI 48301

Dimensional Fund Advisors LP (3) Palisades West, Building One 6300 Bee Cave, Austin TX 78746	506,077	9.1%
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	Amount Beneficially Owned	Percent Of Class
Executive Officers, Directors, and Nominees for Director		
Erwin Cheldin (1)	2,352,545	42.3%
Cary L. Cheldin (1)	204,860	3.7%
Lester A. Aaron (1)	150,567	2.7%
George C. Gilpatrick (1)	104,717	1.9%
David A. Lewis	3,000	0.1%
Warren D. Orloff	0	0.0%
Donald B. Urfrig	25,000	0.4%
Terry L. Kinigstein	0	0.0%
Jon P. Kocourek	0	0.0%
All executive officers and director nominees as a group (9 persons)	2,840,689	51.1%

(1) Messrs. Erwin Cheldin, Cary L. Cheldin, Lester A. Aaron, and George C. Gilpatrick have agreed to vote all of the shares of common stock owned by them aggregating 2,812,689 shares or approximately 50.519% of the outstanding common stock so as to elect each of them to the Board of Directors and to vote on all other matters as they may agree. The agreement terminates upon the earlier of such time as the group owns less than 50% of the outstanding shares of the common stock of the Company or April 15, 2019. Because of his stock holdings, Erwin Cheldin may be deemed a “parent” (as defined in the Securities Exchange Act of 1934) of the Company.

(2) Per Schedule 13G dated February 2, 2009.

(3) Per Schedule 13G dated February 9, 2009.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

Summary of Executive Compensation

Summary Compensation Table

The following table sets forth information for years ended December 31, 2008, and December 31, 2007, as to executive compensation paid to the principal executive officer and the Company’s two most highly compensated officers, other than the principal executive officer, who were serving as executive officers as of the end of the last completed fiscal year.

Name and Principal Position	Year	Salary	Bonus	All Other	Total
				Compensation (1)	
		(\$)	(\$)	(\$)	(\$)
Erwin Cheldin	2008	3,090,000	25,000	74,268	4,089,268
President, Chief Executive Officer, and Chairman of the Board (2)	2007	3,090,000	27,000	63,036	3,990,036

Cary L. Cheldin	2008309,223	49,000	65,922	424,145
Executive Vice President (2) (3)	2007308,777	54,000	63,036	425,813
Lester A. Aaron (3)				
Treasurer and Chief Financial Officer	2008207,500	45,000	59,509	312,009
	2007207,346	49,500	57,391	314,237

- (1) See All Other Compensation table below.
- (2) On March 23, 2009, the Board of Directors elected Mr. Cary L. Cheldin as Chairman of the Board of Directors, President and Chief Executive Officer of the Company effective April 1, 2009. Mr. Cary L. Cheldin replaced Mr. Erwin Cheldin, who retired effective April 1, 2009 as Chairman of the Board of Directors, President, Chief Executive Officer and as an employee of the Company. Mr. Erwin Cheldin continued as a Director of the Company.
- (3) Messrs. Cary L. Cheldin and Lester A. Aaron each serves in his present office pursuant to an employment agreement with the Company. The employment agreement of Cary L. Cheldin was amended effective April 1, 2009, to indicate the change in his offices and responsibility and to extend the end of the term of the Agreement from December 31, 2012 to December 31, 2013. The employment agreement of Mr. Lester A. Aaron was also amended effective April 1, 2009 to extend the end of the term of the Agreement from December 31, 2010 to December 31, 2011.

All Other Compensation

The table below summarizes All Other Compensation paid or earned by the named executive officers for the years ended December 31, 2008, and December 31, 2007.

