

Source: Unitrin, Inc.

### Unitrin, Inc. Reports Fourth Quarter Earnings of \$62.9 million.

CHICAGO – (Business Wire)—February 3, 2011 – Unitrin, Inc. (NYSE: UTR – News) reported today net income of \$62.9 million (\$1.03 per unrestricted common share) for the fourth quarter of 2010, compared to \$66.3 million (\$1.06 per unrestricted common share) for the fourth quarter of 2009.

Net income for the full year of 2010 was \$184.6 million (\$2.98 per unrestricted common share), compared to \$164.7 million (\$2.64 per unrestricted common share) for the full year of 2009.

Income from continuing operations was \$61.5 million (\$1.00 per unrestricted common share) for the fourth quarter of 2010, compared to \$66.1 million (\$1.06 per unrestricted common share) for the fourth quarter of 2009.

Income from continuing operations was \$183.8 million (\$2.97 per unrestricted common share) for the full year of 2010 and included an after-tax charge of \$14.8 million to write off goodwill related to the Company's health insurance operation, Reserve National, compared to \$162.2 million (\$2.60 per unrestricted common share) for the full year of 2009.

(Dollars in Millions, Except Per Share Amounts)	Three Months Ended		Year Ended	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Income from Continuing Operations	\$ 61.5	\$ 66.1	\$ 183.8	\$ 162.2
Income from Discontinued Operations	1.4	0.2	0.8	2.5
Net Income	<u>\$ 62.9</u>	<u>\$ 66.3</u>	<u>\$ 184.6</u>	<u>\$ 164.7</u>
Basic Net Income Per Unrestricted Share:				
Continuing Operations	\$ 1.00	\$ 1.06	\$ 2.97	\$ 2.60
Discontinued Operations	0.03	-	0.01	0.04
Total	<u>\$ 1.03</u>	<u>\$ 1.06</u>	<u>\$ 2.98</u>	<u>\$ 2.64</u>

Don Southwell, Unitrin's Chairman, President and Chief Executive Officer commented, "Unitrin demonstrated solid overall operating performance during the fourth quarter. The business lines continue to take a disciplined approach to growth amidst an ongoing soft property and casualty market."

"The current period was impacted by some unusual weather events, though underlying these events, our actions to reduce certain exposures, maintain margins and efficiently manage capital are delivering positive results. Collectively, these actions position Unitrin well for 2011," said Mr. Southwell.

## **Fourth Quarter Highlights**

- Kemper's underlying combined ratio<sup>1</sup> declined to 95.1% in the current quarter, a 2.0 percentage point improvement versus the fourth quarter of 2009
- Unitrin Specialty introduced an enhanced version of its personal auto product which is designed to deliver better risk and pricing segmentation
- Unitrin Direct launched *Insurance for the i Generation*<sup>TM</sup> using its innovative social networking, insurance platform - *iMingle*<sup>TM</sup>
- As a result of ongoing efforts to improve agency performance, the Life and Health segment reduced the percentage of open agencies<sup>2</sup> to 5%, the lowest percentage in the last twelve quarters
- Fireside Bank earned net income of \$5.8 million during the fourth quarter. The tier 1 capital ratio to average assets at December 31, 2010 was 37%; a 16 percentage point improvement over December 31, 2009
- Successful offering of \$250 million, 5-year, 6% senior notes
- Common stock repurchases for the fourth quarter were 0.4 million shares at a cost of \$9.9 million, completing Unitrin's prior stock repurchase program; a new \$300 million stock repurchase program was announced on February 2, 2011
- Book value per share at December 31, 2010 was \$34.61; an increase of 13% over December 31, 2009

## **Segment Results**

The segment results discussed below are presented on an after tax basis unless otherwise noted. Catastrophe losses exclude the impact of prior year development unless otherwise noted.

