

LEGGETT & PLATT INC  
Form 4  
March 25, 2014

**FORM 4**

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

OMB APPROVAL

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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
PARK DENNIS S

(Last) (First) (Middle)  
NO 1 LEGGETT ROAD  
(Street)

CARTHAGE, MO 64836

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
LEGGETT & PLATT INC [LEG]

3. Date of Earliest Transaction  
(Month/Day/Year)  
03/21/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

\_\_\_ Director \_\_\_ 10% Owner  
 Officer (give title below) \_\_\_ Other (specify below)  
Senior Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
\_\_\_ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price
Common Stock	03/21/2014		A		21.9645	A	\$ 27.1575
Common Stock	03/21/2014		A		120.3803	A	\$ 25.56
Common Stock					23,924.473	I	Held In Trust Under Issuer's Retirement Plan

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Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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(9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**  
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Number of Derivative Securities Owned Following Reporting Transaction (Instr. 6)
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
PARK DENNIS S NO 1 LEGGETT ROAD CARTHAGE, MO 64836			Senior Vice President	

## Signatures

/s/ S. Scott Luton,  
by POA 03/25/2014

\_\_Signature of Reporting Person Date

## Explanation of Responses:

\* If the form is filed by more than one reporting person, see Instruction 4(b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. 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.

**Robert M. Smith, Jr.**, 56, has served as Executive Vice President of the Company and DCM since November 1999 and as a Director of the Company since January 1995. He has also served as the Chief Investment Officer of Reliance

Standard Life Insurance Company ( RSLIC ) and First Reliance Standard Life Insurance Company ( FRSLIC ) since April 2001. From July 1994 to November 1999, he served as Vice President of the Company and DCM. Mr. Smith also serves as a Director of each of the Company's principal subsidiaries.

**Kevin R. Brine**, 57, has served as a Director of the Company since July 2004. He is Managing Director of Brine Management LLC, Artemis IV LLC, Caryatid LLC and Trustee of SCB, Inc. Previously, he was a partner and board member of Sanford C. Bernstein & Co. Over his twenty-two year career at Sanford C. Bernstein & Co., Mr. Brine had senior management responsibilities for the firm's U.S. Private Client Business and Global Institutional Asset Management. He is also a trustee of a number of non-profit institutions such as the Whitney Museum of American Art and the World Monuments Fund and he is a member of the Chairman's Council of the Metropolitan Museum of Art and California Institute of the Arts. Formerly, Mr. Brine was an Overseer for the Weill Cornell Medical College and a trustee of New York University.

**Lawrence E. Daurelle**, 56, has served as a Director of the Company since August 2002. He also has served as President and Chief Executive Officer of RSLIC, FRSLIC and Reliance Standard Life Insurance Company of Texas ( RSLIC-Texas ) since October 2000. He served as Vice President and Treasurer of the Company from August 1998 to April 2001. He also serves on the Board of Directors of RSLIC, FRSLIC and RSLIC-Texas. From May 1995 until October 2000, Mr. Daurelle was Vice President and Treasurer of RSLIC, FRSLIC and RSLIC-Texas.

**Edward A. Fox**, 71, 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.

**Steven A. Hirsh**, 68, has served as a Director of the Company since August 2005. He has also served as Director of RSLIC and 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.

**Harold F. Ilg**, 60, was appointed as Executive Vice President, Business Development of the Company on April 1, 2008, concurrent with his retirement from the position of Chairman of Safety National Casualty Corporation ( SNCC ), in which he had served since January 1999. Also on April 1, 2008, he was named Chairman Emeritus of SNCC.

Mr. Ilg has served as a Director of the Company since August 2002. He serves on the Board of Directors of RSLIC, FRSLIC, and 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.

**James M. Litvack**, 66, 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.

**James N. Meehan**, 62, 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 Reassurance America Life Insurance Co. and American Fuji Fire and Marine Insurance Company.

**Robert F. Wright**, 82, 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. Mr. Wright also serves as a director of The Navigators Group, Inc. and Universal American Financial Corp.

*Nominee for Class A Director*

**Philip R. O Connor**, 59, 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 regulation. He is also a Vice President of Constellation ( NewEnergy ), a provider of competitive retail electricity. He recently completed a year of service 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. In 1998, he established the Midwest business of Constellation NewEnergy, Inc. 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.

#### **Directors Attendance**

The Board of Directors held four meetings during 2007. Each incumbent director attended at least 75% of the aggregate of (i) the total number of meetings 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 the Company's annual meetings of stockholders 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, c/o Reliance Standard Life Insurance Company, Suite 1500, 2001 Market Street, Philadelphia, Pennsylvania 19103-7303. 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

### 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) 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 New York Stock Exchange (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 shareholder 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 directors who are independent 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 written charter is available on the Company's website ([www.delphifin.com/corp\\_governance](http://www.delphifin.com/corp_governance)) and in print to any shareholder upon request. The committee's membership consists of Messrs. Wright (Chairman), Meehan and O'Connor. The Compensation Committee held eight meetings during 2007. The Compensation Committee's report is set forth on page 8 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 2007, are not insiders within the meaning of 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 Party Transactions. 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 shareholder upon request. The Governance Committee met four times in 2007.

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, the Board has adopted, on the recommendation of the Governance Committee, criteria for the evaluation of such nominees, which form part of the Company's Corporate Governance Guidelines. These criteria provide that the Board 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 carrying out his or her duties and responsibilities effectively.

The Governance Committee will consider stockholder recommendations of Board nominees which are made in accordance with the following procedures. Any such recommendation must be sent to the Secretary of the Company, c/o Reliance Standard Life Insurance Company, Suite 1500, 2001 Market Street, Philadelphia, Pennsylvania 19103-7303, and must be received by the Secretary no later than November 30 of the calendar year preceding the Annual Meeting of Stockholders. 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. The Audit Committee is governed by a charter adopted by the Board of Directors, a copy of which is available on the Company's website ([www.delphifin.com/corp\\_governance](http://www.delphifin.com/corp_governance)) and in print to any shareholder upon request. Pursuant to such charter, the Audit Committee 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, in addition to the director independence standards described above. See Election of Directors. 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 Securities and Exchange Commission. Further information concerning the Audit Committee and its activities is set forth in the Audit Committee's report set forth on page 25 of this Proxy Statement. The Committee held eight meetings during 2007.

### **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 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 shareholder 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.

### **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 2008 Annual Meeting of Stockholders.

Robert F. Wright, Chairman

James N. Meehan

Philip R. O'Connor

### **COMPENSATION DISCUSSION AND ANALYSIS**

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 considerations and principles underlying such determinations.

#### **Compensation Objectives and Approach**

The objectives of our compensation programs are to attract, motivate and retain 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 order to align their interests with those of the Company's stockholders, inasmuch as 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 vesting requirements to facilitate continued employee retention and, in certain cases, are contingent on the satisfaction of multi-year performance goals, as described below.

#### **Compensation Consultant and Peer Group**

In order to assist the Compensation Committee in performing its functions, the committee has engaged Steven Hall & Partners (SHP), an expert independent compensation consulting firm. SHP provides research, analysis and recommendations to the Compensation Committee regarding the named executive officers' and outside directors' compensation, including as to both equity and non-equity compensation, based on directions provided to it by the Compensation Committee. SHP's services and fees are subject to the review and approval of the Compensation Committee on an ongoing basis. SHP does not perform services for the Company or its subsidiaries other than in its role as consultant to the Compensation Committee.

In connection with its services, SHP has assisted the Compensation Committee in establishing a peer comparator group for compensation analysis purposes. This group utilized in 2007 consisted of the following companies in the life and property and casualty insurance sectors, reflecting the presence of the Company's insurance subsidiaries in both sectors: Commerce Group, Inc.; FBL Financial Group, Inc., Harleysville Group Inc., HCC Insurance Holdings, Inc., Markel Corp., Philadelphia Consolidated Holding Corp., Presidential Life Corporation, Reinsurance Group of America, Inc., RLI Corp., StanCorp Financial Group, Inc., Torchmark Corporation, Universal American Financial Corp., W.R. Berkley Corporation and Zenith National Insurance Corp.

SHP also compiles published compensation survey data for the Compensation Committee's information and use in this regard. The Compensation Committee does not target compensation levels for the named executive officers to specified percentiles within the companies in the comparator group or survey data. Rather, the compensation information relating to the members of such group is one of a number of factors, as further described below, that the Compensation Committee considers in establishing the level and components of the compensation to the named executive officers. In addition, such information is used in the evaluation of whether the Company's compensation practices are competitive in the marketplace.

#### **Compensation Determination Process and Considerations**

Mr. Rosenkranz makes proposals to the Compensation Committee regarding the elements of compensation of each of the named executive officers, including himself, and the Compensation Committee has full authority and discretion to accept, reject or modify these proposals. The Compensation Committee's compensation determinations regarding the named executive officers are subject to full Board review. These determinations are generally made annually, and occur at the Compensation Committee's first regular meeting of each calendar year occurring in February, in which cash bonuses and share-based awards relating to the named executive officers' performance during the preceding calendar year are granted, and any base salary adjustments for the current year are implemented. In preparation for these meetings, the Compensation Committee holds one or more interim meetings prior thereto in which Mr. Rosenkranz presents his preliminary proposals regarding the compensation matters relating to the named executive officers to be acted upon in the February meeting, based on the anticipated full-year financial results for the Company and its subsidiaries. SHP provides advice, input and analysis as appropriate in connection with the Compensation Committee's deliberations relating to these matters.

The Compensation Committee reviews and approves each element of compensation of the named executive officers.

In establishing the levels and components of compensation to the named executive officers, the Committee, as a threshold matter, evaluates the Company's (in the case of the named executive officers who are officers of the Company) and the relevant operating subsidiary's (in the case of the named executive officers employed by such subsidiary) overall performance for the year, and conducts individualized evaluations with regard to each individual in determining the appropriateness of each individual's elements and levels of compensation, considering, in certain cases, self-evaluations prepared by such officers and Mr. Rosenkranz's input regarding these evaluations.