Name	Year	Perquisites	Contributions	Total
		and Other Personal Benefits (1)	to Retirement Plans (2)	
		\$	\$	\$
Erwin Cheldin	2008	28,018	46,250	74,268
	2007	17,036	46,000	63,036
Cary L. Cheldin	2008	19,672	46,250	65,922
	2007	17,036	46,000	63,036
Lester A. Aaron	2008	13,259	46,250	59,509
	2007	11,391	46,000	57,391

- (1) Represents payments for Erwin Cheldin of health insurance of \$19,378 and club dues of \$8,640 in 2008 and health insurance of \$17,036 in 2007. Represents payments for health insurance for Cary L. Cheldin, and Lester A. Aaron.
- (2) Represents amounts contributed or accrued to the person's account under the Company's Profit Sharing Plan and the Company's Money Purchase Plan, all of which are vested. During the year 2008, the amount contributed to each executive officer's account under the Profit Sharing Plan and Money Purchase Plan was \$33,750 and \$12,500, respectively. During the year 2007, the amount contributed to each executive officer's account under the Profit Sharing Plan and Money Purchase Plan was \$33,750 and \$12,250, respectively. The Company's Profit Sharing Plan and Money Purchase Plan both have a March 31 fiscal year end (see "Retirement Plans").

Employment Agreements

The Company has employment agreements with Cary L. Cheldin and Lester A. Aaron.

Cary L. Cheldin - On March 17, 2008, the Company entered into an employment agreement with Cary L. Cheldin that became effective on December 15, 2007, and with a term ending December 31, 2012. The employment agreement of Cary L. Cheldin was amended effective April 1, 2009, to indicate the change in his offices and responsibility and to extend the end of the term of the agreement from December 31, 2012 to December 31, 2013. This agreement is terminable by the Company or Mr. Cheldin at any time upon written notice. Mr. Cheldin's agreement provides for, among other things:

- An annual base salary of no less than \$297,400. The annual base salary is subject to increase from time to time at the discretion of the Board of Directors.
- An annual bonus provided that the Company's consolidated net income (prior to deductions for income taxes and current bonuses paid to all executive officers of the Company, including Mr. Cheldin, but after deducting discretionary bonuses paid to all employees) for the most recent four fiscal quarters ending prior to such payment date is equal to or greater than \$4 million. The amount of the bonus is determined by the Board of Directors, in its discretion, but it is not to be less than \$54,000, less any amounts paid as a discretionary bonus since the

immediately preceding January. The agreement does not prevent the Board of Directors from electing, in its discretion, to grant a discretionary bonus in the event the net income goal of \$4 million is not met.

- Mr. Cheldin is entitled to employment benefits, including holidays, personal leave, sick leave, vacation, health insurance, disability insurance, life insurance, and pension plans as provided by the Company's policies in effect from time to time. The disability insurance is required to be in an amount sufficient to provide compensation to Mr. Cheldin, if disabled, equal to 70% of the compensation that Mr. Cheldin would be entitled to under the agreement. Benefits cannot be reduced from those provided to Mr. Cheldin as of December 15, 2007. If the agreement is terminated by the Company for cause or by Mr. Cheldin for other than a breach by the Company, payments of base salary, bonus, and benefits shall cease. Mr. Cheldin is entitled only to payments of accrued but unpaid salary and vacation for periods or partial periods that occurred prior to the date of termination. Cause, as defined in the agreement, includes chronic alcohol or drug addiction by Mr. Cheldin, fraud or unlawful appropriation of any money or other assets or properties of the Company by Mr. Cheldin, a material breach by Mr. Cheldin of the terms of his employment agreement which is not cured within ten (10) days after the Company has given Mr. Cheldin written notice describing such material breach, the conviction of Mr. Cheldin of any felony involving moral turpitude or any other serious crime involving moral turpitude, Mr. Cheldin's gross moral turpitude relevant to his office or employment with the Company, and Mr. Cheldin's willful engagement in misconduct which is demonstrably and materially injurious to the Company.

- If the agreement is terminated by the Company without cause or by Mr. Cheldin on account of a breach of the agreement by the Company, Mr. Cheldin is entitled to (a) immediate payment in full of his salary for the remainder of the term of the agreement, without discount or mitigation, (b) his bonus for the remainder of the term of the agreement (without giving effect to the termination), and (c) his benefits for the remainder of the term of the agreement (without giving effect to the termination).
- The Company has the option to terminate the agreement if Mr. Cheldin becomes permanently disabled and is no longer able to perform the essential functions of his position with reasonable accommodation, provided that the Company has provided the required disability insurance benefit as part of his benefits. The agreement terminates on the death of Mr. Cheldin, which is not considered a termination by the Company without cause.

