

Source: Unitrin, Inc.

Unitrin, Inc. Reports First Quarter Earnings

Monday, May 5, 2008

CHICAGO – (Business Wire)—May 5, 2008 – Unitrin, Inc. (NYSE: UTR – News) reported today net income of \$22.5 million (\$0.35 per common share) for the first quarter of 2008, compared to \$72.4 million (\$1.08 per common share) for the first quarter of 2007. Income from Continuing Operations was \$27.2 million (\$0.43 per common share) for the first quarter of 2008, compared to \$67.4 million (\$1.01 per common share) for the first quarter of 2007.

Don Southwell, Unitrin’s President and Chief Executive Officer, commented, “We are disappointed that our earnings were adversely affected by the turbulent first quarter environment -- the continuing crisis in the financial markets and the unusually severe weather. However, we were pleased to post positive overall investment returns for the quarter, taking into account the change in the fair values of our investments, given the current state of the financial markets. We also took advantage of the market conditions and our financial strength by repurchasing Unitrin common stock at attractive prices. During the first quarter of 2008, we repurchased 1.6 million shares of Unitrin common stock at a total cost of \$57.4 million, or approximately \$35.50 per share.

Our operating results declined largely due to lower net investment results, higher catastrophe losses and lower results from Fireside Bank. Net investment income declined by \$22.7 million before tax due primarily to losses from certain investments in limited liability investment companies that are accounted for under the equity method of accounting and to lower dividend income from our investments in Northrop as our preferred stock holdings converted into common stock. Catastrophe losses from continuing operations were \$13.9 million before tax for the first quarter of 2008, compared to \$2.1 million for the first quarter of 2007.”

Mr. Southwell further explained, “Fireside Bank reported a small loss for the first quarter of 2008. Our estimate of the loan losses inherent in Fireside’s automobile loan portfolio at December 31, 2007 remains relatively consistent with three additional months of data. We have taken a number of steps to improve Fireside’s business model. Fireside’s loan originations declined by over 15% for the first quarter of 2008, compared to the first quarter of 2007, due primarily to the elimination of certain now unprofitable tiers of business.”

On April 1, 2008, Unitrin completed its previously announced acquisition of Primesco, Inc. in a cash merger transaction valued at \$95.6 million. Primesco’s wholly-owned subsidiaries, Mutual Savings Life Insurance Company and Mutual Savings Fire Insurance Company, specialize in the sale of life, health and fire insurance products to persons of modest financial means in Alabama, Georgia, Mississippi and several other states in the Southeast. Mutual Savings Life and Mutual Savings Fire had total premium revenues of \$52.4 million for the year ended December 31, 2007. Mr. Southwell stated, “We are pleased to welcome the Mutual Savings companies to the Unitrin family of companies.”

Total Revenue

Total revenue was \$701.9 million for the first quarter of 2008, compared to \$727.6 million for the first quarter of 2007. Total revenue decreased due primarily to the lower net investment income and lower net realized investment gains, partially offset by higher earned premiums.

Earned premiums were \$575.9 million and \$562.5 million for the first quarters of 2008 and 2007, respectively, an increase of \$13.4 million. Earned premiums increased in the Unitrin Direct segment and Unitrin Specialty segment, partially offset by decreased earned premiums in the Life and Health Insurance segment. Earned premiums in the Kemper segment and automobile finance revenues in the Fireside Bank segment were relatively flat for the first quarter of 2008, compared to the same period in 2007.

Net investment income decreased by \$22.7 million for the first quarter of 2008, compared to the same period in 2007, due primarily to lower net investment income from certain investments in limited liability investment companies and limited partnerships which the Company accounts for under the equity method of accounting and lower dividend income from the Company's investment in Northrop preferred stock. The Company reported a net investment loss of \$9.1 million from its investments in limited liability investment companies and limited partnerships for the first quarter of 2008, compared to net investment income of \$8.4 million for the same period in 2007. Each of the Company's insurance segments reported lower net investment income as a result of these investments. Dividend income from the Company's investments in Northrop decreased by \$5.5 million due primarily to the timing of the preferred stock ex-dividend date in 2007, which resulted in two dividend payments in the first quarter of 2007, and the conversion of the Company's holdings of Northrop preferred stock into Northrop common stock in the first quarter of 2008.

Net realized investment gains were \$6.2 million for the first quarter of 2008, compared to \$22.5 million for the same period in 2007. Net realized investment gains for the first quarters of 2008 and 2007 included gains of \$10.3 million and \$18.9 million, respectively, from sales of a portion of the Company's investment in Northrop common stock. Net realized investment gains for the first quarters of 2008 and 2007 includes pretax losses of \$8.5 million and \$0.8 million, respectively, resulting from other than temporary declines in the fair values of investments. 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 were flat for the first quarter of 2008, compared to the same period in 2007, as increases in earned premiums on homeowners insurance and other personal lines insurance were almost entirely offset by a decrease in earned premiums on automobile insurance.