In setting Mr. Rosenkranz's compensation, the Compensation Committee also considers the amounts earned by him under the investment consulting and management arrangements described below in order to assess the appropriateness of the overall remuneration in which Mr. Rosenkranz has a financial interest, and has concluded that such remuneration is fairly reflective of the substantial value furnished to the Company by him and his related entities.

These arrangements are subject to review and approval at inception, and to regular periodic review, under the Company's Review Policy for Related Party Transactions. In addition, with regard to Mr. Sherman, the Compensation Committee takes into account the payments received by him in respect of his services to various entities in which Mr. Rosenkranz has various financial interests. See "Certain Relationships and Related Party Transactions" beginning at page 24 below.

Key elements considered in the Compensation Committee's evaluations include corporate or subsidiary performance compared to the financial, operational and strategic goals for the applicable period, the officer's contributions to such performance and the officer's other accomplishments for the benefit of the Company during such period. In these evaluations, the Compensation Committee does not apply rigid formulas or necessarily react to short-term changes in financial performance. Such evaluations also take into account the nature, scope and level of the named executive officer's responsibilities and the officer's level of experience, past levels of compensation and changes in such levels, tenure with the Company, other opportunities potentially available to such officer and the comparator group compensation data discussed above. In addition, the members of the Compensation Committee interact with each of the named executive officers in connection with the regular meetings of the Company's Board of Directors, which provides the committee with an additional basis for evaluating such officer and his performance. Based on all of these general evaluative factors and the additional factors described below that vary among the named executive officers, the Compensation Committee makes its assessments and determines the components and levels of compensation for each such officer.

The compensation decisions for each of the named executive officers relating to 2007 reflect, among other things, the favorable financial performance, which exceeded the financial plan for the year, and operational performance of the Company and its subsidiaries for the year. A discussion of such performance is contained in the Management's Discussion and Analysis section of the Company's 2007 Annual Report on Form 10-K. Such decisions also took into account the negative market performance of the Company's stock for 2007 and, for the named executive officers employed at the parent company level, the performance of the Company's investment portfolio having been less favorable for 2007 than in prior years.

## Cash Compensation

Base salaries for the named executive officers are established by the Compensation Committee, and adjusted on an annual basis, based on the considerations described in the preceding section. The base salary amounts paid to the named executive officers during 2007 are shown in the Summary Compensation Table at page 13 below.

Cash bonuses for the named executive officers, which are shown in the Summary Compensation Table in the Bonus and Non-Equity Incentive Compensation columns, as applicable, are established and determined in various ways. For Messrs. Rosenkranz and Sherman, various objective performance goals were adopted for the 2007 fiscal year under the Company's Annual Incentive Compensation Plan, which plan is described further below: (1) the attainment by the Company of operating earnings per share of at least \$3.15; (2) an operating return on equity percentage of at least 11%; (3) the performance of the Company's stock exceeding that of the S&P 500 Insurance Index; (4) the performance on a total return basis of the Company's investment portfolio exceeding that of the Lehman Brothers U.S. Aggregate Index by at least 100 basis points (1%); (5) the Company's either (a) deploying with a new external or internal investment manager assets of at least \$50 million which achieve a total return exceeding that of such Lehman index by at least 200 basis points (2%) or (b) introducing a new category of insurance liabilities in the amount of at least \$100 million with the related spread income, based upon the supporting investment subportfolio, exceeding 100 basis points (1%); and (6) the Company's completing one of a specified group of capital markets and acquisition transactions. Operating earnings per share and operating return on equity are both non-GAAP financial measures under which GAAP net income is adjusted by excluding the after-tax effects of realized investment gains and losses, as applicable, extraordinary items and results from discontinued operations in order to focus on the performance of the Company's continuing insurance operations. For each goal attained, Messrs. Rosenkranz and Sherman had the opportunity to earn cash awards equal to 50% and 35%, respectively, of their 2007 base salaries, except for the operating earnings per share element, where the percentage was 100% for Mr. Rosenkranz and 70% for Mr. Sherman, subject in each of these cases to the ability of the Compensation Committee to exercise negative discretion to reduce such award amounts. These percentages reflected a target level for Mr. Sherman's bonus of 70% of that of Mr. Rosenkranz.

This bonus structure was designed to give Messrs. Rosenkranz and Sherman the opportunity to earn awards based on the accomplishment of objectives believed to be of substantial benefit to the Company, while also permitting the Compensation Committee to exercise discretion in adjusting the amount of these awards in a manner that will permit the full tax deductibility by the Company of such awards under Section 162(m) of the Code. See Tax Considerations at page 12 below. For 2007, the operating earnings per share, operating return on equity percentage and capital markets-related performance goals were achieved. The Compensation Committee then applied negative discretion, applying the evaluative factors discussed in the preceding section, to establish their respective 2007 cash bonus amounts at levels considered to be appropriate in light of such factors.

The annual cash bonuses for Messrs. Burghart and Daurelle, who are employed in the operations of RSLIC, are established under the RSLIC management incentive compensation plan. Under this plan, actions relating to their compensation are subject to the review and approval of the Compensation Committee. The criterion determining the level of the bonus attainable under this plan for 2007 consisted of the attainment by RSLIC and its affiliated life insurance companies, considered on a stand-alone basis, of an operating income target for the year of \$149.1 million which, if attained, resulted in Messrs. Burghart and Daurelle's earning bonuses equal to 50% and 110%, respectively, of their 2007 base salaries, subject, in both cases, to a discretionary 10% upward or downward adjustment. Such adjustment applies uniformly to the annual bonuses of all participants in the RSLIC incentive plan and is based on an assessment of aspects of RSLIC's corporate performance for the year beyond the level of operating income achieved, such as steps taken during the year to build for future corporate achievement and its teamwork with other members of the Company's corporate group. If the operating income target was not attained, any bonuses to Messrs. Burghart and Daurelle would have been payable solely on a discretionary basis. As with the operating earnings-related performance goals for Messrs. Rosenkranz and Sherman discussed above, this operating income target is a non-GAAP financial measure under which the after-tax effects of realized investment gains and losses, as applicable, extraordinary items and results from discontinued operations are excluded from GAAP net income in order to focus on the performance of RSLIC's continuing insurance operations. In 2007, RSLIC's operating income substantially exceeded this target, and,

based on the aforementioned assessment, the resulting bonuses earned by Messrs. Burghart and Daurelle were adjusted upward by 10%.

Under the employment agreement in effect for Mr. Ilg when he was employed in the operations of SNCC during 2007, his annual cash bonuses were determined on a discretionary basis and were subject to the approval of the Compensation Committee. For further information relating to this employment agreement, which expired in accordance with its terms at the end of 2007, see the Potential Payments on Termination or Change in Control section beginning at page 20 below. Mr. Ilg's cash bonus has generally been determined on a team basis along with the other four members of executive management of SNCC, with such individuals' bonuses being established at a uniform percentage of their respective base salaries for the applicable year. Based upon the Compensation Committee's evaluation of SNCC's corporate performance on a stand-alone basis and the performance of its

executive management team, applying the evaluative factors discussed in the preceding section, Mr. Ilg's bonus for 2007 was established at 90% of his 2007 base salary.

### **Share-Based Compensation**

#### *General Objectives and Overview*

As noted above, the Company believes that a large component of its officers' compensation should consist of share-based incentive compensation, which appreciates or depreciates in value to the extent that the market price of our common stock increases or decreases. Accordingly, the Compensation Committee has in recent years made, and intends in the future to continue to make, annual and other grants of share-based awards to the named executive officers and other key employees in such amounts as the Committee believes will accomplish the objectives of our compensation programs. As discussed below, the holder's ability to realize any financial benefit from these awards typically requires the fulfillment of substantial vesting requirements that are performance contingency-related in some cases and time-related in others. Accordingly, we believe that these awards provide substantial benefit to the Company in creating appropriate performance incentives and in facilitating the long-term retention of employees who add significant value.

Share-based awards to the named executive officers take two different forms: options to purchase the Company's Class A or Class B Common Stock, as applicable (referred to below as "options"), and deferred or restricted share units ("Share Units"), which entitle the recipient to receive a number of shares of Company Class A or Class B Common Stock, as applicable, equal to the number of such units upon the completion of a specified deferral period, along with dividend equivalents during the period that such units are outstanding. Such compensation is awarded under the Company's 2003 Share Plan and, in the case of Mr. Rosenkranz, under its Second Amended and Restated Long-Term Performance-Based Incentive Plan. Summary descriptions of these plans begin at page 14 below.

#### *Options*

Options give the holder the right, generally for a period of ten years, to purchase a specified number of shares of Company stock at the exercise price, which is the closing price on the NYSE of the Company's stock on the date of grant. The options have value to the holder only to the extent that the price of our stock increases above the exercise price and the holder remains employed during the vesting period, which is generally five years, thus providing a substantial incentive for the employee to continue employment with the Company. Employees generally forfeit any options not vested at the time that their employment terminates. In addition, the options serve to align employees' interests with those of our stockholders by providing an incentive to make contributions that will assist in increasing the market price of our stock. We do not backdate options or grant options retroactively, nor do we reprice options. For the named executive officers employed by our insurance subsidiaries, we have emphasized the use of options having a performance-contingent incentive structure. These options' vesting is contingent upon the attainment by RSLIC, in the case of Messrs. Burghart and Daurelle, and SNCC, in the case of Mr. Ilg, of financial performance goals for specified three and five year performance periods relating to the respective subsidiaries' cumulative pre-tax operating income (as defined in the option agreements) for these periods. Pre-tax operating income, in both cases, is a non-GAAP financial measure that applies various adjustments in order to focus on the performance of the subsidiaries' continuing insurance operations. In both cases, the options become exercisable if the specified goal is met; otherwise, a reduced number of such options become exercisable based on where the performance achieved falls within a specified range. If specified minimum performance targets for the respective three-year and five-year performance periods are not satisfied, the options are forfeited in their entirety. Thus, we believe that these options provide substantial incentives for performance that will serve the interests of the Company and its stockholders. RSLIC attained its performance goal for the three-year performance period consisting of the 2004, 2005 and 2006 fiscal years and, as a result, 50% of Messrs. Burghart and Daurelle's options became exercisable in February 2007. SNCC attained its performance goal for the five-year performance period ending with the 2007 fiscal year; accordingly, 100% of Mr. Ilg's options became exercisable in February 2008. A similarly structured performance-contingent incentive option program has been adopted for SNCC management with respect to the three and five year performance periods beginning with the 2008 fiscal year; however, due to Mr. Ilg's retirement from the position of Chairman of SNCC, Mr. Ilg will not participate in such program.