Lester A. Aaron - On March 17, 2008, the Company entered into an employment agreement with Lester A. Aaron that became effective on December 15, 2007 with a term ending December 31, 2010. The employment agreement of Lester A. Aaron was amended effective April 1, 2009, to extend the end of the term of the Agreement from December 31, 2010 to December 31, 2011. This agreement is terminable by the Company or Mr. Aaron at any time upon written notice. Mr. Aaron's agreement provides for, among other things:

- An annual base salary of no less than \$199,500. The annual base salary is subject to increase from time to time at the discretion of the Board of Directors.
 - An annual bonus provided that the Company's consolidated net income (prior to deductions for income taxes and current bonuses paid to all executive officers of the Company, including Mr. Aaron, but after deducting discretionary bonuses paid to all employees) for the most recent four fiscal quarters ending prior to such payment date is equal to or greater than \$4 million. The amount of the bonus is determined by the Board of Directors, in its discretion, but it is not to be less than \$49,500, less any amounts paid as a discretionary bonus since the immediately preceding January. The agreement does not prevent the Board of Directors from electing, in its discretion, to grant a discretionary bonus in the event the net income goal of \$4 million is not met.
- Mr. Aaron is entitled to employment benefits, including holidays, personal leave, sick leave, vacation, health insurance, disability insurance, life insurance, and pension plans as provided by the Company's policies in effect from time to time. The disability insurance is required to be in an amount sufficient to provide compensation to Mr. Aaron, if disabled, equal to 70% of the compensation that Mr. Aaron would be entitled to under the agreement. Benefits cannot be reduced from those provided to Mr. Aaron as of December 15, 2007. If the agreement is terminated by the Company for cause or by Mr. Aaron for other than a breach by the Company, payments of base salary, bonus, and benefits shall cease. Mr. Aaron is entitled only to payments of accrued but unpaid salary and vacation for periods or partial periods that occurred prior to the date of termination. Cause, as defined in the agreement, includes chronic alcohol or drug addiction by Mr. Aaron, fraud or unlawful appropriation of any money or other assets or properties of the Company by Mr. Aaron, a material breach by Mr. Aaron of the terms of his employment agreement which is not cured within ten (10) days after the Company has given Mr. Aaron written notice describing such material breach, the conviction of Mr. Aaron of any felony involving moral turpitude or any other serious crime involving moral turpitude, Mr. Aaron's gross moral turpitude relevant to his office or employment with the Company, and Mr. Aaron's willful engagement in misconduct which is demonstrably and materially injurious to the Company.
- If the agreement is terminated by the Company without cause or by Mr. Aaron on account of a breach of the agreement by the Company, Mr. Aaron is entitled to (a) immediate payment in full of his salary for the remainder of the term of the agreement, without discount or mitigation, (b) his bonus for the remainder of the term of the agreement (without giving effect to the termination), and (c) his benefits for the remainder of the term of the agreement (without giving effect to the termination).
- The Company has the option to terminate the agreement if Mr. Aaron becomes permanently disabled and is no longer able to perform the essential functions of his position with reasonable accommodation, provided that the Company has provided the required disability insurance benefit as part of his benefits. The agreement terminates on the death of Mr. Aaron, which is not considered a termination by the Company without cause.

Option/SAR Grants and Stock Awards in Last Fiscal Year

No stock options, stock appreciation rights or stock awards were granted to any named executive officer during the year ended December 31, 2008.

Options/SAR Exercises and Stock Awards Vesting in Last Fiscal Year and Unexercised Options/SAR and Stock Awards at Fiscal Year End

No stock options or stock appreciation rights were exercised by, nor any stock award vested in favor of, any named executive officer during the year ended December 31, 2008; and no options, stock appreciation rights or stock awards were held by any named executive officer at December 31, 2008.