(Dollars in Millions)	<b>Three Months Ended</b>		<b>Year Ended</b>	
	<b>Dec. 31, 2010</b>	<b>Dec. 31, 2009</b>	<b>Dec. 31, 2010</b>	<b>Dec. 31, 2009</b>
Segment Net Income (Loss):				
Kemper	\$ 9.0	\$ 18.0	\$ 50.6	\$ 63.7
Unitrin Specialty	2.2	6.7	20.2	23.5
Unitrin Direct	(1.9)	4.4	(1.1)	(5.3)
Life and Health Insurance	34.6	34.4	94.9	112.1
Fireside Bank	5.8	2.0	14.7	(5.3)
Total Segment Net Income	49.7	65.5	179.3	188.7
Unallocated Net Income (Loss)	11.8	0.6	4.5	(26.5)
Income from Continuing Operations	<u>\$ 61.5</u>	<u>\$ 66.1</u>	<u>\$ 183.8</u>	<u>\$ 162.2</u>

Unallocated Net Income consists of realized gains (losses) on sales of investments, net impairment losses recognized in earnings, other expenses, dividend income and equity in net income (loss) of Investee. A more detailed reconciliation of Total Segment Net Income to Income from Continuing Operations is provided at the end of this press release.

Kemper<sup>®</sup> reported net income of \$9.0 million for the fourth quarter of 2010 compared to \$18.0 million for 2009. The current quarter included \$12.9 million unfavorable impact of accident year catastrophe losses, \$8.4 million of which was from an unusual hail event in Arizona. Catastrophe losses of \$0.5 million were reported in the fourth quarter of 2009. Partially offsetting the impact of catastrophe losses was favorable improvement in the underlying combined ratio of 2.0 percentage points or \$2.7 million. This improvement is the result of actions taken to optimize certain geographic exposures and shift the business mix toward Kemper's packaged auto and home product offerings. Favorable reserve development<sup>3</sup> for the fourth quarter of 2010 was \$3.0 million, or \$0.7 million less favorable than 2009.

Unitrin Specialty reported net income of \$2.2 million for the fourth quarter of 2010, a decline of \$4.5 million from 2009. This decline is partially attributable to a net unfavorable change in reserve development of \$1.1 million (\$3.4 million unfavorable change in prior year development, when compared to prior year development in 2009, partially offset by a \$2.3 million favorable change in current year development, when compared to current year development in 2009). The remaining decline in net income was primarily driven by unusual non-catastrophe weather related events in the fourth quarter.

Unitrin Direct reported a net loss of \$1.9 million for the fourth quarter of 2010, compared to net income of \$4.4 million for 2009. In the fourth quarter of 2010, Unitrin Direct experienced an increase in claim frequency in its liability lines of insurance, without a corresponding increase in its physical damage lines. This increase was outside the normal range of expected frequency for these lines, and resulted in an 11 percentage point increase in the underlying combined ratio.

Life and Health reported net income of \$34.6 million for the fourth quarter of 2010, essentially flat compared to 2009. Net investment income benefitted in both periods due to above average returns for equity method investments. These investments generated \$4.2 million and \$6.0 million of net income for the three months ended December 31, 2010 and 2009, respectively.

Fireside Bank reported net income of \$5.8 million for the fourth quarter of 2010, compared to \$2.0 million for 2009. The current quarter benefitted from a \$6.8 million reduction in loan loss reserves, partially offset by incentives paid to close certain deposit accounts early. The reduction in loan loss reserves reflects both improved current period recoveries on previously charged-off loans and lower estimated future losses in the portfolio. (See the "Fireside Bank Key Metrics" table at the end of this release for information related to Fireside Bank's run-off plan.)

**Consolidated results of operations for the three months and years ended December 31, 2010 and 2009 are presented below:**