#### *Share Units*

Share Units give the holder the right to receive one share of Company Class A or Class B Common Stock for each unit held and to receive dividend equivalents while the units are outstanding. As in the case of the options that we grant, Share Units are subject to substantial vesting requirements that provide the Company with significant benefits from the standpoint of employee retention. All



of these requirements have been time-based to date. In addition, the terms of the Share Units granted to date require the employee to continue to hold such units during his entire term of employment with the Company, even after the applicable vesting period has been satisfied, thus further aligning the holders' interests with those of the Company's stockholders on a long-term basis, particularly in light of the downside risk to the holder of a decrease in their value to the extent that the price of our stock declines during the holding period. These terms also serve to ensure that the compensation to the named executive officers associated with the Share Units will be fully tax deductible by the Company pursuant to Section 162(m).

#### *2007 Grants and Granting Practices*

In the cases of Messrs. Rosenkranz and Sherman, share-based awards have been made by the Compensation Committee over time on a discretionary basis, primarily in connection with the annual performance evaluations discussed above. At the February 2008 meeting of the Compensation Committee, 42,896 and 30,027 Share Units were awarded to Messrs. Rosenkranz and Sherman, respectively, and Messrs. Rosenkranz, and Sherman, received 128,689 and 90,082, options, respectively, all in respect of their performance during 2007, such awards having been set, in Mr. Sherman's case, at levels equal to 70% of the corresponding awards to Mr. Rosenkranz. The options granted to Messrs. Rosenkranz and Sherman vest in five equal annual installments beginning one year after the grant date. The Share Unit awards vest in three equal annual installments beginning one year after the grant date, in the case of Mr. Rosenkranz, and in three equal installments beginning on the third anniversary of the grant date, in the case of Mr. Sherman. In addition, in August 2007, Mr. Rosenkranz exercised 536,583 options which were scheduled to expire in January 2008 and retained the shares of Company stock issued pursuant to such exercise. The exercise price and tax withholdings relating to such exercise were paid to the Company through the delivery of existing shares of Company stock beneficially owned by him. Concurrently with such exercise, in order to maintain the level of his potential for participation in the appreciation of the Company's stock after taking into account the shares of such stock surrendered pursuant to such exercise, and thus to provide a substantial additional incentive to Mr. Rosenkranz for the continued provision of services to the Company, Mr. Rosenkranz was granted 375,094 options which vest in five equal annual installments beginning one year after the grant date.

The Company has generally granted share-based awards to employees at a regular time each year, the date of the regular Compensation Committee meeting held in February in which, as discussed above, the named executive officers' performance evaluations are conducted. Such meetings have in each case been scheduled significantly in advance of their being held, without regard to any information or expectations regarding future Company financial performance or announcements. The awards made to the named executive officers at the Committee's meeting held on February 6, 2008, were by their terms made effective on February 15, 2008, the third day of market trading of the Company's stock following its public announcement of fourth quarter and full year 2007 financial results. All option grants are made directly by formal action of the Compensation Committee, which has not delegated any option-granting authority to management.

#### **Employment and Severance Agreements**

The named executive officers do not have employment, severance or change-of-control agreements. Mr. Ilg's former employment agreement expired at the end of 2007, as described in the Potential Payments on Termination or Change in Control section beginning at page 20 below. Accordingly, the named executive officers serve on an at-will basis, which would enable the Company to terminate their employment and to determine the terms of any severance arrangement at such time. In addition, the terms of the Company's share-based awards, as discussed above, subject such awards to forfeiture if specified vesting requirements are not satisfied prior to a named executive officer's leaving the Company.

#### **Tax Considerations**

Section 162(m) of the Code limits the deductibility of certain compensation for the Chief Executive Officer and the other named executive officers in excess of \$1 million per year unless certain specified conditions are met. The Compensation Committee intends to establish and maintain executive compensation levels and programs that will serve the purposes described in this Compensation Discussion and Analysis. The Committee has structured the Company's current executive compensation arrangements in order to avoid limitations on deductibility, and will continue to do so in the future where this result can be achieved consistent with achieving these purposes.



**SUMMARY COMPENSATION TABLE**

The following table sets forth the compensation paid by the Company and its subsidiaries to the Chief Executive Officer, the Vice President and Treasurer (Chief Financial Officer), and the other three most highly compensated executive officers of the Company and its subsidiaries for the year ended December 31, 2007 and the compensation paid by the Company to such individuals for the year ended December 31, 2006 (other than Mr. Daurelle, who was not among the three most highly compensated executive officers for such year).

Name and Principal Position	Year	Salary (\$) (1)	Bonus(\$) (2)	Stock Awards(\$) (3)	Option Awards (\$) (4)	Non-Equity Plan Compensation (\$) (2)	Change in Pension Value and Nonqualified Deferred	All Other Compensation (\$) (6) (7)	Total \$
							Earnings (\$) (5)		
Robert Rosenkranz, Chief Executive Officer of the Company	2007	\$792,750	\$	\$1,250,000	\$291,806	\$1,200,000	\$2,224,697	\$107,491	\$5,866,744
	2006	755,000		3,000,000		1,500,000	1,824,326	233,814	7,313,140
Thomas W. Burghart, Vice President and Treasurer of the Company	2007	240,000			476,100	132,000	20,182	17,698	885,980
	2006	187,751			464,389	103,032	32,570	12,648	800,390
Donald A. Sherman, President and Chief Operating Officer of the Company	2007	792,750		875,000	498,936	840,000		14,496	3,021,182
	2006	531,404		700,000	246,958	700,000		69,195	2,247,557
Harold F. Ilg, Chairman of the Board of NCC	2007	536,038	504,769		494,496			12,375	1,547,678
	2006	510,512	531,783		796,264			12,100	1,850,659
Lawrence E. Daurelle, President and Chief Executive Officer of RSLIC	2007	350,000			476,100	423,500	22,880	34,236	1,306,716

(1) Amounts include amounts deferred by the named executive officers, where applicable, under RSLIC s Retirement Savings (401(k)) Plan and

Nonqualified  
Deferred  
Compensation  
Plan.

(2) Bonus amounts paid under the Company's Annual Incentive Compensation Plan and the RSLIC Management Incentive Compensation Plan are reported in the column Non-Equity Incentive Plan Compensation.

(3) Amounts represent the Company's compensation costs for financial reporting purposes for the applicable year according to Statement of Financial Accounting Standard No. 123 (Revised) (SFAS 123R) relating to Share Units awarded to the respective named executive officers in relation to 2007 and 2006 performance. See Note M to the Consolidated Financial Statements contained in the Company's 2007

Annual Report  
on Form 10-K.  
Effective on  
February 15,  
2008, 42,896  
Share Units were  
awarded to  
Mr. Rosenkranz,  
and 30,027 Share  
Units were  
awarded to Mr.  
Sherman.  
Effective on  
February 15,  
2007, 73,475  
Share Units were  
awarded to  
Mr. Rosenkranz,  
and 17,144 Share  
Units were  
awarded to  
Mr. Sherman.  
These amounts  
do not  
necessarily  
reflect the values  
that will  
ultimately be  
realized with  
respect to these  
awards.

- (4) Amounts represent the Company's compensation costs for financial reporting purposes for the year according to SFAS 123R relating to options granted to the respective named executive officers in the applicable year and all prior years rather than values actually

realized by such officers during the applicable year. See Note A to the Consolidated Financial Statements contained in the Company's 2007 Annual Report on Form 10-K for the assumptions made in determining SFAS 123R values. The Company's compensation costs consisting of the options grant date values, as determined in accordance with SFAS 123R, are recognized ratably over the periods of service required for the grants to vest. Accordingly, ratable amounts were expensed in 2007 for grants made in 2003, 2004, 2005, 2006 and 2007 and ratable amounts were expensed in 2006 for grants made in 2002, 2003, 2004 and 2005. Because the grants to Messrs. Rosenkranz and Sherman of options to purchase 128,689

and 90,082 shares of Class A Common Stock, respectively, in relation to their 2007 performance were made in February 2008, no compensation costs relating to these options were recognized by the Company in 2007.

Similarly, because the grant to Mr. Sherman of options to purchase 51,432 shares of Class A Common Stock in relation to his 2006 performance was made in February 2007, compensation costs relating to these options were recognized by the Company in 2007. These amounts do not necessarily reflect the values that will ultimately be realized with respect to the related option awards.

For Mr. Sherman, the Company's 2006 compensation costs relating to options include the costs for options granted

to him under the outside directors stock plan prior to his appointment as President and Chief Operating Officer. Upon such appointment, all of such options not then vested were forfeited; accordingly, these costs have been reduced to reflect the reversal of previously accrued costs with respect to the forfeited options.

- (5) Amounts consist of estimates of the increase in actuarial present value of the named executive officer's accrued benefit under the Company's retirement plans in 2007 and 2006. The key assumptions underlying these estimates are described in footnote 4 to the Pension Benefits Table on page 18. No amount is payable from the plans before a participant attains age 55 (except in the case of a disability



retirement).  
These amounts  
do not  
necessarily  
reflect the  
benefits that will  
ultimately be  
realized with  
respect to these  
plans. No  
above-market  
earnings, for  
purposes of SEC  
rules, are paid  
under any  
Company  
non-qualified  
deferred  
compensation  
program.