Omnibus Stock Plan

The Company's 1999 Omnibus Stock Plan (the "1999 Plan") that covered 500,000 shares of the Company's common stock (subject to adjustment in the case of stock splits, reverse stock splits, stock dividends, etc.) was adopted by the Board of Directors in March 1999 and approved by shareholders on June 4, 1999. The 1999 Plan terminated by its terms on March 15, 2009. As of that date, the only securities outstanding under the 1999 Plan were employee stock options covering an aggregate of 124,650 shares of common stock, all of which were fully exercisable. The termination of the 1999 Plan did not effect any of the outstanding stock options, all of which continue in full force and effect in accordance with their terms. None of the outstanding options are held by a named executive officer. The 1999 Plan is administered by the Board of Directors or a committee authorized by the Board of Directors and consisting of at least two directors each of whom is not an officer or employee of the Company and meets the qualifications set forth in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended. Presently, the 1999 Plan is being administered by the Board of Directors.

All outstanding options under the 1999 Plan will terminate upon consummation of (a) a dissolution of the Company or (b) in case no provision has been made for the survival, substitution, exchange, or other settlement of any outstanding option, stock appreciation rights and/or unvested stock issuances, a merger or consolidation of the Company with another corporation in which the shareholders of the Company immediately prior to the merger will own less than a majority of the outstanding voting securities of the surviving corporation after the merger, or a sale of all or substantially all of the assets and business of the Company to another corporation.

Equity Compensation Plan Information

The following table shows the total number of outstanding options and shares available for other future issuance of options under the Company's equity compensation plans as of December 31, 2008.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants, and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in

	(a)	(b)	column (a) (c)
Equity compensation plans approved by security holders:			
1999 Omnibus Stock Plan (1)	124,650	\$ 6.065	230,500
Equity compensation plans not approved by security holders:	0	0.000	0
Total	124,650	\$ 6.065	230,500

(1) The 1999 Omnibus Stock Plan terminated by its terms on March 15, 2009. The termination of the 1999 Omnibus Stock Plan did not effect any of the outstanding stock options granted pursuant to the 1999 Omnibus Stock Plan, all of which continue in full force and effect in accordance with their terms.

Retirement Plans

Profit Sharing Plan

During the fiscal year ended March 31, 1986, the Company adopted the Unico American Corporation Profit Sharing Plan. Company employees who are at least 21 years of age and have been employed by the Company for at least two years are participants in such Plan. Pursuant to the terms of such Plan, the Company annually contributes for the account of each participant an amount equal to a percentage of the participant's eligible compensation as determined by the Board of Directors. Participants must be employed by the Company on the last day of the plan year to be eligible for contribution. Participants are entitled to receive distribution of benefits under the Plan upon retirement, termination of employment, death, or disability.

Money Purchase Plan

During the year ended December 31, 1999, the Company adopted the Unico American Corporation Money Purchase Plan. This Plan covers the named executive officers of the Company and George C. Gilpatrick. Pursuant to the terms of such Plan, the Company annually contributes to the account of each participant an amount equal to a percentage of the participant's eligible compensation as determined by the Board of Directors. However, amounts contributed to the Unico American Corporation Profit Sharing Plan will be considered first in determining the actual amount available under the Internal Revenue Service maximum contribution limits. Participants must be employed by the Company on the last day of the plan year to be eligible for contribution. Participants are entitled to receive distribution of benefits under the Plan upon retirement, termination of employment, death, or disability.

Report of the Audit Committee

Neither the following report of the Audit Committee nor any other information included in this Proxy Statement pursuant to Item 7(d)(3) of Schedule 14A promulgated under the Securities Exchange Act of 1934 or pursuant to Item 407(d)1-3 of Regulation S-K constitutes "soliciting material" and none of such information should be deemed to be "filed" with the Securities and Exchange Commission or incorporated by reference into any other filing of the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates such information by reference in any of those filings.

Management is responsible for the Company's financial reporting process including its system of internal control and for the preparation of consolidated financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The Company's independent auditors are responsible for auditing those financial statements. Our responsibility is to monitor and oversee these processes. It is not our duty or our responsibility to conduct auditing or accounting reviews or auditing or accounting procedures. We are not employees of the Company; and we may not be, and we may not represent ourselves to be or to serve as, accountants or auditors by profession or experts in the fields of accounting or auditing. Therefore, we have relied on management's representation that the financial statements have been prepared with integrity and objectivity and in conformity with GAAP and on the representations of the independent auditors included in their report on the Company's financial statements. Our oversight does not provide us with an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or policies, or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, our considerations and discussions with management and the independent auditors do not assure that the Company's financial statements are presented in accordance with GAAP, that the audit of the Company's financial statements has been carried out in accordance with auditing standards generally accepted in the United States of America, or that the Company's independent accountants are in fact "independent."