	Three Months Ended		Year Ended	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
(Dollars in millions, except per share amounts)				
<b>Revenues:</b>				
Earned Premiums	\$ 561.6	\$ 600.5	\$ 2,289.4	\$ 2,455.5
Automobile Finance Revenues	19.1	36.1	99.0	178.5
Net Investment Income	85.1	88.0	327.6	322.7
Other Income	0.3	0.5	1.3	2.5
Net Realized Gains on Sales of Investments	28.0	7.0	42.6	24.6
Other-than-temporary Impairment Losses:				
Total Other-than-temporary Impairment Losses	(3.8)	(0.7)	(17.7)	(50.6)
Portion of Losses Recognized in Other Comprehensive Income	-	(0.5)	1.2	0.2
Net Impairment Losses Recognized in Earnings	(3.8)	(1.2)	(16.5)	(50.4)
<b>Total Revenues</b>	690.3	730.9	2,743.4	2,933.4
<b>Expenses:</b>				
Policyholders' Benefits and Incurred				
Losses and Loss Adjustment Expenses	407.1	411.2	1,647.2	1,739.5
Insurance Expenses	168.7	177.5	675.5	721.2
Automobile Finance Expenses	3.2	24.6	48.1	136.2
Interest Expense on Certificates of Deposits	6.4	8.9	28.2	43.5
Write-off of Goodwill	-	-	14.8	1.5
Interest and Other Expenses	18.4	14.4	68.3	61.9
<b>Total Expenses</b>	603.8	636.6	2,482.1	2,703.8
Income from Continuing Operations before Income Taxes and Equity in Net Income (Loss) of Investee	86.5	94.3	261.3	229.6
Income Tax Expense	(25.0)	(28.3)	(77.4)	(66.4)
Income from Continuing Operations before Equity in Net Income (Loss) of Investee	61.5	66.0	183.9	163.2
Equity in Net Income (Loss) of Investee	-	0.1	(0.1)	(1.0)
<b>Income from Continuing Operations</b>	61.5	66.1	183.8	162.2
Discontinued Operations:				
Income from Discontinued Operations before Income Taxes	2.2	0.3	1.2	4.0
Income Tax Expense	(0.8)	(0.1)	(0.4)	(1.5)
<b>Income from Discontinued Operations</b>	1.4	0.2	0.8	2.5
<b>Net Income</b>	\$ 62.9	\$ 66.3	\$ 184.6	\$ 164.7
Dividends Paid to Shareholders Per Share	\$ 0.22	\$ 0.20	\$ 0.88	\$ 1.07

**Business segment revenues for the three months and years ended December 31, 2010 and 2009 are presented below:**

(Dollars in Millions)	Three Months Ended		Year Ended	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
<b>Revenues:</b>				
<b>Kemper:</b>				
Earned Premiums	\$ 220.9	\$ 230.9	\$ 888.0	\$ 931.8
Net Investment Income	14.2	13.4	52.8	42.1
Other Income	0.1	0.1	0.4	0.4
<b>Total Kemper</b>	<b>235.2</b>	<b>244.4</b>	<b>941.2</b>	<b>974.3</b>
<b>Unitrin Specialty:</b>				
Earned Premiums	115.0	128.6	474.9	527.5
Net Investment Income	6.3	6.6	24.8	20.8
Other Income	0.1	0.2	0.6	0.4
<b>Total Unitrin Specialty</b>	<b>121.4</b>	<b>135.4</b>	<b>500.3</b>	<b>548.7</b>
<b>Unitrin Direct:</b>				
Earned Premiums	64.8	80.9	282.4	345.6
Net Investment Income	5.4	5.9	21.4	18.5
Other Income	-	0.2	0.1	0.9
<b>Total Unitrin Direct</b>	<b>70.2</b>	<b>87.0</b>	<b>303.9</b>	<b>365.0</b>
<b>Life and Health Insurance:</b>				
Earned Premiums	160.9	160.1	644.1	650.6
Net Investment Income	55.9	57.9	214.3	225.3
Other Income	0.1	-	0.2	0.7
<b>Total Life and Health Insurance</b>	<b>216.9</b>	<b>218.0</b>	<b>858.6</b>	<b>876.6</b>
<b>Fireside Bank:</b>				
Interest, Loan Fees and Earned Discounts	18.7	35.6	97.6	175.0
Other Automobile Finance Revenues	0.4	0.5	1.4	3.5
Automobile Finance Revenues	19.1	36.1	99.0	178.5
Net Investment Income	0.4	0.5	1.9	2.8
<b>Total Fireside Bank</b>	<b>19.5</b>	<b>36.6</b>	<b>100.9</b>	<b>181.3</b>
<b>Total Segment Revenues</b>	<b>663.2</b>	<b>721.4</b>	<b>2,704.9</b>	<b>2,945.9</b>
Unallocated Dividend Income	0.2	0.2	0.5	1.3
Net Realized Gains on Sales of Investments	28.0	7.0	42.6	24.6
Net Impairment Losses Recognized in Earnings	(3.8)	(1.2)	(16.5)	(50.4)
Other	2.7	3.5	11.9	12.0
<b>Total Revenues</b>	<b>\$ 690.3</b>	<b>\$ 730.9</b>	<b>\$ 2,743.4</b>	<b>\$ 2,933.4</b>

