

DELPHI FINANCIAL GROUP INC/DE

Form DEF 14A

April 10, 2008

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

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

Delphi Financial Group, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- (1) Title of each class of securities to which transaction applies:

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

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

(4) Proposed maximum aggregate value of transaction:

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

April 10, 2008

Dear Stockholder,

It is a pleasure to invite you to Delphi Financial Group, Inc.'s 2008 Annual Meeting of Stockholders, to be held on May 6, 2008 at the University Club, One West 54th Street, New York, New York, commencing at 10:00 a.m., Eastern Daylight Time. We hope that you will be able to attend.

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

At the meeting the stockholders will be electing directors, as described in the enclosed formal Notice of Annual Meeting of Stockholders and Proxy Statement. We will also report on the progress of Delphi Financial Group, Inc. and respond to questions posed by stockholders.

We look forward to seeing you at the Annual Meeting.

Sincerely,

Robert Rosenkranz
Chairman of the Board

DELPHI FINANCIAL GROUP, INC.
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 6, 2008

To the Stockholders of Delphi Financial Group, Inc.:

Notice is hereby given that the 2008 Annual Meeting of Stockholders of Delphi Financial Group, Inc. will be held at the University Club, One West 54th Street, New York, New York on May 6, 2008, commencing at 10:00 a.m., Eastern Daylight Time, for the following purposes:

1. To elect twelve directors to serve for a term of one year, one of whom shall be elected by the holders of the Class A Common Stock, voting as a separate class.

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

The Board of Directors has fixed the close of business on March 31, 2008 as the record date for stockholders entitled to notice of and to vote at the meeting or any adjournment of the meeting. The list of stockholders entitled to vote at the meeting shall be available at the offices of Delphi Capital Management, Inc., 590 Madison Avenue, New York, New York, for a period of ten days prior to the meeting date.

A copy of Delphi Financial Group, Inc.'s 2007 Annual Report, which includes its Annual Report on Form 10-K for the fiscal year ended December 31, 2007, is being mailed to stockholders together with this notice.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 6, 2008:

The Proxy Statement for the 2008 Annual Meeting of Stockholders and Delphi Financial Group, Inc.'s 2007 Annual Report are available at www.delphifin.com/financial/proxymaterials.html.

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

By Order of the Board of Directors,

Robert Rosenkranz
Chairman of the Board

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

This Proxy Statement is furnished for the solicitation by the Board of Directors (the Board of Directors or the Board) of Proxies for the Annual Meeting of Stockholders of Delphi Financial Group, Inc., a Delaware corporation (the Company), scheduled to be held on May 6, 2008 at the University Club, One West 54th Street, New York, New York, commencing at 10:00 a.m., Eastern Daylight Time. The submission of a signed Proxy will not affect the stockholder's right to attend the meeting and vote in person. Any person giving a Proxy may revoke it at any time before it is exercised by the delivery of a later dated signed Proxy or written revocation sent to the Investor Relations Department of the Company, 1105 North Market Street, Suite 1230, Wilmington, DE 19899 or by attending the Annual Meeting and voting in person.

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

The Company's 2007 Annual Report, which includes its Annual Report on Form 10-K for the fiscal year ended December 31, 2007, is being mailed together with this Proxy Statement to each stockholder of record as of the close of business on March 31, 2008.

MAILING AND VOTING OF PROXIES

This Proxy Statement and the enclosed Proxy were first mailed to stockholders on or about April 10, 2008. Properly executed Proxies, timely returned, will be voted and, where the person solicited specifies choices with respect to the election of the director nominees chosen by the Board, the shares will be voted as indicated by the stockholder. Each share of the Company's Class A Common Stock, par value \$.01 per share (the Class A Common Stock), entitles the holder thereof to one vote and each share of the Company's Class B Common Stock, par value \$.01 per share (the Class B Common Stock) and, together with the Class A Common Stock, the Common Stock, entitles the holder thereof to a number of votes per share equal to the lesser of (i) the number of votes such that the aggregate of all outstanding shares of Class B Common Stock will be entitled to cast 49.9% of all of the votes represented by the aggregate of all outstanding shares of Class A Common Stock and Class B Common Stock or (ii) 10 votes. Based on the shares of Common Stock outstanding as of March 31, 2008, the Class B Common Stock will have the number of votes described in clause (i) of the preceding sentence. Proposals submitted to a vote of stockholders will be voted on by holders of Class A Common Stock and Class B Common Stock voting together as a single class, except that holders of Class A Common Stock will vote as a separate class to elect one director (the Class A Director). If the person solicited does not specify a choice with respect to the election of any nominee for director, the shares will be voted for such nominee. Proxies marked as abstaining (including Proxies containing broker non-votes) on any matter to be acted upon by stockholders will be treated as present at the meeting for purposes of determining a quorum but will not be counted as votes cast on such matters.