The Audit Committee has reviewed and discussed the audited financial statements of the Company for the fiscal year ended December 31, 2008, with the Company's management.

The Audit Committee has discussed with KPMG LLP the matters required to be discussed pursuant to Statement of Auditing Standards No. 61, "Communication with Audit Committees," as amended, and as adopted by the PCAOB in Rule 3200T. Additionally, the Audit Committee has received the written disclosures and the letter from KPMG LLP, the Company's independent registered public accounting firm, required by applicable requirements of the Public Company Accounting Oversight Board regarding KPMG LLP's communications with the Audit Committee concerning independence, and has discussed with KPMG LLP its independence.

Based on the review and discussions described above, the Audit Committee recommended to the Board of Directors of the Company that the audited financial statements of the Company be included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

Members of the Audit Committee:

David A. Lewis
Warren D. Orloff
Donald B. Urfrig

RELATED PARTY TRANSACTIONS

The Company presently occupies a 46,000 square foot building located at 23251 Mulholland Drive, Woodland Hills, California, under a master lease expiring March 31, 2012. Erwin Cheldin, the Company's principal stockholder and director, and former president and chairman, is the owner of the building. The Company signed an extension to the lease with a 4% increase in rent effective April 1, 2007. The lease provides for an annual gross rent of \$1,025,952 through March 31, 2007, and \$1,066,990 from April 1, 2007, through March 31, 2012. In addition, the lease extension provides for two five-year options with a rent increase of 5% for each option period. The Company believes that at the inception of the lease agreement and at each subsequent extension, the terms of the lease were at least as favorable to the Company as could have been obtained from non-affiliated third parties. The Company utilizes for its own operations approximately 100% of the space it leases.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file with the Securities and Exchange Commission (SEC) initial reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Executive officers, directors, and greater than 10% beneficial owners are required by regulation of the SEC to furnish the Company with copies of all Section 16(a) forms they file. To the Company's knowledge, based solely on review of copies of such reports furnished to the Company and written representations that no other reports were required during the year ended December 31, 2008, all Section 16(a) filing requirements applicable to its executive officers, directors, and greater than 10% beneficial owners were complied with.

APPOINTMENT OF AUDITORS

KPMG LLP has served as the Company's independent auditors since 1996. The Audit Committee has selected it to continue as the Company's auditors and to audit the books and other records of the Company for the year ending December 31, 2009. A representative of KPMG LLP is expected to attend the Annual Meeting of Shareholders. Such representative will have the opportunity to make a statement and will be available to respond to appropriate questions.

Audit Fees

The aggregate fees billed by KPMG LLP for professional services rendered for the audit of the Company's financial statements for the fiscal year ended December 31, 2008, and for the reviews of the financial statements included in the Company's quarterly reports on Forms 10-Q for the fiscal year ended December 31, 2008, were approximately \$205,000. The aggregate fees billed by KPMG LLP for professional services rendered for the audit of the Company's financial statements for the fiscal year ended December 31, 2007, and for the reviews of the financial statements included in the Company's quarterly reports on Forms 10-Q for the fiscal year ended December 31, 2007, were approximately \$247,000.

Audit Related Fees

The aggregate fees billed by KPMG LLP for professional services related to the audit of the Company's financial statements for the fiscal years ended December 31, 2008 and 2007, exclusive of the of the fees disclosed under the section audit fees above were \$0 and \$17,000, respectively. Audit related services in the year 2007 included fees for the audit of the Company's Profit Sharing Plan.

Tax Fees

There were no services rendered or fees billed for tax compliance, consulting, or planning services by KPMG LLP for the year ended December 31, 2008, and for the year ended December 31, 2007.

All Other Fees

There were no services rendered or fees billed related to compliance and planning during the years ended December 31, 2008, and December 31, 2007.