**Unitrin, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**  
(Dollars in Millions)

	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
<b>Assets:</b>		
Investments:		
Fixed Maturities at Fair Value	\$ 4,475.3	\$ 4,561.4
Equity Securities at Fair Value	550.4	195.4
Equity Method Limited Liability Investments at Cost Plus Cumulative Undistributed Earnings	328.0	285.5
Investee (Intermec) at Cost Plus Cumulative Undistributed Comprehensive Income	-	98.4
Short-term Investments at Cost which Approximates Fair Value	402.9	397.0
Other Investments	494.2	486.1
<b>Total Investments</b>	<u>6,250.8</u>	<u>6,023.8</u>
Cash	117.2	143.7
Automobile Loan Receivables at Cost and Net of Reserve for Loan Losses	337.6	660.8
Other Receivables	606.7	642.0
Deferred Policy Acquisition Costs	525.2	521.1
Goodwill	311.8	331.8
Current and Deferred Income Tax Assets	39.6	107.6
Other Assets	169.6	142.7
<b>Total Assets</b>	<u>\$ 8,358.5</u>	<u>\$ 8,573.5</u>
<b>Liabilities and Shareholders' Equity:</b>		
Insurance Reserves:		
Life and Health	\$ 3,063.7	\$ 3,028.0
Property and Casualty	1,118.7	1,211.3
<b>Total Insurance Reserves</b>	<u>4,182.4</u>	<u>4,239.3</u>
Certificates of Deposits at Cost	321.4	682.4
Unearned Premiums	678.6	724.9
Liabilities for Income Taxes	15.1	11.7
Notes Payable at Amortized Cost	609.8	561.4
Accrued Expenses and Other Liabilities	437.8	436.2
<b>Total Liabilities</b>	<u>6,245.1</u>	<u>6,655.9</u>
<b>Shareholders' Equity:</b>		
Common Stock	6.1	6.2
Paid-in Capital	751.1	765.9
Retained Earnings	1,198.8	1,086.7
Accumulated Other Comprehensive Income	157.4	58.8
<b>Total Shareholders' Equity</b>	<u>2,113.4</u>	<u>1,917.6</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u>\$ 8,358.5</u>	<u>\$ 8,573.5</u>

Selected financial information for the Kemper segment follows:

**Results of Operations**

(Dollars in Millions)	<b>Three Months Ended</b>		<b>Year Ended</b>	
	<b>Dec. 31, 2010</b>	<b>Dec. 31, 2009</b>	<b>Dec. 31, 2010</b>	<b>Dec. 31, 2009</b>
Earned Premiums:				
Automobile	\$ 134.8	\$ 143.5	\$ 544.7	\$ 584.6
Homeowners	72.8	74.1	290.0	294.0
Other Personal	13.3	13.3	53.3	53.2
Total Earned Premiums	220.9	230.9	888.0	931.8
Net Investment Income	14.2	13.4	52.8	42.1
Other Income	0.1	0.1	0.4	0.4
Total Revenues	235.2	244.4	941.2	974.3
Incurred Losses and LAE	164.2	157.3	633.6	627.8
Insurance Expenses	61.1	62.0	243.7	260.3
Operating Profit	9.9	25.1	63.9	86.2
Income Tax Expense	(0.9)	(7.1)	(13.3)	(22.5)
Net Income	<u>\$ 9.0</u>	<u>\$ 18.0</u>	<u>\$ 50.6</u>	<u>\$ 63.7</u>

