

Source: Unitrin, Inc.

Unitrin, Inc. Reports First Quarter Financial Results and Highlights

CHICAGO – (Business Wire)—May 4, 2009 – Unitrin, Inc. (NYSE: UTR – News) reported today a net loss of \$5.6 million (\$0.09 per unrestricted common share) for the first quarter of 2009, compared to net income of \$15.2 million (\$0.24 per unrestricted common share) for the first quarter of 2008. Loss from continuing operations was \$6.3 million (\$0.10 per unrestricted common share) for the first quarter of 2009, compared to income from continuing operations of \$20.7 million (\$0.32 per unrestricted common share) for the first quarter of 2008.

Highlights

- **First quarter 2009 net loss of \$5.6 million, including restructuring costs of \$4.9 million after tax and a state deferred income tax valuation allowance of \$6.8 million**
- **Earned premiums of \$612.5 million, an increase of \$36.6 million**
- **Segment Operating Profit of \$22.7 million, an increase of 4%**
- **Direct Response acquisition completed**
- **Plan to exit automobile finance business underway, expect to recover investment in Fireside Bank over next several years**

Don Southwell, Unitrin's President and Chief Executive Officer, commented, "Although we are disappointed to have reported a net loss for the quarter, we are pleased that segment operating profit increased compared to the prior year. We are in the process of reducing costs in all of our businesses. Restructuring expense of \$8.1 million before tax recognized in the first quarter of 2009 will reduce our on-going costs in the future. Our first quarter 2009 results were hurt by \$24.2 million of net realized investment losses, compared to \$6.2 million of net realized investment gains in the first quarter of 2008. Our Kemper and Life and Health Insurance segments both posted strong first quarter non-investment operating results. The completion of our acquisition of Direct Response demonstrates our continued commitment to, and importance of this distribution channel to, our property and casualty insurance business. Our plan to exit the automobile finance business and recover the capital that we have invested in the business is off to a good start."

Total Revenues

Total revenues were \$688.6 million for the first quarter of 2009, compared to \$691.9 million for the first quarter of 2008. Total revenues decreased due primarily to net realized investment losses and lower automobile finance revenues, partially offset by higher earned premiums and higher net investment income.

Earned premiums were \$612.5 million and \$575.9 million for the first quarters of 2009 and 2008, respectively, an increase of \$36.6 million. Earned premiums increased significantly in the Unitrin Specialty and Unitrin Direct segments, with the Kemper and Life and Health Insurance segments each posting modest increases. Automobile finance revenues decreased by \$10.5 million for the first quarter of 2009, compared to the same period in 2008.

Net investment income increased by \$1.1 million for the first quarter of 2009, compared to the same period in 2008, due primarily to higher net investment income from investments in fixed maturities, partially the result of the Primesco and Direct Response acquisitions, offset by lower dividend income from investments in equity securities and lower investment income from short-term investments. Net investment losses from certain investments in limited liability investment companies and limited partnerships, which the Company accounts for under the equity method of accounting, were approximately \$20 million for the first quarter of 2009 and the first quarter of 2008.

Net realized investment losses were \$24.2 million for the quarter ended March 31, 2009, compared to net realized investment gains of \$6.2 million for the same period in 2008. Net realized investment losses for the quarter ended March 31, 2009 included pretax losses of \$25.0 million resulting from other-than-temporary declines in the fair values of investments, compared to \$8.5 million for the same period in 2008. The Company recognized net realized gains on sales of investments of \$0.9 million for the first quarter of 2009, compared to net realized investment gains of \$15.0 million for the quarter ended March 31, 2008. Net realized investment gains for the quarter ended March 31, 2008 included \$10.3 million from the sales of a portion of the Company's Northrop stock. (See "Net Realized Investment Gains (Losses)" chart below for additional information.) The Company cannot anticipate when or if similar net investment gains and losses may occur in the future.