As of March 31, 2008, Mr. Robert Rosenkranz, by means of beneficial ownership of the general partner of Rosenkranz & Company, L.P. and direct share ownership, had the power to vote all of the outstanding shares of Class B Common Stock, which as of such date represented 49.9% of the combined voting power of the Common Stock. Mr. Rosenkranz has entered into an agreement with the Company not to vote or cause to be voted certain shares of Common Stock, if and to the extent that such shares would cause him and Rosenkranz & Company, L.P., collectively, to have more than 49.9% of the combined voting power of the Company's stockholders. Rosenkranz & Company, L.P. and Mr. Rosenkranz have informed the Company that they intend to vote in favor of the election of all director nominees chosen by the Board for which they are entitled to vote.

SOLICITATION OF PROXIES

The cost of soliciting Proxies will be borne by the Company. It is expected that the solicitation of Proxies will be primarily by mail. The Company has retained Georgeson, Inc. to assist with the solicitation for a fee of \$6,000 plus

reasonable out-of-pocket expenses. Proxies may also be solicited by officers and employees of the Company, at no additional cost to the Company, in person or by telephone, e-mail or other means of communication. Upon written request, the Company will reimburse custodians,

nominees and fiduciaries holding the Company's Common Stock for their reasonable expenses in sending proxy materials to beneficial owners and obtaining their Proxies.

STOCKHOLDERS ENTITLED TO VOTE AND SHARES OUTSTANDING

Holders of record of Common Stock at the close of business on March 31, 2008 will be eligible to vote at the meeting. The Company's stock transfer books will not be closed. As of the close of business on March 31, 2008, 42,035,849 shares of Class A Common Stock and 5,706,967 shares of Class B Common Stock were outstanding.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of shares of Common Stock by each of the Company's directors and executive officers, each person known by the Company to own beneficially more than five percent of the Common Stock and all directors and executive officers of the Company as a group as of March 31, 2008. This information assumes the exercise by each person (or all directors and officers as a group) of such person's stock options exercisable on or within 60 days of such date and the exercise by no other person (or group) of stock options. Unless otherwise indicated, each beneficial owner listed below is believed by the Company to own the indicated shares directly and have sole voting and dispositive power with respect thereto.

Name of Beneficial Owner	Amount and Nature of Ownership	Percent of Class
Class B Common Stock:		
Five or greater percent owner:		
Rosenkranz & Company, L.P.	5,228,739(1)	74.4%
Directors, Nominees for Director and Executive Officers:		
Robert Rosenkranz	7,032,190(1)	100.0%
Kevin R. Brine		
Edward A. Fox		
Steven A. Hirsh		
Harold F. Ilg		
James M. Litvack		
James N. Meehan		
Philip R. O'Connor		
Donald A. Sherman		
Robert M. Smith, Jr.		
Robert F. Wright		
Directors, Nominees for Director and Officers as a group (14 persons)	7,032,190	100.0%
Class A Common Stock:		
Five or greater percent owners:		
EARNEST Partners, LLC	2,295,278(2)	5.2%
Dimensional Fund Advisors, L.P.	2,758,888(3)	6.3%
Directors, Nominees for Director and Executive Officers:		
Robert Rosenkranz	121,172(1)	*
Edward A. Fox	169,487(4)	*
Thomas W. Burghart	138,055(5)	*
Lawrence E. Daurelle	117,347(6)	*
Robert M. Smith, Jr.	40,165(7)	*
Donald A. Sherman	100,248(8)	*
Harold F. Ilg	409,935(9)	*
Philip R. O'Connor	50,807(10)	*
James N. Meehan	40,517(11)	*

Steven A. Hirsh	41,370(12)	*
Kevin R. Brine	180,057(13)	*
Robert F. Wright	26,648(14)	*
James M. Litvack	15,835(15)	*
Directors, Nominees for Director and Officers as a group (14 persons)	1,545,910(16)	3.6%

* Amount is less than 1% of Class.