**Ratios Based On Earned Premiums**

	<b>Three Months Ended</b>		<b>Year Ended</b>	
	<b>Dec. 31, 2010</b>	<b>Dec. 31, 2009</b>	<b>Dec. 31, 2010</b>	<b>Dec. 31, 2009</b>
Incurred Loss and LAE Ratio	74.3%	68.1%	71.4%	67.4%
Incurred Expense Ratio	27.7%	26.9%	27.4%	27.9%
Combined Ratio	<u>102.0%</u>	<u>95.0%</u>	<u>98.8%</u>	<u>95.3%</u>

**Underlying Combined Ratio**

	<b>Three Months Ended</b>		<b>Year Ended</b>	
	<b>Dec. 31, 2010</b>	<b>Dec. 31, 2009</b>	<b>Dec. 31, 2010</b>	<b>Dec. 31, 2009</b>
Combined Ratio as Reported	102.0%	95.0%	98.8%	95.3%
Accident Year Catastrophes	-9.0%	-0.3%	-7.9%	-5.2%
Effect of Prior Year Catastrophe Development	0.3%	0.3%	0.5%	2.0%
Effect of Prior Year Non-Catastrophe Reserve Development	1.8%	2.1%	2.2%	4.6%
Underlying Combined Ratio	<u>95.1%</u>	<u>97.1%</u>	<u>93.6%</u>	<u>96.7%</u>

Selected financial information for the Unitrin Specialty segment follows:

**Results of Operations**

(Dollars in Millions)	<u>Three Months Ended</u>		<u>Year Ended</u>	
	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>
Earned Premiums:				
Personal Automobile	\$ 104.7	\$ 115.9	\$ 431.3	\$ 471.5
Commercial Automobile	10.3	12.7	43.6	56.0
Total Earned Premiums	115.0	128.6	474.9	527.5
Net Investment Income	6.3	6.6	24.8	20.8
Other Income	0.1	0.2	0.6	0.4
Total Revenues	121.4	135.4	500.3	548.7
Incurred Losses and LAE	96.4	101.0	383.0	418.8
Insurance Expenses	23.4	25.2	92.7	99.4
Operating Profit	1.6	9.2	24.6	30.5
Income Tax (Expense) Benefit	0.6	(2.5)	(4.4)	(7.0)
Net Income	<u>\$ 2.2</u>	<u>\$ 6.7</u>	<u>\$ 20.2</u>	<u>\$ 23.5</u>

**Ratios Based On Earned Premiums**

	<u>Three Months Ended</u>		<u>Year Ended</u>	
	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>
Incurred Loss and LAE Ratio	83.8%	78.5%	80.6%	79.4%
Incurred Expense Ratio	20.3%	19.6%	19.5%	18.8%
Combined Ratio	<u>104.1%</u>	<u>98.1%</u>	<u>100.1%</u>	<u>98.2%</u>

**Underlying Combined Ratio**

	<u>Three Months Ended</u>		<u>Year Ended</u>	
	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>
Combined Ratio as Reported	104.1%	98.1%	100.1%	98.2%
Accident Year Catastrophes	-0.2%	-0.4%	-0.6%	-0.8%
Effect of Prior Year Catastrophe Development	0.0%	0.0%	0.0%	0.0%
Effect of Prior Year Non-Catastrophe Reserve Development	-2.2%	2.2%	-0.8%	1.5%
Underlying Combined Ratio	<u>101.7%</u>	<u>99.9%</u>	<u>98.7%</u>	<u>98.9%</u>