Quarterly Segment Results

Unitrin is engaged, through its subsidiaries, in the property and casualty insurance, life and health insurance and automobile finance businesses. The Company conducts its continuing operations through five operating segments: Kemper, Unitrin Specialty, Unitrin Direct, Life and Health Insurance and Fireside Bank.

NOTE: The Company uses the registered trademark, "Kemper," under license, for personal lines insurance only, from Lumbermens Mutual Casualty Company ("Lumbermens"), which is not affiliated with the Company. Lumbermens continues to use the name, "Kemper Insurance Companies," in connection with its operations, which are distinct from, and not to be confused with, Unitrin's Kemper business segment.

Kemper

Earned premiums in the Kemper segment increased by \$1.3 million for the first quarter of 2009, compared to the same period in 2008, due primarily to higher volume and higher average premium rates on homeowners insurance and higher volume on automobile insurance and other personal lines insurance, partially offset by lower average premium rates on automobile insurance and the increased cost of reinsurance on homeowners insurance.

Operating profit in the Kemper segment increased by \$4.3 million for the first quarter of 2009, compared to the same period in 2008, due primarily to lower incurred losses and loss adjustment expenses (“LAE”), partially offset by higher insurance expenses and lower net investment income. Incurred losses and LAE decreased by \$9.7 million for the first quarter of 2009, compared to the same period in 2008, due primarily to lower catastrophe losses and LAE and lower severity of losses on automobile insurance. Catastrophe losses and LAE for the first quarter of 2009 included favorable development of \$4.9 million from hurricanes Ike and Gustav. Insurance Expenses increased by \$4.2 million for the three months ended March 31, 2009, compared to the same period in 2008, due primarily to higher commission expenses and certain restructuring costs. Kemper’s net investment income decreased by \$2.5 million for the first quarter of 2009, compared to the same period in 2008, due primarily to higher net investment losses from certain investments in limited liability investment companies and limited partnerships which the Company accounts for under the equity method of accounting.

Unitrin Specialty

Earned premiums in the Unitrin Specialty segment increased by \$17.8 million for the first quarter of 2009, compared to the same period in 2008, due primarily to higher volume of personal automobile insurance, partially offset by lower volume of commercial automobile insurance. Operating results in the Unitrin Specialty segment decreased by \$3.0 million for the first quarter of 2009, compared to the same period in 2008, due primarily to higher incurred losses and LAE as a percentage of earned premiums and lower net investment income.

Unitrin Direct

Earned premiums in the Unitrin Direct segment increased by \$10.5 million for the first quarter of 2009, compared to the same period in 2008, due primarily to the impact of the Direct Response acquisition, partially offset by lower volume of insurance. The Unitrin Direct segment reported an operating loss of \$8.5 million for the first quarter of 2009, compared to an operating loss of \$9.9 million for the same period of 2008. Results improved due primarily to lower incurred losses and LAE and lower insurance expenses as a percentage of earned premiums, partially offset by an operating loss of \$2.1 million related to the Direct Response acquisition. Operating Loss for the Unitrin Direct segment included restructuring costs of \$1.3 million before tax for the first quarter of 2009.

Life and Health Insurance

Earned premiums in the Life and Health Insurance segment increased by \$7.0 million for the first quarter of 2009, compared to the same period in 2008. Earned premiums included \$12.6 million resulting from the acquisition of Primesco, Inc. (“Primesco”). Primesco was acquired on April 1, 2008 and its results of operations are included in the Company’s results of operations from the date of acquisition. Excluding the impact of the Primesco acquisition, earned premiums decreased by \$5.6 million for the first quarter of 2009, compared to the same period in 2008, due primarily to lower volume, partially offset by higher average premium rates on accident and health insurance products.

Operating profit in the Life and Health Insurance segment decreased by \$1.0 million for the first quarter of 2009, compared to the same period in 2008, due primarily to higher catastrophe losses and LAE, net of reinsurance, on property insurance sold by the Life and Health Insurance segment’s career agents, partially offset by higher net investment income, including net investment income from the Primesco acquisition.