- (6) The amounts  
indicated in the  
All Other  
Compensation  
column for 2007  
include, among  
other items of  
compensation,  
the following  
perquisites,  
personal benefits,  
and items of  
compensation in  
the following  
types and  
amounts:

Mr. Rosenkranz:  
\$96,892 relating  
to the services of  
a personal  
assistant. In  
addition, the  
Company  
permitted the use  
of office space  
by personnel  
associated with a  
public policy  
initiative of a

foundation  
sponsored by  
Mr. Rosenkranz;  
however, no  
aggregate  
incremental cost  
to the Company  
was associated  
with such use.

Mr. Burghart:  
\$7,253 for personal  
use of a  
Company-provided  
car, \$2,139 for a  
club membership  
and executive  
medical  
reimbursements of  
\$1,789.

Mr. Ilg: \$12,375 for  
contributions made  
on Mr. Ilg's behalf  
to SNCC's defined  
contribution plans.

Mr. Daurelle:  
\$17,825 for  
personal use of a  
Company-provided  
car and executive  
medical  
reimbursements of  
\$6,521.

- (7) The Company and its subsidiaries paid certain amounts in 2007 and 2006 under related party transactions to entities in which Mr. Rosenkranz had financial interests, portions of which were in turn earned by Mr. Rosenkranz in addition to the amounts set forth above. See Certain Relationships and Related Transactions.

The following table provides information on options and Share Units granted during the year ended December 31, 2007 to each of the named executive officers.

**Grants of Plan-Based Awards in 2007**

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Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Stock Awards:	All Other Option Awards:	All Other Exercise or Base	Grant
		Threshold Amount	Target Amount	Maximum Amount	Number of Shares of Stock or Units	Number of Securities Underlying Options	Price of Option Awards per Share (\$/sh)	Date Fair Value of Stock and Option Awards <sup>(2)</sup>
Robert Rosenkranz	08/23/2007 02/16/2007 02/16/2007	\$	\$	\$ 2,774,625		375,094(3)	\$40.1800	\$4,103,528
					73,475(4)			2,999,984
Thomas W. Burghart	02/16/2007	109,091	120,000	132,000				
Donald A. Sherman	02/16/2007 02/16/2007			1,942,237	17,144(5)			699,990
						51,432(6)	40.8300	611,012
Harold F. Ilg								
Lawrence E. Daurelle	02/16/2007	350,000	385,000	423,500				

(1) The amounts indicated in the Maximum Amount column reflect the maximum possible 2007 cash incentive plan awards for the named executive officers, where applicable. The actual 2007 awards for such officers under such plans are indicated in the Non-Equity Incentive Plan Compensation column of the Summary Compensation

Table. See  
Compensation  
Discussion and  
Analysis Cash  
Compensation.

- (2) The amounts indicated in this column represent the grant date fair values of the awards determined in accordance with SFAS 123R. See Note A to the Consolidated Financial Statements contained in the Company's 2007 Annual Report on Form 10-K for the assumptions made in determining the SFAS 123R values of options. The SFAS 123R grant date fair values of the Share Units are determined by reference to the grant date fair value of the underlying shares.
- (3) Class B Common Stock options become exercisable in five equal annual installments, beginning on August 23, 2008.
- (4) Class B Common Stock Share Units granted

with respect to Mr. Rosenkranz's performance for 2006, which vest in three equal annual installments beginning on February 8, 2008. Dividend equivalents are paid with respect to these Share Units at the same rate and at the same time as the Company's regular common stock dividends.

- (5) Class A Common Stock Share Units granted with respect to Mr. Sherman's performance for 2006, which vest in three equal annual installments beginning on February 7, 2010. Dividend equivalents are paid with respect to these Share Units at the same rate and at the same time as the Company's regular common stock dividends.

- (6) Class A Common Stock options become exercisable in five equal annual installments, beginning on February 7, 2008.

Summary descriptions of the Company's cash and share-based employee incentive compensation plans follow:

**Annual Incentive Compensation Plan**

Under the Company's Annual Incentive Compensation Plan (the Annual Incentive Plan), its executive officers may earn annual bonus compensation contingent upon the attainment of certain pre-established performance goals adopted by the Compensation Committee in accordance with the plan's terms. The Compensation Committee may exercise negative discretion to reduce the amount that would otherwise be payable under an award by reason of the applicable performance goals having been achieved. We intend that compensation payable under the Annual Incentive Plan will constitute qualified performance-based compensation under Section 162(m), and, consequently, should not be subject to its \$1 million limit on deductibility thereunder. Messrs. Rosenkranz and Sherman were the participants in the Annual Incentive Plan for 2007. See Compensation Discussion and Analysis - Cash Compensation.

### **Long-Term Incentive Compensation Plan**

The Second Amended and Restated Long-Term Performance-Based Incentive Plan (the Long-Term Incentive Plan ) for Robert Rosenkranz, the Chairman and Chief Executive Officer of the Company, is intended to provide Mr. Rosenkranz with a compensation arrangement that will reward him for his contributions to the performance of the Company and enhancement of the interests of the Company's stockholders. The Compensation Committee administers the Long-Term Incentive Plan and has the authority to determine the number of shares subject to any award, to grant awards annually, or at such other times as it deems appropriate, in accordance with the plan and to interpret the plan. Following each fiscal year of the Company for which the Long-Term Incentive Plan is in effect, the Compensation Committee determines whether and to what extent to grant an award for such year (including the number of shares subject to any Award it determines to grant), and the composition of such award as between Class B Common Stock Share Units and Class B Common Stock options, based on such criteria relating to Mr. Rosenkranz's performance, the Company's performance, the Company's stock performance and such other factors for or relating to such year as it, in its sole discretion, deems relevant or, if applicable, the extent to which Mr. Rosenkranz is entitled to an award for such year based on the satisfaction of the performance criteria previously established by the Compensation Committee in its sole discretion for such year.

The exercise price of options granted under the Long-Term Incentive Plan is equal to the closing price on the NYSE of the Company's Class A Common Stock on the date of grant, and the term of the options is ten years from the date of grant. Options will become exercisable thirty days after the date of grant or such other time or times as determined by the Compensation Committee with respect to a particular award of such options. Mr. Rosenkranz is entitled to receive Class B Common Stock Share Units awarded under the Long-Term Incentive Plan in connection with various specified events of termination of his employment, subject to the satisfaction of the supplemental vesting requirements imposed by the Compensation Committee in connection with the granting of such awards. The Long-Term Incentive Plan also provides for payments to Mr. Rosenkranz in respect of any golden parachute excise tax imposed with respect to awards granted under the plan. See Potential Payments on Termination or Change in Control , beginning at page 20 below.

The Long-Term Incentive Plan will terminate on December 31, 2013.

### **Employee Stock Option Plans**

#### *Second Amended and Restated Employee Stock Option Plan*

The Second Amended and Restated Employee Stock Option Plan (the Employee Option Plan ) was originally adopted in 1987 and amended and restated in 1994 and in 1997. Pursuant to its terms, the Employee Option Plan's term ended on May 13, 2007 and no further grants will be made thereunder. The Employee Option Plan provided for a total of 7,650,000 shares of Class A Common Stock which may be issued upon exercise of options granted thereunder, of which 7,544,136 options have been granted, net of option forfeitures and expirations. As of March 30, 2008, 6,143,731 of such options have been exercised. These exercises reduced the total number of exercisable Class A Common Stock options outstanding to 1,400,405, of which 977,365 options were vested as of March 30, 2008. Such outstanding options expire between 2009 and 2016. Options granted under the Employee Option Plan have a maximum term of ten years and become exercisable at such times and in such amounts as are determined by the Compensation Committee at the time of grant. The price per share upon the exercise of an option is 100% of the fair market value of the Class A Common Stock on the date of the grant, which, under the plan, is equal to the closing price per share of the Class A Common Stock, as reported on the NYSE for such date.

#### *2003 Employee Long-Term Incentive and Share Award Plan*

Under the Share Plan, a total of 7,250,000 shares of Class A Common Stock are reserved for issuance upon the exercise of options, restricted shares, Share Units (representing the right to receive shares of Class A Common Stock or cash, as applicable, at the end of the specified deferral period), and other share-based awards granted thereunder. As of March 30, 2008, performance-contingent incentive options for 4,800,000 shares of Class A Common Stock and service-based options for 1,126,140 shares of Class A Common Stock have been granted under the Share Plan, net of forfeitures. 130,608 Class A Common Stock Share Units have been granted under the Share Plan. As of March 30, 2008, options for 84,250 shares of Class A Common Stock have been exercised. These exercises reduced the total number of outstanding options exercisable for Class A Common Stock to 7,165,750, of which options for 2,390,750



shares of Class A Common Stock were vested as of March

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30, 2008. Options currently outstanding under the Share Plan expire between 2013 and 2018. Options granted under the Share Plan have a maximum term of ten years and become exercisable at such times and in such amounts as are determined by the Compensation Committee at the time of grant. The price per share upon the exercise of an option is 100% of the fair market value of the Class A Common Stock on the date of the grant, which, under the plan, is equal to the closing price per share of the Class A Common Stock, as reported on the NYSE for such date. The Share Units that have been granted to date under the Share Plan are subject to time-vesting provisions of various durations. The following table provides information concerning unexercised options, stock that has not vested, and equity incentive plan awards for each named executive officer outstanding as of the end of the most recently completed fiscal year. Each outstanding award is represented by a separate row, which indicates the number of securities underlying the award.