**Selected financial information for the Unitrin Direct segment follows:**

**Results of Operations**

(Dollars in Millions)	<u>Three Months Ended</u>		<u>Year Ended</u>	
	<u>Dec. 31,</u> <u>2010</u>	<u>Dec. 31,</u> <u>2009</u>	<u>Dec. 31,</u> <u>2010</u>	<u>Dec. 31,</u> <u>2009</u>
Earned Premiums:				
Automobile	\$ 62.6	\$ 79.3	\$ 273.5	\$ 338.0
Homeowners	2.2	1.5	8.7	7.1
Other	-	0.1	0.2	0.5
Total Earned Premiums	<u>64.8</u>	<u>80.9</u>	<u>282.4</u>	<u>345.6</u>
Net Investment Income	5.4	5.9	21.4	18.5
Other Income	-	0.2	0.1	0.9
Total Revenues	<u>70.2</u>	<u>87.0</u>	<u>303.9</u>	<u>365.0</u>
Incurred Losses and LAE	55.7	57.7	223.9	269.1
Insurance Expenses	19.9	23.5	87.1	107.0
Write-off of Goodwill	-	-	-	1.5
Operating Profit (Loss)	(5.4)	5.8	(7.1)	(12.6)
Income Tax (Expense) Benefit	3.5	(1.4)	6.0	7.3
Net Income (Loss)	<u>\$ (1.9)</u>	<u>\$ 4.4</u>	<u>\$ (1.1)</u>	<u>\$ (5.3)</u>

**Ratios Based On Earned Premiums**

	<u>Three Months Ended</u>		<u>Year Ended</u>	
	<u>Dec. 31,</u> <u>2010</u>	<u>Dec. 31,</u> <u>2009</u>	<u>Dec. 31,</u> <u>2010</u>	<u>Dec. 31,</u> <u>2009</u>
Incurred Loss and LAE Ratio	86.0%	71.3%	79.3%	77.9%
Incurred Expense Ratio	30.7%	29.0%	30.8%	31.4%
Combined Ratio	<u>116.7%</u>	<u>100.3%</u>	<u>110.1%</u>	<u>109.3%</u>

**Underlying Combined Ratio**

	<u>Three Months Ended</u>		<u>Year Ended</u>	
	<u>Dec. 31,</u> <u>2010</u>	<u>Dec. 31,</u> <u>2009</u>	<u>Dec. 31,</u> <u>2010</u>	<u>Dec. 31,</u> <u>2009</u>
Combined Ratio as Reported	116.7%	100.3%	110.1%	109.3%
Accident Year Catastrophes	-0.9%	-0.5%	-0.6%	-0.9%
Effect of Prior Year Catastrophe Development	0.0%	-0.1%	-0.1%	-0.1%
Effect of Prior Year Non-Catastrophe Reserve Development	-1.2%	4.0%	2.5%	3.6%
Underlying Combined Ratio	<u>114.6%</u>	<u>103.7%</u>	<u>111.9%</u>	<u>111.9%</u>

Selected financial information for the Life and Health Insurance segment follows:

**Results of Operations**

(Dollars in Millions)	Three Months Ended		Year Ended	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Earned Premiums:				
Life	\$ 98.4	\$ 98.6	\$ 396.7	\$ 399.7
Accident and Health	41.4	40.3	161.9	159.2
Property	21.1	21.2	85.5	91.7
Total Earned Premiums	160.9	160.1	644.1	650.6
Net Investment Income	55.9	57.9	214.3	225.3
Other Income	0.1	-	0.2	0.7
Total Revenues	216.9	218.0	858.6	876.6
Policyholders' Benefits and Incurred Losses and LAE	91.0	95.2	406.8	423.8
Insurance Expenses	72.8	73.2	283.0	284.3
Write-off of Goodwill	-	-	14.8	-
Operating Profit	53.1	49.6	154.0	168.5
Income Tax Expense	(18.5)	(15.2)	(59.1)	(56.4)
Net Income	\$ 34.6	\$ 34.4	\$ 94.9	\$ 112.1

Selected financial information for the Fireside Bank segment follows:

**Results of Operations**

(Dollars in Millions)	Three Months Ended		Year Ended	
	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2010	Dec. 31, 2009
Interest, Loan Fees and Earned Discounts	\$ 18.7	\$ 35.6	\$ 97.6	\$ 175.0
Other Automobile Finance Revenues	0.4	0.5	1.4	3.5
Total Automobile Finance Revenues	19.1	36.1	99.0	178.5
Net Investment Income	0.4	0.5	1.9	2.8
Total Revenues	19.5	36.6	100.9	181.3
Provision for Loan Losses	(10.5)	10.1	(14.2)	60.2
Interest Expense on Certificates of Deposits	6.4	8.9	28.2	43.5
Incentives to Close Deposit Accounts Early	1.6	-	4.6	0.1
General and Administrative Expenses	12.1	14.5	57.7	75.9
Operating Profit	9.9	3.1	24.6	1.6
Income Tax Expense	(4.1)	(1.1)	(9.9)	(6.9)
Net Income (Loss)	\$ 5.8	\$ 2.0	\$ 14.7	\$ (5.3)
Automobile Loan Originations	\$ -	\$ -	\$ -	\$ 77.0