Operating profit in the Kemper segment decreased by \$11.9 million for the first quarter of 2008, compared to the same period in 2007, due primarily to higher catastrophe incurred losses and loss adjustment expenses ("LAE") and lower net investment income, partially offset by higher favorable loss and LAE reserve development. Catastrophe losses and LAE (including development) were \$12.6 million for the first quarter of 2008, compared to \$0.3 million (including development) for the same period in 2007. Loss and LAE reserve development had a favorable effect of \$17.0 million (including favorable development of \$2.2 million for catastrophes) for the first quarter of 2008, compared to a favorable effect of \$14.6 million (including favorable development of \$3.4 million for catastrophes) for the same period in 2007.

Unitrin Specialty

Earned premiums in the Unitrin Specialty segment increased by \$4.4 million for the first quarter of 2008, compared to the same period in 2007, due primarily to higher volume of personal automobile insurance, partially offset by lower earned premiums from commercial automobile insurance. Operating profit in the Unitrin Specialty segment decreased by \$5.5 million for the first quarter of 2008, compared to the same period in 2007, due primarily to higher incurred losses and LAE and lower net investment income.

Unitrin Direct

Earned premiums in the Unitrin Direct segment increased by \$16.0 million for the first quarter of 2008, compared to the same period in 2007, due primarily to the acquisition of Merastar Insurance Company. Merastar was acquired at the end of the second quarter of 2007 and its results of operations are included in the Company's results of operations from the date of acquisition. Earned premiums from Merastar were \$11.8 million for the first quarter of 2008.

The Unitrin Direct segment reported an Operating Loss of \$9.3 million (12.9% of earned premiums) for the three months ended March 31, 2008, compared to an Operating Loss of \$9.0 million (16.0% of earned premiums) for the same period in 2007. Unitrin Direct's operating loss as a percentage of earned premiums decreased due primarily to greater economies of scale resulting from the acquisition of Merastar and lower marketing and other policy acquisition costs.

Life and Health Insurance

Earned premiums in the Life and Health Insurance segment decreased by \$7.0 million for the first quarter of 2008, compared to the same period in 2007, 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 \$10.7 million for the first quarter of 2008, compared to the same period in 2007, due primarily to lower net investment income.

Fireside Bank

Automobile finance revenues for the first quarter of 2008 were flat, compared to the same period in 2007. Automobile loan originations were \$178.2 million for the first quarter of 2008, compared to \$209.9 million for the first quarter of 2007. Fireside Bank does not make loans secured by real estate; it derives its interest income solely from automobile loans.

Fireside Bank reported an operating loss of \$4.4 million for the first quarter of 2008, compared to an operating profit of \$8.3 million for the same period in 2007. Fireside Bank's operating results decreased due primarily to a higher provision for loan losses.

Consolidated results for the three months ended March 31, 2008 and 2007 are as follows:

(Dollars and Shares in Millions, Except Per Share Amounts)	Three Months Ended	
	March 31, 2008	March 31, 2007
Revenues:		
Earned Premiums	\$ 575.9	\$ 562.5
Automobile Finance Revenues	63.4	63.0
Net Investment Income	55.9	78.6
Other Income	0.5	1.0
Net Realized Investment Gains	6.2	22.5
Total Revenues	<u>701.9</u>	<u>727.6</u>
Expenses:		
Policyholders' Benefits and Incurred Losses and Loss Adjustment Expenses	410.7	387.2
Insurance Expenses	172.3	171.6
Automobile Finance Expenses	53.9	42.1
Interest Expense on Certificates of Deposit	15.7	13.6
Interest and Other Expenses	16.7	16.1
Total Expenses	<u>669.3</u>	<u>630.6</u>
Income from Continuing Operations before Income Taxes and Equity in Net Income of Investee	32.6	97.0
Income Tax Expense	<u>(7.6)</u>	<u>(30.0)</u>
Income from Continuing Operations before Equity in Net Income of Investee	25.0	67.0
Equity in Net Income of Investee	<u>2.2</u>	<u>0.4</u>
Income from Continuing Operations	<u>27.2</u>	<u>67.4</u>
Discontinued Operations:		
Income (Loss) from Discontinued Operations Before Income Taxes	(8.9)	5.8
Income Tax Benefit (Expense)	<u>4.2</u>	<u>(0.8)</u>
Income (Loss) from Discontinued Operations	<u>(4.7)</u>	<u>5.0</u>
Net Income	<u>\$ 22.5</u>	<u>\$ 72.4</u>
Income Per Share from Continuing Operations	\$ 0.43	\$ 1.01
Income (Loss) Per Share from Discontinued Operations	<u>(0.08)</u>	<u>0.07</u>
Net Income Per Share	<u>\$ 0.35</u>	<u>\$ 1.08</u>
Income Per Share from Continuing Operations Assuming Dilution	\$ 0.43	\$ 1.01
Income (Loss) Per Share from Discontinued Operations Assuming Dilution	<u>(0.08)</u>	<u>0.07</u>
Net Income Per Share Assuming Dilution	<u>\$ 0.35</u>	<u>\$ 1.08</u>
Weighted Average Common Shares Outstanding	<u>63.7</u>	<u>66.9</u>
Weighted Average Common Shares and Equivalent Shares Outstanding Assuming Dilution	<u>63.9</u>	<u>67.3</u>
Dividends Paid Per Share	<u>\$ 0.470</u>	<u>\$ 0.455</u>