**Outstanding Equity Awards at 2007 Fiscal Year End**

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Market Awards: or Number of Payout of	Equity Incentive Plan Awards: Market Awards: or Number of Payout of	Number of Shares or Units of Stock that Have not Vested (#)	Value of Unearned Shares, Units or Other Rights that have not Vested (\$)	Number of Shares or Units of Stock that Have not Vested (#)	Value of Unearned Shares, Units or Other Rights that have not Vested (\$)
Robert Rosenkranz	536,583	375,094		\$21.5996	01/15/2009				
				40.1800	08/23/2017	48,904(1)	\$1,725,333		\$
						73,475(2)	2,592,198		
Thomas W. Burghart	22,500			\$14.6667	05/22/2010				
	112,500		112,500(3)	27.8733	04/22/2014				
			75,000(4)	31.1000	12/28/2015				
Donald A. Sherman	6,420			\$17.5245	08/14/2012				
	7,668			19.5600	05/29/2013				
	5,696			26.3333	05/06/2014				

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	4,038		27.8533	05/25/2015		
	30,000	120,000(5)	36.0533	04/19/2016		
	3,800	15,200(5)	34.6200	06/08/2016		
		51,432(5)	40.8300	02/16/2017		
					17,144(6)	604,840
Harold F. Ilg	33,750		\$ 13.1111	01/11/2010		
	38,685		13.1111	01/11/2010		
	337,500		19.3111	05/28/2013		
Lawrence E. Daurelle	112,500	112,500(3)	\$ 27.8733	04/22/2014		
		75,000(4)	31.1000	12/28/2015		

(1) Class B  
Common Stock  
Share Units  
granted on  
02/08/2006  
subject to the  
requirement that  
a retirement that  
would otherwise  
entitle  
Mr. Rosenkranz  
to receive the  
underlying  
shares must  
occur on or after  
February 8,  
2009. This  
requirement is  
eliminated in  
three equal  
installments,  
beginning on the  
first anniversary  
of the grant date.

(2) Class B  
Common Stock  
Share Units  
granted on  
02/16/2007,  
subject to the  
requirement that  
a retirement that  
would otherwise  
entitle  
Mr. Rosenkranz  
to receive the

underlying shares must occur on or after February 8, 2010. This requirement will be eliminated in three equal installments, beginning on the first anniversary of the grant date.

- (3) Class A Common Stock options granted on 04/22/2004 become exercisable only to the extent that a specified cumulative financial performance target for the 2004-2008 period is satisfied. The indicated number of options would become exercisable if such target is fully attained.

- (4) Class A Common Stock options granted on 12/28/2005 become exercisable only to extent that a specified cumulative financial performance target for the 2004-2008 period is satisfied. The

indicated  
number of  
options would  
become  
exercisable if  
such target is  
fully attained.

- (5) The unexercisable options expiring on 04/19/2016 were granted on 04/19/2006 and will vest in equal installments on 04/19/2008, 04/19/2009, 04/19/2010 and 04/19/2011. The unexercisable options expiring on 06/08/2016 were granted to Mr. Sherman on 06/08/2006 and will vest in equal installments on 06/08/2008, 06/08/2010 and 06/08/2011. The unexercisable options expiring on 02/16/2017 were granted to Mr. Sherman on 02/16/2007 and will vest in equal installments on 02/07/2008, 02/07/2009, 02/07/2010, 02/07/2011 and 02/07/2012.

- (6) Class A  
Common Stock  
Share Units

granted on  
02/16/2007 vest  
in three equal  
annual  
installments  
beginning on  
February 7,  
2010.

The table below provides information relating to the number of shares of Common Stock acquired by the named executive officers during 2007 upon the exercise of options and the number of such officers' Share Units that vested during such year.

**Option Exercises and Stock Vested in 2007**

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Robert Rosenkranz	536,583	\$12,430,374	(1)	\$ (1)
Thomas W. Burghart				
Donald A. Sherman				
Harold F. Ilg				
Lawrence E. Daurelle	101,097	2,785,888		

(1) During 2007, the vesting requirements with respect to 30,000, 31,257 and 24,452 of the Class B Common Stock Share Units granted to Mr. Rosenkranz on 02/11/2004, 02/09/2005 and 02/08/2006, respectively, were satisfied. However, under these units terms, the underlying shares of Class B Common Stock, which based on the closing price of the Company's Class A Common Stock

on the vesting dates, had an aggregate value of \$3,464,025, will not be acquired by him until after the termination of his employment. See

Compensation Discussion and Analysis Share-Based Compensation Share Units. The aggregate value of these underlying shares, as of year-end 2007, is included in the Aggregate Balance column of the table contained in the Nonqualified Deferred Compensation section below.

**Equity Compensation Plan Information**

The following table summarizes the number of shares of Class A Common Stock and Class B Common Stock issuable under the Company's equity compensation plans as of December 31, 2007.

(a) Number of Securities To be Issued Upon Exercise of Outstanding Options	(b) Weighted-average Exercise Price of Outstanding Options	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
--	---	--

Equity compensation plans approved by stockholders:



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Class A Common Stock	5,864,324	\$ 25.04	3,856,330(1)(2)
Class B Common Stock	911,677	29.24	6,096,145(3)
Total	6,776,001	25.61	9,952,475

Equity compensation plans not approved by stockholders:

None

None

(1) Of these shares, 387,940 shares of Class A Common Stock were available for purchases pursuant to the Company's Employee Stock Purchase Plan. These shares may be purchased by employees at 85% of the market value under the terms and conditions set forth in the plan.

(2) The number of securities remaining available for future issuance does not take into account the 30,027 Class A Common Stock Share Units awarded under the Share Plan to Mr. Sherman relating to his performance during 2007, since these Share Units were not granted until 2008.

(3) Under the Long-Term Incentive Plan, a maximum annual award of up to 357,723 Stock Units, plus the Carryover Award Amount, as then in effect, per year over the ten-year term ending on December 31, 2013 may be granted. A Stock Unit consists of Class B Common Stock Share Units, each of which individual units represents one Stock Unit, and options to purchase shares of Class B Common Stock, each of which individual options represents one-third of one Stock Unit. The Carryover Award Amount consists of 715,446 Class B Common Stock Share Units and 2,146, Class B Common Stock options. The number of securities remaining available for future issuance

does not take into account the 42,896 Class B Common Stock Share Units awarded to Mr. Rosenkranz related to his performance during 2007, since these Share Units were not granted until 2008.

**Retirement Plan Benefits**

The table below shows the present value of the accumulated benefits payable to the named executive officers under the RSLIC Pension Plan (the Pension Plan ), the RSLIC Supplemental Executive Retirement Plan (the SERP ) and the Delphi Capital Management, Inc. Pension Plan for Robert Rosenkranz (the DCM Pension Plan ) utilizing assumptions consistent with those used for purposes of the Company's financial statements as of December 31, 2007. Descriptions of the terms of these plans follow.

**Pension Benefits  
as of Fiscal Year End  
December 31, 2007**

Name	Plan Name	Number of Years Credited Service (#) (3)	Present Value of Accumulated Benefit (\$) (4)	Payments During Last Fiscal Year (\$)
Robert Rosenkranz	Pension Plan	20	\$ 567,225	\$
	DCM Pension Plan	30	10,253,385	
Thomas W. Burghart	Pension Plan	28	235,782	
	SERP	28	98,334	
Donald A. Sherman	Pension Plan	2	31,995(1)	
	SERP	2	18,386(1)	
Harold F. Ilg (2)				
Lawrence E. Daurelle	Pension Plan	13	183,607	
	SERP	13	107,840	

(1) As of December 31, 2007, Mr. Sherman had completed less than 5 years of service and therefore his accumulated benefits had not yet vested.

(2) Mr. Ilg, because he was an employee of SNCC, did not participate in such plans.

- (3) Equals the number of years of credited service as of December 31, 2007. One year of credited service is provided for every year of employment in which 1,000 hours are completed. The years of Mr. Rosenkranz's credited service, for purposes of the DCM Pension Plan, include ten years of service provided to Rosenkranz & Company, L.P. prior to the formation of the Company.
- (4) Estimated actuarial present values determined using the same assumptions and methods used in determining expense in the Company's 2007 financial statements, including, among others, a discount rate of 5.95%, the use of the 1994 Group Annuity Reserving Mortality Table, the election of a straight life annuity and the commencement

of benefits at age 65. With respect to the amount indicated for Mr. Rosenkranz with respect to the DCM Pension Plan, \$3,546,743 of such amount result from the additional years of credited service described in footnote 3 to this table.

**Pension Plan**

The Pension Plan is a noncontributory, tax-qualified defined benefit pension plan that provides retirement and, in certain instances, death benefits to employees of RSLIC, FRSLIC and DCM, including the named executive officers employed by such companies.

*Formula.* The annual benefit under the Pension Plan at an employee's normal retirement age of 65 is determined by multiplying the employee's years of service up to 35 years by the sum of (i) 0.85% of the employee's average compensation (which, for such purpose, consists primarily of the employee's taxable income as reported on Form W-2, with certain exclusions) for the five consecutive calendar years in the last ten years of participation prior to retirement for which such average would be the highest (Average Compensation) up to the employee's Social Security covered compensation level, (ii) 1.5% of the employee's Average Compensation in excess of the Social Security covered compensation level, and (iii) 1% of the employee's Average Compensation multiplied by the employee's years of service in excess of 35. Under the Code, compensation for 2007 includible for purposes of determining benefits under the Pension Plan was limited to \$225,000. Employees are eligible to participate in the Pension Plan following the completion of one year of service and the attainment of age 21 and generally continue to accrue benefits until termination of employment.

*Vesting.* Benefits vest after five years of service with RSLIC, FRSLIC and/or DCM.

*Retirement Age.* A participant becomes eligible to receive benefits at the normal retirement age of 65. Early retirement at the attainment of age 55 is available to a participant with at least ten years of service. At present, Messrs. Rosenkranz and Daurelle satisfy these eligibility requirements. If early retirement is elected, benefits are reduced by 6.67% for each of the first five years, and 3.3% for each of the next five years, by which the retirement commencement date precedes the normal retirement age.

*Forms of Benefit.* Employees may elect to receive pension benefits under a single life annuity; otherwise, in the case of married employees, benefits will be paid in the form of a 50% joint and survivor benefit. Optional forms of payment also include an

actuarially reduced 100% contingent annuity and a life annuity with 10 years certain. The Pension Plan also provides survivor benefits to the spouse of an employee who dies with a vested benefit.

**SERP**

The SERP provides employees of RSLIC, FRSLIC and DCM with the opportunity for retirement income supplemental to that furnished under the Pension Plan by increasing the amount of compensation includible for purposes of determining pension benefits above the amount permitted under the Pension Plan due to the Code limit discussed in the preceding section. The SERP is not qualified under the Code and is unfunded. Retirement benefits under the SERP are calculated in substantially the same manner as under the Pension Plan, except that the maximum compensation includible under the SERP for 2007 was \$335,240. This amount is increased annually by the Social Security Cost of Living Adjustment. The annual benefit payable under the SERP is reduced by the annual benefit payable under the Pension Plan. The other terms and conditions of the SERP are substantially similar to those of the Pension Plan.