### Fireside Bank Key Metrics

(Dollars in Millions)	<u>Dec. 31, 2010</u>	<u>Dec. 31, 2009</u>	<u>At Plan Inception</u>
Net Automobile Loan Receivables Outstanding	\$ 381.3	\$ 744.1	\$ 1,125.2
Loans 30 or more days delinquent:			
Dollars	\$ 19.3	\$ 76.1	\$ 103.4
As a percentage of Reserve for Loan Losses	44.2%	91.4%	91.0%
Reserve for Loan Losses:			
Dollars	\$ 43.7	\$ 83.3	\$ 113.6
As a percentage of Net Automobile Receivables Outstanding	11.5%	11.2%	10.1%
Cash and U.S. Treasury and Agency Investments	\$ 224.8	\$ 214.0	\$ 204.7
Certificates of Deposits:			
Maturing in One Year or Less	\$ 180.6	\$ 245.4	\$ 425.3
Maturing in More than One Year	140.8	437.0	629.1
Total	<u>\$ 321.4</u>	<u>\$ 682.4</u>	<u>\$ 1,054.4</u>
Cash and U.S. Treasury and Agency Investments as a percentage of Certificates of Deposits	69.9%	31.4%	19.4%
Total Capital	\$ 249.4	\$ 233.4	\$ 229.6
Tier 1 Capital	\$ 228.9	\$ 201.2	\$ 207.2
Tier 1 Capital to Total Average Assets	37.3%	21.3%	15.6%
Tier 1 Capital to Net Automobile Loan Receivables Outstanding	60.0%	27.0%	18.4%

## Use of Non-GAAP Measures

**Underlying Combined Ratio** is a non-GAAP measure, which is computed as the difference between three operating ratios: the combined ratio, the effect of catastrophes (excluding development of prior year catastrophes) on the combined ratio and the effect of prior year reserve development (including development on prior year catastrophes) on the combined ratio. The most directly comparable GAAP measure is the combined ratio. We believe the underlying combined ratio is useful to investors and is used by management to reveal the trends in our Property and Casualty business that may be obscured by catastrophe losses and prior year reserve development. These catastrophe losses cause our loss trends to vary significantly between periods as a result of their incidence of occurrence and magnitude, and can have a significant impact on the combined ratio. Prior year reserve developments are caused by unexpected loss development on historical reserves. We believe it is useful for investors to evaluate these components separately and in the aggregate when reviewing our underwriting performance. The underlying combined ratio should not be considered a substitute for the combined ratio and does not reflect the overall underwriting profitability of our business.

A reconciliation of Total Segment Net Income to Income from Continuing Operations is as follows:

(Dollars in Millions)	<u>Three Months Ended</u>		<u>Year Ended</u>	
	<u>Dec. 31,</u> <u>2010</u>	<u>Dec. 31,</u> <u>2009</u>	<u>Dec. 31,</u> <u>2010</u>	<u>Dec. 31,</u> <u>2009</u>
Total Segment Net Income	\$ 49.7	\$ 65.5	\$ 179.3	\$ 188.7
Unallocated Net Income (Loss) From:				
Unallocated Dividend Income	0.1	0.1	0.4	1.1
Net Realized Gains on Sales of Investments	18.4	4.5	27.9	16.0
Net Impairment Losses Recognized in Earnings	(2.4)	(0.8)	(10.7)	(32.8)
Other Expense, Net	(4.3)	(3.3)	(13.0)	(9.8)
Income from Continuing Operations before				
Equity in Net Income (Loss) of Investee	61.5	66.0	183.9	163.2
Equity in Net Income (Loss) of Investee	-	0.1	(0.1)	(1.0)
Income from Continuing Operations	<u>\$ 61.5</u>	<u>\$ 66.1</u>	<u>\$ 183.8</u>	<u>\$ 162.2</u>

<sup>1</sup> Underlying combined ratio is a non-GAAP measure. See the discussion under heading "Use of Non-GAAP Measures."