(1) Mr. Rosenkranz, as the beneficial owner of the general partner of Rosenkranz & Company, L.P., has the power to vote the shares of Class B Common Stock held by Rosenkranz & Company, L.P. Accordingly, Mr. Rosenkranz may be deemed to be the beneficial owner of all of the shares of the Company held by Rosenkranz & Company, L.P. At March 31, 2008, Rosenkranz & Company, L.P. had pledged 1,978,195 of such shares as security in connection with a

revolving line of credit. No borrowings were outstanding under this line of credit on such date. In addition, Mr. Rosenkranz has direct or beneficial ownership of 478,228 additional shares of Class B Common Stock and direct or beneficial ownership of 121,172 shares of Class A Common Stock. The remaining indicated shares of Class B Common Stock consist of 536,583 shares of Class B Common Stock which may be acquired pursuant to stock options within 60 days and 788,640 deferred shares of Class B Common Stock. The address of Rosenkranz & Company, L.P. and Mr. Rosenkranz is 590 Madison Avenue, New York, NY 10022.

- (2) Based on a Schedule 13G/A, dated January 31, 2008, filed with

the Securities and Exchange Commission, EARNEST Partners, LLC is deemed to have beneficial ownership of 2,295,278 shares of the Company's Class A Common Stock owned by clients of EARNEST Partners, LLC, of which EARNEST Partners, LLC is considered a beneficial owner since it shares the power to make investment decisions for those clients. No EARNEST Partners, LLC client's interest relates to more than five percent of the class. The address of EARNEST Partners, LLC is 1180 Peachtree Street NE, Suite 2300, Atlanta, GA 30309.

- (3) Based on a Schedule 13G/A, dated February 6, 2008, filed with the Securities and Exchange Commission, Dimensional Fund Advisors, L.P. is deemed to have beneficial ownership of

2,758,888 shares of the Company's Class A Common Stock owned by commingled group trusts and separate accounts that are managed by Dimensional Fund Advisors, L.P. All securities are owned by advisory clients of Dimensional Fund Advisors, L.P., no one of which, to the knowledge of Dimensional Fund Advisors, L.P., owns more than five percent of the class. Dimensional Fund Advisors, L.P. disclaims beneficial ownership of all such securities. The address of Dimensional Fund Advisors, L.P. is 1299 Ocean Avenue, 11th Floor, Santa Monica, CA 90401.

- (4) Of the indicated shares of Class A Common Stock, 15,000 shares are presently owned by Mr. Fox. The remaining shares indicated may be acquired pursuant to stock options within 60 days. Mr. Fox's address is c/o Delphi

Capital
Management,
Inc., 590
Madison Avenue,
New York, NY
10022.

- (5) Of the indicated shares of Class A Common Stock, 3,055 shares are presently owned by Mr. Burghart. The remaining shares indicated may be acquired pursuant to stock options within 60 days.
Mr. Burghart's address is c/o
Reliance
Standard Life
Insurance
Company, 2001
Market Street,
Suite 1500,
Philadelphia, PA
19103.

- (6) Of the indicated shares of Class A Common Stock, 4,847 shares are presently owned by Mr. Daurelle. The remaining shares indicated may be acquired pursuant to stock options within 60 days.
Mr. Daurelle's address is c/o
Reliance
Standard Life
Insurance
Company, 2001
Market Street,
Suite 1500,
Philadelphia, PA

19103.

- (7) Of the indicated shares of Class A Common Stock, 2,938 shares are presently owned by Mr. Smith. Of the shares presently owned, Mr. Smith has sole voting and dispositive power with respect to 1,494 shares and shared voting and dispositive power with respect to 1,444 shares. The remaining shares indicated consist of 26,100 shares of Class A Common Stock which may be acquired pursuant to stock options within 60 days and 11,127 Class A Common Stock restricted share units. Mr. Smith's address is c/o Delphi Capital Management, Inc., 590 Madison Avenue, New York, NY 10022.
- (8) Of the indicated shares of Class A Common Stock, 2,340 shares are presently owned by Mr. Sherman. The remaining shares indicated may be acquired pursuant to stock

options within 60 days.

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

- (9) All of the indicated shares of Class A Common Stock may be acquired pursuant to stock options within 60 days. Mr. Ilg's address is c/o Safety National Casualty Corp., 2043 Woodland Parkway, Suite 200, St. Louis, MO 63146.

- (10) Of the indicated shares of Class A Common Stock, 1,485 shares are presently owned by Mr. O'Connor. The remaining shares indicated may be acquired pursuant to stock options within 60 days. Mr. O'Connor's address is c/o Delphi Capital Management, Inc., 590 Madison Avenue, New York, NY 10022.