**DCM Pension Plan**

The DCM Pension Plan is a nonqualified defined benefit pension plan that provides Robert Rosenkranz with retirement benefits supplemental to those furnished under the Pension Plan.

The annual benefit under the DCM Pension Plan at age 65 is determined by adding (i) Mr. Rosenkranz's years of service (which, for this purpose, include his years of service with Rosenkranz & Company, L.P. prior to the formation of the Company) up to 35 years multiplied by the sum of (a) 0.85% of his Average Compensation up to the Social Security covered compensation level and (b) 2% of his Average Compensation in excess of the Social Security covered compensation level, plus (ii) 1% of his Average Compensation multiplied by his years of service in excess of 35, and subtracting from such sum the amount of the benefit payable to him under the Pension Plan. The DCM Pension Plan is unfunded; however, plan payments are unconditionally guaranteed by the Company under a guarantee agreement between the Company and Robert Rosenkranz. Mr. Rosenkranz does not participate in the SERP. The other terms and conditions of the DCM Pension Plan are substantially similar to those of the Pension Plan.

### Nonqualified Deferred Compensation

Under the RSLIC Nonqualified Deferred Compensation Plan (the "Deferred Compensation Plan"), certain employees of RSLIC, FRSLIC and DCM, including the named executive officers employed by these companies, can elect on an annual basis to defer from 1% to 10% of their cash compensation to be earned during the following year, with deferred amounts, plus investment earnings thereon, to be paid in accordance with the officers' elections with regard to the timing and form of distributions following the termination of employment. Amounts deferred can be allocated to investment options comparable to the mutual fund options available under RSLIC's 401(k) plan. Participant accounts are credited with matching contributions equal to 50% of the amounts deferred by the participant, up to a maximum match of 4% of the participant's total compensation, reduced by the matching contributions made for the participant to the 401(k) Plan.

As part of the share-based component of the Company's compensation program, Share Units are granted to certain of the named executive officers. As discussed above, a holder of Share Units is not entitled to receive the underlying shares of Company common stock until after the termination of his employment, subject to a further six-month deferral period where required by Section 409A of the Code. Accordingly, the ability of an employee to realize monetary benefit from his Share Units, other than the dividend equivalents thereon, is deferred until such termination and the expiration of any required additional deferral period. See "Compensation Discussion and Analysis Share-Based Compensation.

Name	Executive Contributions In Last Fiscal Year (\$)	Registrant Contributions In Last Fiscal Year (\$)	Aggregate Earnings In Last Fiscal Year (\$)	Aggregate Withdrawals/ Distributions In Last Fiscal Year (\$)	Aggregate Balance At Last Fiscal Year End (\$)
Robert Rosenkranz	\$	\$	\$	\$ 301,726(1)	\$ 30,414,006(2)
Thomas W. Burghart	17,152(3)	2,018	(127)		30,356
Donald A. Sherman				6,000(4)	604,840(5)
Harold F. Ilg					
Lawrence E. Daurelle	71,300(3)	3,250	17,700		549,175

(1) Amounts consist of dividend equivalents paid in 2007 with respect to the Share Units described in footnote 2.

(2) Includes 739,696 vested and 122,379 unvested Class B Common Stock Share Units, as to which the underlying shares of Class B Common Stock will not be



received by Mr. Rosenkranz until after the termination of his employment, assuming, in the case of the unvested units, the satisfaction of their vesting requirements. See Compensation Discussion and Analysis Share-Based Compensation Share Units. The grants of these Share Units were previously reported as compensation to Mr. Rosenkranz in prior years proxy statements in the Summary Compensation Tables relating to the years as to which such grants were made.

- (3) The amounts indicated in the Executive Contributions column are included in the Salary amounts for Messrs. Burghart and Daurelle reflected in the Summary Compensation Table.
- (4) Amount consists of dividend equivalents paid in 2007 with

respect to the  
Share Units  
described in  
footnote 5.

- (5) Includes 17,144 unvested Class A Common Stock Share Units as to which the underlying shares of Class A Common Stock will not be received by Mr. Sherman until after the termination of his employment, assuming the satisfaction of the units vesting requirements. See Compensation Discussion and Analysis Share-Based Compensation Share Units.

**Potential Payments on Termination or Change in Control**

The Company's change of control-related severance agreements and employment agreements for its named executive officers are described in this section. This section contains information relating to benefits that would have been payable under such agreements, and under other existing plans and arrangements, based on a hypothetical termination of the relevant named executive officer's employment on December 31, 2007 (in the case of Mr. Ilg, assuming that such termination had occurred prior to the expiration of his employment agreement on such date, as discussed below). These benefits are in addition to those generally furnished to all salaried employees of the subsidiary by which the named executive officer is or was employed that would have applied in the event of such termination, depending on the circumstances; for example, disability and group life insurance benefits, retirement savings plan distributions and accrued vacation pay.

During 2007, SNCC was party to an employment agreement with Mr. Ilg, the five-year term of which expired on December 31, 2007, pursuant to which Mr. Ilg served as the Chairman of SNCC. The agreement established a minimum base salary, provided for an annual discretionary bonus and entitled him to receive various benefits maintained for SNCC's senior executives. Under this agreement, if Mr. Ilg's employment were terminated by SNCC other than for cause, or by him for good reason, he would have been entitled to receive a lump sum payment equal to 18 months' base salary and to the continuation of medical and other welfare

benefits for an 18-month period. In addition, if his employment terminated due to death, his estate or beneficiary would have been entitled to receive six months' base salary continuation. The following definitions applied under Mr. Ilg's employment agreement:

cause means, as to a termination of Mr. Ilg's employment by SNCC, his (a) willful and continued failure to perform substantially his duties (other than as a result of incapacity), (b) willful misconduct which is materially injurious to SNCC, (c) material breach of such agreement, (d) being prohibited in writing by SNCC's domiciliary insurance regulator from serving as an SNCC executive officer; or (e) non-appealable conviction or plea of nolo contendere to a felony.

good reason means, as to a voluntary termination by Mr. Ilg of his employment, (a) SNCC's having assigned to him any duties inconsistent with, or having materially diminished, his position, authority, duties or responsibilities; (b) SNCC's discontinuance of, material reduction in or diminution of participation in his employee benefits so as to materially adversely affect his benefits or compensation as a whole unless such action is applicable to all SNCC executives or plan participants, as applicable, (c) his having been required to be based elsewhere than SNCC's home office; (d) SNCC's material breach of the agreement; or (e) any termination by SNCC of his employment other than in accordance with the agreement.

The terms of Messrs. Burghart and Daurelle's performance incentive options described above (see Compensation Discussion and Analysis - Share-Based Awards - Options) contain identical provisions relating to employment termination as follows: If the optionee's employment were terminated during the options' 2004-2008 performance period due to his death or disability, by RSLIC without cause or by him with good reason, such options would vest based on RSLIC's financial performance for the full period, but the number of such vested options would be pro-rated to reflect the portion of the period during which he was not employed. In addition, if an employment termination by RSLIC other than for cause or by the optionee for good reason were to occur following a change of ownership of the Company, and RSLIC had, at that point, satisfied its minimum financial performance requirement under his performance incentive options discussed above for the portion of the performance period then having elapsed, he would, unless the vesting of these options was then accelerated in its entirety, be entitled to receive an amount equal to the Black-Scholes value of the options. For purposes of these provisions, the definitions of cause, change of ownership, disability and good reason are substantially similar to those described below in relation to the Share Units. The terms of the options granted on a time-vesting basis do not provide for acceleration of their vesting due to the holder's death, disability, retirement or voluntary or involuntary termination of employment, but do provide for their full acceleration in the event of a change of ownership event with respect to the Company, which is defined as described below in relation to the Share Units.

Under the Share Units' terms, the receipt by the holder of the underlying shares of Common Stock will occur only following his termination of employment. Accordingly, to the extent that the Share Units' time-vesting requirement has then been met, the termination of a named executive officer's employment for any reason other than by the Company for cause, including a voluntary termination or retirement, will, subject to a further six-month deferral period where required by Section 409A of the Code, entitle such officer to receive the number of shares of Company Class A or Class B Common Stock that corresponds to the number of Share Units that had become vested at the time of such termination. In addition, each of the Share Unit awards, to the extent not then already vested, will vest in its entirety upon a change of ownership with respect to the Company or the holder's termination of employment due to death or disability, by the Company without cause or voluntary termination for good reason, as these terms as defined in the applicable award agreements and, in the case of Mr. Rosenkranz, the Long-Term Incentive Plan. For these purposes:

cause means, as to the termination by the Company of a named executive officer's employment, the officer's (a) conviction of a felony or other crime involving fraud, dishonesty or moral turpitude, (b) fraud with respect to the business of the Company, or (c) gross neglect of his duties.

a change of ownership occurs if (a) the current members of the Board of Directors and subsequent members having been approved by the Board pursuant to specified conditions cease to constitute a majority of the Board; (b) the stockholders approve a merger, consolidation, recapitalization or reorganization of the Company,

reverse split of any class of voting securities of the Company, or an acquisition of securities or assets by the Company, or the sale or disposition by the Company of all or substantially all of the Company's assets, or if any such transaction is consummated without stockholder approval, unless in any such case the Company's voting stockholders receive in the transaction voting securities representing more than 60% of the voting power of the surviving or transferee entity; or (c) the stockholders approve a plan of complete liquidation of the Company.

disability means an illness, injury, accident or condition causing the named executive officer to be unable to substantially perform the duties and responsibilities of his position for 180 days during a period of 365 consecutive calendar days.

good reason means, as to a named executive officer's voluntary termination of employment: (a) failure to reelect him to his officer position (except for termination for cause or due to disability); (b) reduction in the officer's base salary; (c) the failure to continue in effect any retirement, life insurance, medical insurance or disability plan unless substantially comparable benefits are provided; (d) an involuntary termination of the officer's employment for cause that is not effected in compliance with specified procedural requirements or (e) in the case of Mr. Rosenkranz only, the termination of employment to enter public service.