<sup>2</sup> Open agencies are those agency service territories not assigned to an active agent but rather are serviced by field management. Minimizing the percentage of open agencies leads to improved sales and policyholder retention.

<sup>3</sup> Represent reserve development on catastrophe and non-catastrophe losses for prior year reserve estimates unless otherwise noted.

\* \* \* \* \*

## **Cautionary Note Regarding Forward-Looking Statements**

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

financial performance or financial condition. 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. 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. 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 and financial condition. The reader should consider the following list of general factors that could affect the Company's future results and financial condition, as well as those discussed under Item 1A., Risk Factors, in the Company's 2010 Annual Report on Form 10-K.

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

- The incidence, frequency, and severity of catastrophes occurring in any particular reporting period or geographic concentration, including natural disasters, pandemics and terrorist attacks or other man-made events;
- The number and severity of insurance claims (including those associated with catastrophe losses) and their impact on the adequacy of loss reserves;
- Changes in facts and circumstances affecting assumptions used in loss and LAE 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;
- Changes in the pricing or availability of reinsurance, or in the financial condition of reinsurers and amounts recoverable therefrom;
- Orders, interpretations or other actions by regulators that impact the reporting, adjustment and payment of claims;
- Impact of residual market assessments / assessments for insurance industry insolvencies;
- Changes in industry trends and significant industry developments;
- Uncertainties related to 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 such issues arising with respect to losses incurred in connection with hurricanes and other catastrophes;
- Changes in ratings by credit rating agencies, including A.M. Best Co., Inc.;
- 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;
- Governmental actions, including, but not limited to, implementation of the provisions of the Patient Protection and Affordable Care Act, the Health Care and Education Reconciliation Act of 2010 and the Dodd-Frank Act, new laws or regulations or court decisions interpreting existing laws and regulations or policy provisions;
- Changes in distribution channels, methods or costs resulting from changes in laws or regulations, lawsuits or market forces;
- 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, changes in general economic conditions, unemployment rates and 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;
- Changes in general economic conditions, including performance of financial markets, interest rates, unemployment rates and fluctuating values of Company investments;
- The level of success and costs expended in realizing economies of scale and implementing significant business consolidations and technology initiatives;
- Heightened competition, including, with respect to pricing, entry of new competitors and the development of new products by new and existing competitors;
- 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 Unitrin's filings with the U.S. 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 Unitrin makes on related subjects in its filings with the SEC.

Unitrin is a diversified insurance holding company, with subsidiaries that principally provide life, auto, homeowners and other insurance products for individuals and small businesses.

**Unitrin's principal businesses are:**

- **Kemper**, which provides auto, homeowners and other insurance products to individuals through a network of independent agents,
- **Unitrin Direct**, which markets auto, homeowners and renters insurance to consumers via direct mail, the Internet and employer-sponsored employee benefit programs and other affinity relationships,
- **Unitrin Specialty**, which provides auto insurance through a network of independent agents and brokers to individuals and small businesses which have had difficulty procuring insurance through traditional channels, usually due to adverse driving records or claim or credit histories, and
- **Life and Health Insurance**, which specializes in the sale of life and health insurance products to persons of modest incomes through a network of employee agents.

Kemper® is a registered service mark of Unitrin, Inc. The terms *iMingle™* and *Insuring The i Generation™*, and the logos containing such terms, are service marks or trademarks of Unitrin Direct Insurance Company.

Additional information about Unitrin, including a copy of its Annual Report on Form 10-K for the year ended December 31, 2010, is available by visiting its website ([www.unitrin.com](http://www.unitrin.com)).

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KEYWORD: ILLINOIS

INDUSTRY KEYWORD: INSURANCE BANKING EARNINGS