Fireside Bank

On March 24, 2009, Fireside Bank suspended all new lending activity and ceased opening new certificate of deposit accounts as part of a plan to exit the automobile finance business. The exit plan envisions an orderly wind-down of Fireside Bank's operations over the next several years. Fireside Bank will continue to collect outstanding loan balances and make interest payments and redemptions on outstanding certificates of deposits in the ordinary course of business.

Automobile finance revenues for the first quarter of 2009 decreased by \$10.5 million, compared to the same period in 2008, due primarily to lower levels of loans outstanding and slightly lower yields on loans outstanding. Automobile loan originations were \$75.1 million for the first quarter of 2009, compared to \$178.2 million for the same quarter in 2008. Loan originations declined due primarily to Fireside Bank's more stringent underwriting requirements and the overall decline in automobile sales. Fireside Bank derives its interest income solely from automobile loans.

Fireside Bank reported an operating loss of \$5.2 million for the first quarter of 2009, compared to an operating loss of \$4.4 million for the same period in 2008. Fireside Bank's operating loss in 2009 increased due primarily to lower automobile finance revenues and increased restructuring charges, partially offset by reductions in provision for loan losses, interest expense and general expenses. Operating Loss for the Fireside Bank segment included restructuring costs of \$5.4 million before tax for the first quarter of 2009. Fireside Bank increased its valuation allowance for deferred state income taxes by \$6.8 million in the first quarter of 2009 due to the decision to exit the automobile finance business.

Consolidated results for the three months ended March 31, 2009 and 2008 are as follows:

(Dollars and Shares in Millions, Except Per Share Amounts)	Three Months Ended	
	March 31, 2009	March 31, 2008
Revenues:		
Earned Premiums	\$ 612.5	\$ 575.9
Automobile Finance Revenues	52.9	63.4
Net Investment Income	47.0	45.9
Other Income	0.4	0.5
Net Realized Investment Gains (Losses)	(24.2)	6.2
Total Revenues	<u>688.6</u>	<u>691.9</u>
Expenses:		
Policyholders' Benefits and Incurred Losses and Loss Adjustment Expenses	439.4	410.7
Insurance Expenses	182.9	172.3
Automobile Finance Expenses	46.4	53.9
Interest Expense on Certificates of Deposits	12.6	15.7
Interest and Other Expenses	15.2	16.7
Total Expenses	<u>696.5</u>	<u>669.3</u>
Income (Loss) from Continuing Operations before Income Taxes and Equity in Net Income of Investee	(7.9)	22.6
Income Tax Benefit (Expense)	0.4	(4.1)
Income (Loss) from Continuing Operations before Equity in Net Income of Investee	(7.5)	18.5
Equity in Net Income of Investee	1.2	2.2
Income (Loss) from Continuing Operations	<u>(6.3)</u>	<u>20.7</u>
Discontinued Operations:		
Income (Loss) from Discontinued Operations before Income Taxes	1.2	(10.2)
Income Tax Benefit (Expense)	(0.5)	4.7
Income (Loss) from Discontinued Operations	<u>0.7</u>	<u>(5.5)</u>
Net Income (Loss)	<u>\$ (5.6)</u>	<u>\$ 15.2</u>
Basic Income (Loss) Per Share from Continuing Operations:		
Restricted Common Stock	<u>\$ -</u>	<u>\$ 0.41</u>
Unrestricted Common Stock	<u>\$ (0.10)</u>	<u>\$ 0.32</u>
Basic Net Income (Loss) Per Share:		
Restricted Common Stock	<u>\$ 0.01</u>	<u>\$ 0.32</u>
Unrestricted Common Stock	<u>\$ (0.09)</u>	<u>\$ 0.24</u>
Diluted Income (Loss) Per Share from Continuing Operations:		
Restricted Common Stock	<u>\$ -</u>	<u>\$ 0.41</u>
Unrestricted Common Stock	<u>\$ (0.10)</u>	<u>\$ 0.32</u>
Diluted Net Income (Loss) Per Share:		
Restricted Common Stock	<u>\$ 0.01</u>	<u>\$ 0.32</u>
Unrestricted Common Stock	<u>\$ (0.09)</u>	<u>\$ 0.24</u>
Dividends Paid Per Share	<u>\$ 0.47</u>	<u>\$ 0.47</u>