In addition, the terms of the Share Units and of the options granted to Mr. Rosenkranz under the Long-Term Incentive Plan entitle the holder to receive payment in respect of any golden parachute excise tax imposed by Section 4999 of the Code in respect of the vesting of such Share Units or options due to a change of control as described in Section 280G of the Code in order to adjust, on an after-tax basis, for the amount of any such tax. No payments to any of the named executive officers would have been required under such terms with respect to a change of ownership event having occurred at December 31, 2007.

The table below reflects the estimated amounts of the compensation and benefits that would have been payable to the named executive officers under the plans and arrangements described in this section in the various events of termination of employment specified in the table's columns. The amounts shown assume that such terminations were effective as of December 31, 2007, and thus include only amounts and awards having been earned or received through this date. The actual amounts that would be paid to a named executive officer upon termination of employment would be determined only at the time of such termination.

	Involuntary Not For Cause Termination	Involuntary For Good Reason Termination	Change of Ownership	Disability	Death
<b>Robert Rosenkranz:</b>					
Share Unit Vesting Acceleration	\$4,317,531	\$4,317,531	\$4,317,531	\$4,317,531	\$4,317,531
<b>Thomas W. Burghart:</b>					
Black-Scholes Option Payment			1,278,750(1)		
Post-Employment Option Vesting	917,403(2)	917,403(2)		917,403(2)	917,403(2)
<b>Donald A. Sherman:</b>					
Option Vesting Acceleration			10,032		
Share Unit Vesting Acceleration	604,840	604,840	604,840	604,840	604,840
<b>Harold F. Ilg:</b>					
Cash Severance	804,057	804,057			268,019
Health and Welfare Benefits	34,981	34,981			

**Lawrence E. Daurelle:**

Black-Scholes Option Payment				1,278,750(1)	
Post-Employment Option Vesting	917,403(2)	917,403(2)		917,403(2)	917,403(2)

(1) Amounts assume the occurrence of a change of ownership event followed by the termination of Messrs. Burghart and Daurelle's employment without cause or their voluntary termination of employment with good reason, all occurring on December 31, 2007, in connection with which the vesting of their respective performance-contingent incentive options was not accelerated in full.

(2) Amounts reflect the intrinsic value of Messrs. Burghart and Daurelle's respective unvested performance incentive options at December 31, 2007 that would be received following the conclusion of RSLIC's 2004-2008 performance period, assuming the full satisfaction by RSLIC of the cumulative financial performance target specified in such options for such period.

**Directors Compensation**

The following table sets forth compensation paid by the Company to the non-employee directors of the Company during 2007.

Name	Fees	Stock	Option	Non-Equity Nonqualified		All Other	Total
	Earned or Paid in			Incentive Plan	Deferred Compensation		
	Cash (1)	Awards (2)	Awards (3)	Compensation	Earnings	(4)	
	\$	\$	\$	\$	\$	\$	\$
Kevin R. Brine	\$63,250	\$	\$ 97,822	\$	\$	\$ 40,000	\$201,072
Edward A. Fox	56,000		135,025			40,000	231,025
Steven A. Hirsh	59,750		82,904			10,000	152,654
James M. Litvack	61,000	16,666	67,575			3,400	148,641
James N. Meehan	67,750	50,413	66,948				185,111
Philip R. O Connor	60,500		110,926			4,000	175,426
Robert F. Wright	59,000		81,232			17,000	157,232

(1) Fees earned reflect the amount of cash forgone by the director in respect of the annual retainer for Board service, where applicable, in addition to Board and committee meeting fees. As discussed below, outside directors have the ability to elect to receive options or restricted shares, in lieu of cash, in payment of the annual retainer. Pursuant to the elections made in advance with respect to the annual term of service

beginning in 2007, the following directors received, on May 9, 2007, Class A Common Stock options in lieu of all or part of their annual retainers in the following amounts: Messrs. Brine and O Connor 3,496 options; Mr. Hirsh 1,748 options; and Mr. Wright 1,178 options. The exercise price under such options is \$42.91 per option. In addition, pursuant to their elections made in advance with respect to such term of service, Messrs. Meehan and Litvack received 1,165 and 583 restricted shares of Class A Common Stock, respectively, on the same date. Further information relating to the terms of these options and restricted shares is contained in the discussion below.

(2)



Amounts represents the Company's compensation costs for financial reporting purposes for the year according to SFAS 123R. See Note A to the Consolidated Financial Statements in the Company's 2007 Annual Report on Form 10-K for the assumptions made in determining SFAS 123R values. These amounts do not necessarily reflect the values that will ultimately be realized with respect to these awards. At December 31, 2007, Messrs. Meehan and Litvack held 583 and 292 unvested restricted shares, respectively, with a grant date fair value of \$42.91 per share.

- (3) Amounts represent the Company's compensation costs for financial reporting purposes for the

year according to SFAS 123R relating to options granted to the respective directors in 2007 and prior years rather than values actually realized by such directors during 2007. See Note A to the Consolidated Financial Statements in the Company's 2007 Annual Report on Form 10-K for the assumptions made in determining SFAS 123R values. These amounts do not necessarily reflect the values that will ultimately be realized with respect to these awards. At December 31, 2007, the aggregate numbers of options held by the Company's outside directors pursuant to awards granted in 2007 and prior years were as follows: Mr. Brine 44,407; Mr. Fox -180,913; Mr. Hirsh 35,924; Mr. Litvack

33,677;  
Mr. Meehan  
51,494;  
Mr. O Connor  
64,120; and  
Mr. Wright  
35,133. The  
SFAS 123R  
grant date fair  
value was  
\$12.12 per  
option for  
options granted  
in 2007.

- (4) Includes  
Company  
matches of  
charitable gifts  
under the  
program  
discussed below.

The Company pays its directors who are not officers or employees of the Company or any of the Company's affiliates (each, an outside director) annual compensation consisting of options to purchase Class A Common Stock, restricted shares of Class A Common Stock or cash in an amount as described in the following sentence (the Annual Retainer), and a fee of \$750 plus expenses for each Board of Directors or committee meeting attended, except that the fee is \$1,000 for Audit Committee meetings. The amount of the Annual Retainer, if paid in cash, for an outside director who has not previously served as an officer or employee of the Company or any of its subsidiaries, is \$50,000, and for an outside director who has so served, is \$25,000. In addition to option or restricted share grants in respect of the Annual Retainer, outside directors also receive certain option grants on an annual formulaic basis and are eligible to receive grants of options at such times and in such amounts as are determined by the committee consisting of the full Board of Directors of the Company in its discretion. All of these grants are made pursuant to the Second Amended and Restated Directors Stock Plan (the Directors Stock Plan).

The Directors Stock Plan was adopted in 1994, amended and restated in 1997 and in 2003 and was further amended in February 2007. Under the Directors Stock Plan, each outside director in office on the business day following the Company's Annual Meeting of Stockholders is granted Class A Common Stock options. Prior to the 2007 amendments, the number of such options was determined pursuant to the following formula: number of options = 5,963 multiplied by [1+(.125 multiplied by the number of calendar years of continuous service of such outside director to that point, including any portion of a calendar year of service as a full year)]. The amendments adopted in 2007 replaced this formula with the following: number of options = (a) \$100,000 multiplied by three, divided by (b) the fair market value of a share of Class A Common Stock of the Company on the business day

following each Annual Meeting of Stockholders. This formula assumes that the value of an option on the Company's stock is equal to one-third of the value of a share of such stock. The option exercise price is the closing price per share of the Class A Common Stock, as reported on the NYSE on the grant date. Options granted prior to 2007 vest in five equal annual installments so long as the director continues to serve on the Board, commencing on the first anniversary of the date of the grant. Options granted in 2007 and after will vest in three equal annual installments, beginning on May 1<sup>st</sup> of the year following the year in which the grant is made, and will vest in their entirety upon the death or disability of a director then serving on the Board. All options have a term of ten years from the date of grant. The Directors Stock Plan also provides for the Annual Retainer to be paid through the grant of options, unless such director elects in advance to receive the Annual Retainer in cash or in restricted shares. Options (or, if 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 options granted is equal to (a) three times the director's Annual Retainer for the applicable period divided by (b) the closing price per share of the Class A Common Stock, as reported on the NYSE on the grant date, and the exercise price is equal to such closing price. If restricted shares are elected by an outside director, the number of restricted shares granted is equal to the nearest number of whole shares determined by dividing the Annual Retainer by such closing price on the date of grant. Options or restricted shares granted vest in four quarterly 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 respect of the Annual Retainer is dependent upon the time at which such director is elected and the closing price of the Class A Common Stock on the date of grant and, therefore, is not determinable in advance.

In addition to the formulaic annual option grants under the Directors Stock Plan, as described above, the full Board of Directors of the Company 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 is the closing price per share of the Class A Common Stock, as reported on the NYSE for the grant date, and such options expire ten years from the date of grant. Grants under this provision are made primarily in situations where the formulaic provisions would not effectively operate; for example, where a new outside director joins the Board on a date other than the scheduled annual grant date.

The Company has a matching charitable gifts program for its outside directors under which the Company matches, on a two-to-one basis, charitable contributions made by the director to qualified educational institutions and institutions dedicated to the advancement of the arts, under which the maximum amount of the Company's matching contributions for any one director in any calendar year is \$40,000.

#### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The Company has since 2004 had in place a review policy for related party transactions, and, in February 2007, amended such policy in certain respects. Under this policy, such transactions are subject to a prior review and approval process under which such transactions are initially reviewed by the Governance Committee. If, based on this review, this committee recommends to the full Board that the transaction be approved, such recommendation is submitted to the Board for consideration and, if deemed appropriate, acceptance. Such acceptance requires the affirmative vote of a majority of the disinterested directors. In addition, under the policy, existing related party transactions are subject to ongoing review by the Governance Committee and the Board on at least an annual basis. This policy is available on the Company's website ([www.delphifin.com/corp\\_governance](http://www.delphifin.com/corp_governance)) and in print to any shareholder upon request. All related party transactions in effect have either been pre-approved under such policy or, where entered into before the adoption of such policy, have received periodic review under the policy.