Business segment revenues for the three months ended March 31, 2008 and 2007 are as follows:

(Dollars in Millions)	Three Months Ended	
	March 31, 2008	March 31, 2007
Revenues:		
Segment Revenues:		
Kemper:		
Earned Premiums	\$ 229.6	\$ 229.5
Net Investment Income	7.4	12.3
Other Income	0.1	0.1
Total Kemper	<u>237.1</u>	<u>241.9</u>
Unitrin Specialty:		
Earned Premiums	114.8	110.4
Net Investment Income	3.3	5.5
Total Unitrin Specialty	<u>118.1</u>	<u>115.9</u>
Unitrin Direct:		
Earned Premiums	72.1	56.1
Net Investment Income	1.7	2.2
Other Income	0.1	0.1
Total Unitrin Direct	<u>73.9</u>	<u>58.4</u>
Life and Health Insurance:		
Earned Premiums	159.4	166.4
Net Investment Income	38.3	48.6
Other Income	0.2	0.3
Total Life and Health Insurance	<u>197.9</u>	<u>215.3</u>
Fireside Bank:		
Automobile Finance Revenues	63.4	63.0
Net Investment Income	1.8	1.0
Total Fireside Bank	<u>65.2</u>	<u>64.0</u>
Total Segment Revenues	692.2	695.5
Unallocated Dividend Income	3.3	8.8
Net Realized Investment Gains	6.2	22.5
Other	0.2	0.8
Total Revenues	<u>\$ 701.9</u>	<u>\$ 727.6</u>

Business segment operating profit for the three months ended March 31, 2008 and 2007 is as follows:

(Dollars in Millions)	Three Months Ended	
	March 31, 2008	March 31, 2007
Segment Operating Profit (Loss):		
Kemper	\$ 11.3	\$ 23.2
Unitrin Specialty	4.1	9.6
Unitrin Direct	(9.3)	(9.0)
Life and Health Insurance	30.1	40.8
Fireside Bank	<u>(4.4)</u>	<u>8.3</u>
Total Segment Operating Profit	31.8	72.9
Unallocated Dividend Income	3.3	8.8
Net Realized Investment Gains	6.2	22.5
Other Expense, Net	<u>(8.7)</u>	<u>(7.2)</u>
Income from Continuing Operations before Income		
Taxes and Equity in Net Income of Investee	<u>\$ 32.6</u>	<u>\$ 97.0</u>

Business segment net income for the three months ended March 31, 2008 and 2007 is as follows:

(Dollars in Millions)	Three Months Ended	
	March 31, 2008	March 31, 2007
Segment Net Income (Loss):		
Kemper	\$ 9.5	\$ 17.3
Unitrin Specialty	3.6	7.2
Unitrin Direct	(5.5)	(5.5)
Life and Health Insurance	18.7	26.6
Fireside Bank	<u>(2.6)</u>	<u>4.8</u>
Total Segment Net Income	23.7	50.4
Net Income (Loss) From:		
Unallocated Dividend Income	2.9	7.8
Net Realized Investment Gains	4.0	14.6
Other Expense, Net	<u>(5.6)</u>	<u>(5.8)</u>
Income from Continuing Operations		
Before Equity in Net Income of Investee	25.0	67.0
Equity in Net Income of Investee	<u>2.2</u>	<u>0.4</u>
Income from Continuing Operations	<u>\$ 27.2</u>	<u>\$ 67.4</u>

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This press release may contain or incorporate by reference information that includes or is based upon 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 and its subsidiaries;
- ◆ 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 the Company or its subsidiaries;
- ◆ 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 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;
- ◆ The failure to complete the sale of Unitrin Business Insurance;
- ◆ 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 \$3 billion financial services company focused on creating shareholder value by providing through its subsidiaries a diverse array of insurance and automobile finance products and services for individuals, families and small businesses.

Among the brands in Unitrin's Property and Casualty Insurance businesses are Kemper, Unitrin Specialty and Unitrin Business Insurance, 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. Unitrin's automobile finance subsidiary, Fireside Bank, specializes in automobile loans for the purchase of pre-owned vehicles. Additional information about Unitrin is available by visiting its website (www.unitrin.com).

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