Business segment revenues for the three months ended March 31, 2009 and 2008 are as follows:

(Dollars in Millions)	Three Months Ended	
	March 31, 2009	March 31, 2008
Revenues:		
Segment Revenues:		
Kemper:		
Earned Premiums	\$ 230.9	\$ 229.6
Net Investment Income	2.3	4.8
Other Income	0.1	0.1
Total Kemper	<u>233.3</u>	<u>234.5</u>
Unitrin Specialty:		
Earned Premiums	132.6	114.8
Net Investment Income	1.1	2.2
Total Unitrin Specialty	<u>133.7</u>	<u>117.0</u>
Unitrin Direct:		
Earned Premiums	82.6	72.1
Net Investment Income	0.8	1.1
Other Income	-	0.1
Total Unitrin Direct	<u>83.4</u>	<u>73.3</u>
Life and Health Insurance:		
Earned Premiums	166.4	159.4
Net Investment Income	41.2	32.6
Other Income	0.3	0.2
Total Life and Health Insurance	<u>207.9</u>	<u>192.2</u>
Fireside Bank:		
Automobile Finance Revenues	52.9	63.4
Net Investment Income	0.9	1.8
Total Fireside Bank	<u>53.8</u>	<u>65.2</u>
Total Segment Revenues	712.1	682.2
Unallocated Dividend Income	0.3	3.3
Net Realized Investment Gains (Losses)	(24.2)	6.2
Other	0.4	0.2
Total Revenues	<u>\$ 688.6</u>	<u>\$ 691.9</u>

Business segment operating profit for the three months ended March 31, 2009 and 2008 is as follows:

(Dollars in Millions)	Three Months Ended	
	March 31, 2009	March 31, 2008
Segment Operating Profit (Loss):		
Kemper	\$ 13.0	\$ 8.7
Unitrin Specialty	-	3.0
Unitrin Direct	(8.5)	(9.9)
Life and Health Insurance	23.4	24.4
Fireside Bank	(5.2)	(4.4)
Total Segment Operating Profit	22.7	21.8
Unallocated Dividend Income	0.3	3.3
Net Realized Investment Gains (Losses)	(24.2)	6.2
Other Expense, Net	(6.7)	(8.7)
Income (Loss) from Continuing Operations before Income Taxes and Equity in Net Income of Investee	\$ (7.9)	\$ 22.6

Business segment net income (loss) for the three months ended March 31, 2009 and 2008 is as follows:

(Dollars in Millions)	Three Months Ended	
	March 31, 2009	March 31, 2008
Segment Net Income (Loss):		
Kemper	\$ 10.4	\$ 7.8
Unitrin Specialty	1.0	2.9
Unitrin Direct	(4.9)	(5.9)
Life and Health Insurance	15.0	15.0
Fireside Bank	(9.9)	(2.6)
Total Segment Net Income	11.6	17.2
Net Income (Loss) From:		
Unallocated Dividend Income	0.3	2.9
Net Realized Investment Gains (Losses)	(15.7)	4.0
Other Expense, Net	(3.7)	(5.6)
Income (Loss) from Continuing Operations Before Equity in Net Income of Investee	(7.5)	18.5
Equity in Net Income of Investee	1.2	2.2
Income (Loss) from Continuing Operations	\$ (6.3)	\$ 20.7

The components of Net Realized Investment Gains (Losses) for the three months ended March 31, 2009 and 2008 are as follows:

(Dollars in Millions)	Three Months Ended	
	March 31, 2009	March 31, 2008
Fixed Maturities:		
Gains on Dispositions	\$ 0.4	\$ 0.5
Losses on Dispositions	-	(0.1)
Losses from Write-downs (1)	(21.6)	(0.6)
Equity Securities:		
Gains on Dispositions	0.5	16.1
Losses on Dispositions	-	(1.3)
Losses from Write-downs	(3.4)	(7.9)
Other Investments:		
Losses on Dispositions	-	(0.2)
Net Trading Securities Gains (Losses)	(0.1)	(0.3)
Net Realized Investment Gains (Losses)	<u>\$ (24.2)</u>	<u>\$ 6.2</u>

(1) Includes a loss of \$16.1 million for the three months ended March 31, 2009 to write down Celerity bonds.

Unitrin, Inc. and Subsidiaries
Consolidated Balance Sheets
(Dollars in millions, except per share amounts)

	March 31, 2009	Dec. 31, 2008
	(Unaudited)	
Assets:		
Investments:		
Fixed Maturities at Fair Value (Amortized Cost: 2009 - \$4,392.6; 2008 - \$4,174.4)	\$ 4,310.1	\$ 4,135.9
Equity Securities at Fair Value (Cost: 2009 - \$254.9; 2008 - \$255.4)	196.9	221.8
Investee (Intermec) at Cost Plus Cumulative Undistributed Earnings (Fair Value: 2009 - \$131.6; 2008 - \$168.1)	95.2	102.2
Short-term Investments at Cost which Approximates Fair Value	535.7	548.6
Other	703.8	714.9
Total Investments	5,841.7	5,723.4
Cash	66.2	184.2
Automobile Loan Receivables at Cost (Fair Value: 2009 - \$1,025.1; 2008 - \$1,099.6)	1,011.6	1,078.6
Other Receivables	688.8	686.5
Deferred Policy Acquisition Costs	520.0	489.2
Goodwill	334.5	334.6
Current and Deferred Income Taxes	281.3	201.4
Other Assets	138.0	120.9
Total Assets	\$ 8,882.1	\$ 8,818.8
Liabilities and Shareholders' Equity:		
Insurance Reserves:		
Life and Health	\$ 2,986.6	\$ 2,972.6
Property and Casualty	1,314.0	1,268.7
Total Insurance Reserves	4,300.6	4,241.3
Certificates of Deposits at Cost (Fair Value: 2009 - \$1,099.6; 2008 - \$1,148.7)	1,054.4	1,110.8
Unearned Premiums	784.0	733.5
Liabilities for Income Taxes	25.5	68.2
Notes Payable at Amortized Cost (Fair Value: 2009 - \$483.6; 2008 - \$433.9)	665.9	560.8
Accrued Expenses and Other Liabilities	487.0	455.6
Total Liabilities	7,317.4	7,170.2
Shareholders' Equity:		
Common Stock, \$0.10 par value, 100 Million Shares Authorized; 62,440,728 Shares Issued and Outstanding at March 31, 2009 and 62,314,503 Shares Issued and Outstanding at December 31, 2008	6.2	6.2
Paid-in Capital	766.0	764.7
Retained Earnings	950.8	985.8
Accumulated Other Comprehensive Loss	(158.3)	(108.1)
Total Shareholders' Equity	1,564.7	1,648.6
Total Liabilities and Shareholders' Equity	\$ 8,882.1	\$ 8,818.8

This press release may contain or incorporate by reference information that includes or is based on forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements give expectations or forecasts of future events. The reader can identify these statements by the fact that they do not relate strictly to historical or current facts. They use words such as “believe(s),” “goal(s),” “target(s),” “estimate(s),” “anticipate(s),” “forecast(s),” “project(s),” “plan(s),” “intend(s),” “expect(s),” “might,” “may” and other words and terms of similar meaning in connection with a discussion of future operating or financial performance. Forward-looking statements, in particular, include statements relating to future actions, prospective services or products, future performance or results of current and anticipated services or products, sales efforts, expenses, the outcome of contingencies such as legal proceedings, trends in operations and financial results.