Pursuant to two consulting agreements, RSLIC and the Company pay to Rosenkranz Asset Managers LLC (RAM), a wholly owned subsidiary of Rosenkranz & Company, L.P., fees associated with the formulation of the investment and other strategies for the Company and its subsidiaries. These fees amounted to \$6.6 million for the year ended December 31, 2007; of such amount, \$4.6 million was earned by Mr. Rosenkranz due to his financial interests in Rosenkranz & Company, L.P. These fees generally increase at an annual rate of 10% and are expected to be \$7.3 million for calendar year 2008. The Company believes that the fees charged under these agreements are comparable to fees charged by unaffiliated third parties for consulting services of considerably narrower scope than

the services provided thereunder. Pursuant to an expense allocation agreement, a subsidiary of the Company received periodic payments from RAM, Acorn Partners, L.P. and various other entities in which Mr. Rosenkranz has personal financial interests, in respect of expenses associated with certain shared office space, facilities and personnel. The total amount of these payments for 2007 was \$11.8 million. In addition, RAM made payments to Messrs. Sherman and Chad Coulter, the Company's Senior Vice President, Secretary and General Counsel, in the amounts of \$600,000 and \$100,000, respectively, in respect of services rendered by them during 2007 to various entities in which Mr. Rosenkranz has personal financial interests. During 2007, a subsidiary of the Company maintained investment management arrangements pursuant to a discrete investment

program with entities of which Mr. Rosenkranz and his related entities own a substantial majority of the financial interests. Under such arrangements, management and performance-based fees are paid to such entities, which also provide similar services to unaffiliated third parties on comparable terms. The Company believes that such fees, which totaled \$1.5 million for 2007, are comparable to fees charged by unaffiliated third parties in connection with similar investment programs. As of December 31, 2007, the amount invested under such arrangements was \$90.5 million. Also during 2007, certain subsidiaries of the Company maintained limited partner investments in an investment partnership whose general partners are controlled and beneficially owned by Mr. Rosenkranz. The amount of such investments, as of December 31, 2007, totaled \$27.8 million. The partnership has waived, as to the Company's subsidiaries, the imposition of all fees that otherwise apply to investments by its limited partners.

#### **AUDIT COMMITTEE REPORT**

During 2007, the Audit Committee approved the selection of the Company's independent auditor, Ernst & Young LLP, to audit the Company's consolidated financial statements. The Audit Committee discussed with the Company's independent and internal auditors the overall scope and plans for their respective audits, and regularly met with such auditors, with and without management present, to discuss the results of their audits, their evaluations of the Company's internal controls, the progress and results of management's assessment of internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act of 2002 and such other matters as the Audit Committee deemed appropriate.

The Audit Committee met with management and the independent auditor to review and discuss the Company's audited consolidated financial statements for the fiscal year ended December 31, 2007, and discussed with the independent auditor the matters required to be discussed by Statement of Auditing Standards No. 61, Communication with Audit Committees, as amended, as adopted by the Public Company Accounting Oversight Board (the PCAOB) in Rule 3200T. In addition, the Audit Committee discussed with the independent auditor the auditor's independence, including the matters contained in the written disclosures and letter furnished by the independent auditor pursuant to Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as adopted by the PCAOB in Rule 3600T. The Audit Committee considered whether the provision of non-audit services to the Company was compatible with maintaining the auditor's independence and also reviewed the amount of fees paid to the independent auditor for audit and non-audit services. Based on such review and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 for filing with the Securities and Exchange Commission.

James N. Meehan, Chairman

Kevin R. Brine

Steven A. Hirsh

James M. Litvack

#### **INDEPENDENT AUDITOR**

The Audit Committee engaged the firm of Ernst & Young LLP to serve as the Company's independent auditor for 2007. A representative of Ernst & Young LLP is expected to be present at the Annual Meeting to respond to appropriate questions and to make a statement if such representative desires.

For 2007 and 2006, Ernst & Young LLP billed the Company for the following professional services:

*Audit Fees.* Fees for audit services were \$2,008,000 in 2007 and \$2,077,000 in 2006, including fees associated with the annual audit and the audit of internal control over financial reporting, reviews of the condensed financial statements included in the Company's quarterly reports on Form 10-Q and statutory audits required for the Company's insurance subsidiaries.

*Audit-Related Fees.* Fees for audit-related services were \$429,000 in 2007 and \$151,000 in 2006.

*Tax Fees.* Fees for tax services, including tax compliance, advice and planning, were \$104,000 in 2007 and \$67,000 in 2006.

*All Other Fees.* Services other than the types described above that were rendered by Ernst & Young LLP, primarily advisory services for actuarial software, were \$7,000 in 2007 and \$20,000 in 2006.

*Audit and Non-audit Services Pre-approval Policy.* The Audit Committee has adopted a formal policy concerning the pre-approval of audit and non-audit services to be provided by the Company's independent auditor. The policy requires

that the Audit Committee pre-approve all services to be performed by the independent auditor, including audit services, audit-related services, tax

services and permitted non-audit services. Pursuant to such policy, the annual audit engagement terms and fees are subject to the specific pre-approval of the Audit Committee, and such committee periodically pre-approves fee levels or budget amounts for specifically enumerated categories of other services. The term of any such pre-approval is 12 months from the date thereof, unless the Audit Committee specifically provides for a different period. Services not falling within such categories of pre-approved services require the specific pre-approval of the Audit Committee. The Audit Committee may delegate pre-approval authority to one or more of its members, and has presently delegated such authority to its Chairman. The Audit Committee pre-approved all services provided by Ernst & Young LLP during 2007 and 2006.

#### **FINANCIAL STATEMENTS AVAILABLE**

Consolidated financial statements for Delphi Financial Group, Inc. are included in the Company's 2007 Annual Report on Form 10-K for the year ended December 31, 2007, which is being mailed together with this Proxy Statement and is also available at [www.delphifin.com/financial/proxymaterials.html](http://www.delphifin.com/financial/proxymaterials.html). Additional copies of the Form 10-K and the Annual Report to Stockholders may be obtained without charge by submitting a written request to the Investor Relations Department, Delphi Financial Group, Inc., 1105 North Market Street, Suite 1230, Wilmington, Delaware 19899.

#### **SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

To the Company's knowledge, based solely on its review of Forms 3, 4 and 5 and amendments thereto furnished to the Company pursuant to Section 16 of the Securities Exchange Act of 1934 and written representations that no other reports were required for such persons, all persons subject to these reporting requirements filed the required reports on a timely basis.

#### **SUBMISSION OF STOCKHOLDER PROPOSALS**

Proposals of stockholders intended to be presented at the 2009 Annual Meeting of Stockholders must be received by the Company at 1105 North Market Street, Suite 1230, Wilmington, Delaware 19899, by December 1, 2008.

By Order of the Board of Directors,

Robert Rosenkranz  
Chairman of the Board



Dear Stockholder,

Please take note of the important information enclosed with this Proxy. Your vote counts, and you are strongly encouraged to exercise your right to vote your shares.

Please mark the boxes on this proxy card to indicate how your shares will be voted. Then sign, detach and return the card in the enclosed postage paid envelope.

Your card must be received prior to the 2008 Annual Meeting of Stockholders, scheduled to be held on May 6, 2008.

Thank you in advance for your prompt consideration of these matters.

Sincerely,

Robert Rosenkranz  
Chairman of the Board

FOLD AND DETACH HERE

**This Proxy is Solicited on Behalf of the Board of Directors of Delphi Financial Group, Inc.** and, when properly executed, will be voted in the manner directed herein by the undersigned stockholder. If no direction is made, this proxy will be voted FOR all nominees for Director and FOR Proposal 2. The Board of Directors recommends a vote FOR all nominees for Director and FOR Proposal 2.

**Signed:**

**Signed:**

Please sign exactly as your name(s) appear(s) hereon. Joint owners should each sign personally. Trustees and other fiduciaries should indicate the capacity in which they sign, and where more than one name appears, a majority must sign. If a corporation or partnership, this signature should be that of an authorized officer who should state his or her title.

**Dated:**

**IMPORTANT:** Please mark, sign and date this proxy and return it promptly in the enclosed envelope. No postage is required if mailed in the United States.

FOLD AND DETACH HERE

**DELPHI FINANCIAL GROUP, INC.**

**This Proxy is Solicited on Behalf of the Board of Directors of Delphi Financial Group, Inc.**

The undersigned stockholder hereby appoints Robert Rosenkranz and Donald A. Sherman, or either of them, as attorneys or proxies, each with full power of substitution, and hereby authorizes each of them to represent and vote in the manner designated below (or, if no designation is made, as provided on the reverse side of this card), all of the shares of Class A Common Stock of Delphi Financial Group, Inc. (the Company) held of record by the undersigned at the close of business on March 31, 2008 at the Company's 2008 Annual Meeting of Stockholders scheduled to be held on May 6, 2008 at 10:00 a.m., EDT, or any adjournments or postponements thereof.

The undersigned acknowledges receipt of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007, Notice of Annual Meeting of Stockholders and Proxy Statement dated April 10, 2008, and grants authority to each of said proxies or their substitutes, and ratifies and confirms all that said proxies may lawfully do in the undersigned's name, place and stead.

1. Election of Directors.

**For** all nominees listed  
(except as written on the space provided below)

**Withhold Authority** to vote  
for all nominees listed below

Class A Director: Philip R. O Connor

Directors: Robert Rosenkranz	Donald A. Sherman	Kevin R. Brine	Lawrence E. Daurelle
Edward A. Fox	Steven A. Hirsh	Harold F. Ilg	James M. Litvack
James N. Meehan	Robert M. Smith, Jr.	Robert F. Wright	

**INSTRUCTION:** To withhold authority to vote for any individual nominee listed above, write that nominee's name on the space provided below.

2. To transact such other business as properly comes before the meeting or any adjournment thereof.

**For**

**Against**

**Abstain**