- (11) Of the indicated shares of Class A

Common Stock, 4,112 shares are presently owned by Mr. Meehan. The remaining shares indicated consist of 36,113 shares of Class A Common Stock which may be acquired pursuant to stock options within 60 days and 292 Class A Common Stock restricted shares which will vest within 60 days.

- (12) The indicated shares of Class A Common Stock include 20,425 shares presently owned by Mr. Hirsh and 3,154 shares as to which Mr. Hirsh has shared voting and dispositive power. Mr. Hirsh disclaims beneficial ownership as to such 3,154 shares. The remaining shares indicated may be acquired pursuant to stock options within 60 days. Mr. Hirsh's address is c/o Delphi Capital Management, Inc., 590 Madison Avenue, New York, NY 10022.

- (13)

Of the indicated shares of Class A Common Stock, 150,000 shares are presently owned by a limited partnership beneficially owned by Mr. Brine and are deemed to be beneficially owned by Mr. Brine. The remaining shares indicated may be acquired pursuant to stock options within 60 days. Mr. Brine's address is c/o Delphi Capital Management, Inc., 590 Madison Avenue, New York, NY 10022.

- (14) Of the indicated shares of Class A Common Stock, 6,674 shares are directly owned by Mr. Wright. In addition, each of Mr. Wright and a corporation wholly owned by Mr. Wright may be deemed to beneficially own 2,974 shares of such stock. The remaining shares indicated may be acquired pursuant to stock options within 60 days.

(15)

Of the indicated shares of Class A Common Stock, 437 shares are presently owned by Mr. Litvack. The remaining shares indicated consist of 15,252 shares of Class A Common Stock which may be acquired by Mr. Litvack pursuant to stock options within 60 days and 146 Class A Common Stock restricted shares which will vest within 60 days. Mr. Litvack's address is c/o Delphi Capital Management, Inc., 590 Madison Avenue, New York, NY 10022.

- (16) Includes 1,162,936 shares of Class A Common Stock which may be acquired pursuant to stock options within 60 days and 25,238 Class A Common Stock restricted share units.

ELECTION OF DIRECTORS

The Board of Directors consists of twelve members. Each director is elected annually to serve until his successor has been elected and qualified, or he has resigned or been removed from office. All nominees for election are currently directors of the Company and have been previously elected by the stockholders.

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

elected by the holders of the Class A Common

Stock in 2007 as the Class A Director and the Board of Directors has unanimously recommended Mr. O Connor for election as the Class A Director.

It is intended that the shares of Common Stock represented by Proxies will be voted for the election of all such nominees unless a contrary direction is indicated on the Proxy. While it is not expected that any of the nominees will be unable to qualify for or accept office, if for any reason any nominee shall be unable to do so, Proxies that would otherwise have been voted for such nominee will instead be voted for a substitute nominee selected by the Board.

Nominees for Director

The following sets forth information as to each nominee for election at the 2008 Annual Meeting, including his age, positions with the Company, length of service as a director of the Company, other directorships currently held, if any, principal occupations and employment during the past five years and other business experience.

Robert Rosenkranz, 65, has served as the Chief Executive Officer of the Company since May 1987 and has served as Chairman of the Board of Directors of the Company since April 1989. He served as President of the Company from May 1987 to April 2006. He also serves as Chairman of the Board or as a Director of each of the Company's principal subsidiaries and as Chairman and Chief Executive Officer of Delphi Capital Management, Inc. (DCM).

Mr. Rosenkranz has served since October 1978 as either sole or managing general partner of Rosenkranz & Company, L.P. or as beneficial owner of its general partner. Mr. Rosenkranz founded Acorn Partners, L.P. in 1982 as a multi-manager, multi-strategy fund of hedge funds and, in 2004, founded Pergamon Advisors LLC, an investment adviser that, along with related entities, pursues a market neutral equity investment strategy.

Donald A. Sherman, 57, has served as the President and Chief Operating Officer of the Company and DCM since April 2006 and has served as a Director of the Company since August 2002. Mr. Sherman also serves as a Director of each of the Company's principal subsidiaries. Mr. Sherman served as Chairman and Chief Executive Officer of Waterfield Mortgage Company, Inc. (Waterfield) since 1999 and as President of Waterfield from 1989 to 1999. From 1985 to 1988, he served as President and as a member of the Board of Directors of Hyponex Corporation (Hyponex) and from 1983 to 1985 served as Chief Financial Officer of Hyponex. From 1975 to 1983, he held various positions with the public accounting firm of Coopers and Lybrand and was elected to partner in 1981.

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) 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) 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) 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) 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) 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,	2007	536,038	504,769		494,496				