The policy of the Audit Committee is to pre-approve all audit and non-audit services provided by KPMG, LLP.

OTHER MATTERS

The Board of Directors is not aware of any business to be presented at the Annual Meeting except for the matters set forth in the Notice of Annual Meeting of Shareholders and described in this Proxy Statement. Unless otherwise directed, all shares represented by proxy holders will be voted in favor of the proposals described in this Proxy Statement. If any other matters come before the Annual Meeting, the proxy holders will vote on those matters using their best judgment.

SHAREHOLDERS' PROPOSALS

Shareholders desiring to exercise their right under the proxy rules of the Securities and Exchange Commission to submit proposals for consideration by the shareholders at the 2010 Annual Meeting are advised that their proposals must be received by the Company no later than December 23, 2009, for inclusion in the Company's Proxy Statement and form of proxy relating to that meeting. If a shareholder intends to present a proposal at the 2010 Annual Meeting but does not seek inclusion of that proposal in the Proxy Statement for that meeting, the holders of proxies for that meeting will be entitled to exercise their discretionary authority on that proposal if the Company does not have notice of the proposal by March 8, 2010.

ANNUAL REPORT TO SHAREHOLDERS

The Company's 2008 Annual Report on Form 10-K includes financial statements for the year ended December 31, 2008, the year ended December 31, 2007, and the year ended December 31, 2006, and is being mailed to the shareholders along with this Proxy Statement. The Form 10-K is not to be considered a part of the soliciting material.

By Order of the Board of Directors,

/s/ Cary L. Cheldin

Cary L. Cheldin
Chairman of the Board, President
and Chief Executive Officer

Woodland Hills, California
April 22, 2009

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on May 28, 2009. The Proxy Statement and the Annual Report to Shareholders are available at <http://materials.proxyvote.com/904607>.

PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS
OF UNICO AMERICAN CORPORATION

The undersigned hereby constitutes and appoints LESTER A. AARON and CARY L. CHELDIN, and each of them, with full power of substitution, the proxies of the undersigned to represent the undersigned and vote all shares of common stock of UNICO AMERICAN CORPORATION (the "Company"), which the undersigned would be entitled to vote if personally present at the Annual Meeting of Shareholders to be held at the Hilton Garden Inn at 24150 Park Sorrento, Calabasas, California 91302, on May 28, 2009, at 2:00 p.m. local time and at any adjournments thereof, with respect to the matters described in the accompanying Notice of Annual Meeting of Shareholders and Proxy Statement, receipt of which is hereby acknowledged, in the following manner.

1. ELECTION OF DIRECTORS
nominees listed

FOR all

WITHHOLD AUTHORITY

(except as marked to

the

to vote all nominees listed below

contrary below)

ERWIN CHELDIN, CARY L. CHELDIN, LESTER A. AARON, GEORGE C. GILPATRICK,
TERRY L. KINIGSTEIN, JON P. KOCOUREK, DAVID A. LEWIS, WARREN D. ORLOFF, DONALD B.
URFRIG,

INSTRUCTIONS: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE,
STRIKE A LINE THROUGH THE NOMINEE'S NAME ON THE LIST ABOVE.

2. IN ACCORDANCE WITH THEIR BEST JUDGMENT, with respect to any other matters which may properly come before the meeting and any adjournment or adjournments thereof.

Please sign and date on reverse side.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS AND WILL BE VOTED AS DIRECTED HEREIN. When this proxy is properly executed and returned, the shares it represents will be voted at the Annual Meeting in accordance with the choices specified herein. IF NO CHOICES ARE SPECIFIED, THIS PROXY WILL BE VOTED FOR ALL NOMINEES.

DATED: _____, 2009

(Signature)

(Signature if jointly held)

Please date and sign exactly as your name or names appear herein.
If more than one owner, all should sign. When signing as attorney, executor, administrator, trustee or guardian, give your full title as such
If the signatory is a corporation or partnership, sign the full corporate or partnership name by its duly authorized officer or partner.

PLEASE COMPLETE, SIGN, AND RETURN THIS PROXY PROMPTLY USING THE ENCLOSED ENVELOPE.