Any or all forward-looking statements may turn out to be wrong, and, accordingly, readers are cautioned not to place undue reliance on such statements, which speak only as of the date of this press release. Forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many such factors will be important in determining the Company’s actual future results. These statements are based on current expectations and the current economic environment. They involve a number of risks and uncertainties that are difficult to predict. These statements are not guarantees of future performance; actual results could differ materially from those expressed or implied in the forward-looking statements.

Among the general factors that could cause actual results to differ materially from estimated results are:

- Changes in general economic conditions, including performance of financial markets, interest rates, unemployment rates and fluctuating values of particular investments held by the Company;
- Heightened competition, including, with respect to pricing, entry of new competitors and the development of new products by new and existing competitors;
- The number and severity of insurance claims (including those associated with catastrophe losses) and their impact on the adequacy of loss reserves;
- The impact of inflation on insurance claims, including, but not limited to, the effects attributed to scarcity of resources available to rebuild damaged structures, including labor and materials and the amount of salvage value recovered for damaged property;
- Orders, interpretations or other actions by regulators that impact the reporting, adjustment and payment of claims;
- Changes in the pricing or availability of reinsurance;
- Changes in the financial condition of reinsurers and amounts recoverable therefrom;
- Changes in industry trends and significant industry developments;
- Regulatory approval of insurance rates, policy forms, license applications and similar matters;
- Developments related to insurance policy claims and coverage issues including, but not limited to, interpretations or decisions by courts or regulators that may govern or influence insurance policy coverage issues arising with respect to losses incurred in connection with hurricanes and other catastrophes;
- Governmental actions, including new laws or regulations or court decisions interpreting existing laws and regulations or policy provisions;

- Adverse outcomes in litigation or other legal or regulatory proceedings involving Unitrin or its subsidiaries or affiliates;
- Regulatory, accounting or tax changes that may affect the cost of, or demand for, the Company's products or services;
- The impact of residual market assessments and assessments for insurance industry insolvencies;
- Changes in distribution channels, methods or costs resulting from changes in laws or regulations, lawsuits or market forces;
- Changes in ratings by credit rating agencies including A.M. Best Co., Inc.;
- Changes in laws or regulations governing or affecting the regulatory status of industrial banks, such as Fireside Bank, and their parent companies, including minimum capital requirements and restrictions on the non-financial activities and equity investments of companies that acquire control of industrial banks;
- Changes in the estimated rates of automobile loan receivables net charge-off used to estimate Fireside Bank's reserve for loan losses, including, but not limited to, the impact of changes in the value of collateral held;
- The degree of success in effecting an orderly wind-down of the operations of Fireside Bank and the recovery of Unitrin's investment in Fireside Bank;
- The level of success and costs expended in realizing economies of scale and implementing significant business consolidations and technology initiatives;
- Increased costs and risks related to data security;
- Absolute and relative performance of the Company's products or services; and
- Other risks and uncertainties described from time to time in the Company's filings with the Securities and Exchange Commission ("SEC").

No assurances can be given that the results contemplated in any forward-looking statements will be achieved or will be achieved in any particular timetable. The Company assumes no obligation to publicly correct or update any forward-looking statements as a result of events or developments subsequent to the date of this press release. The reader is advised, however, to consult any further disclosures the Company makes on related subjects in filings made with the SEC.

Unitrin is a financial services company focused on creating shareholder value by providing through its subsidiaries a diverse array of insurance products and services for individuals, families and small businesses.

Among the brands in Unitrin's Property and Casualty Insurance businesses are Kemper and Unitrin Specialty which sell personal and commercial insurance through networks of independent agents, and Unitrin Direct, which sells automobile and homeowners insurance directly to consumers or through employer-sponsored voluntary benefit programs. Unitrin's Life and Health Insurance businesses bring a high-level of personalized service to their customers. Additional information about Unitrin is available by visiting its website (www.unitrin.com).

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