

PROTECTIVE LIFE CORP  
Form DEF 14A  
March 27, 2009

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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

**Protective Life Corp.**

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(Name of Registrant as Specified In Its Charter)

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(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.
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#### **Protective Life Corporation**

Post Office Box 2606  
Birmingham, Alabama 35202  
205-268-1000

March 27, 2009

Dear Share Owners:

It is my pleasure to invite you to Protective's annual meeting of share owners. We will hold the meeting at our home office on Monday, May 4, 2009 at 10:00 a.m., Central Time. Our home office is located at the Protective Center, 2801 Highway 280 South, Birmingham, Alabama 35223. At this meeting, we will consider the matters described in the proxy statement and review the major developments since our last share owners' meeting.

This booklet includes the notice of annual meeting and our proxy statement. The proxy statement describes the business that we will conduct at the meeting and provides information about Protective. Our 2008 Annual Report to Share Owners is also enclosed.

Your vote is important to us, no matter how many shares you own. You may vote on the Internet, by telephone or by using a traditional proxy card. If you attend the meeting and prefer to vote in person, you may do so even if you have previously voted your proxy.

We look forward to your participation.

Sincerely yours,

JOHN D. JOHNS  
*Chairman of the Board, President  
and Chief Executive Officer*

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**IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS:**

The 2009 Notice and Proxy Statement and 2008 Annual Report are available at [www.ProxyVote.com](http://www.ProxyVote.com).

Dear Share Owners:

The 2009 Annual Meeting of Share Owners will be held as follows:

Date: Monday, May 4, 2009

Time: 10:00 a.m. Central Time

Place: Protective Life  
Corporation  
Protective Center  
2801 Highway 280 South  
Birmingham, Alabama  
35223

At the annual meeting, we will ask you to:

elect 11 directors,

ratify the appointment of PricewaterhouseCoopers LLP as our independent accountants, and

transact any other business that may be properly presented at the meeting.

You may vote at the annual meeting if you were a share owner of record at the close of business on March 9, 2009.

The annual meeting may be postponed by an announcement at the meeting, and reconvened at a later time. Any business for which this notice is given may be transacted at the subsequent meeting.

By order of the Board of Directors,

DEBORAH J. LONG  
*Secretary*

March 27, 2009

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**PROXY STATEMENT**

Our Board of Directors is soliciting proxies to be used at our annual meeting of share owners. We will hold the annual meeting on Monday, May 4, 2009, beginning at 10:00 a.m., Central Time, at our home office at 2801 Highway 280 South, Birmingham, Alabama 35223. This proxy statement and the enclosed form of proxy are being mailed to our share owners beginning on or about March 27, 2009.

"We," "our," "us" and "Protective" each refers to Protective Life Corporation. "You" and "your" each refers to our share owners.

**ABOUT THE ANNUAL MEETING**

***What is a proxy?***

A proxy is a person whom you designate to vote your stock. If you designate someone as your proxy in a written document, that document is called a proxy or a proxy card.

***What is a proxy statement?***

A proxy statement is a document that the Securities and Exchange Commission ("SEC") requires us to give to you when we ask you to sign a proxy card to vote your stock at the annual meeting.

***What is the purpose of the annual meeting?***

At our annual meeting, share owners will act on the proposals outlined in the meeting notice. Also, our management will report on our 2008 performance and will respond to appropriate questions from share owners.

***What is the record date and what does it mean?***

The record date for the annual meeting is March 9, 2009. Our Board of Directors establishes the record date. Holders of common stock at the close of business on the record date are entitled to receive notice of, and to vote at, the meeting.

***How many shares are entitled to vote at the annual meeting?***

On March 9, 2009, 69,972,618 shares of common stock were outstanding and entitled to vote at the meeting. Each share of common stock is entitled to one vote on each proposal.

***What happens if the meeting is postponed or adjourned?***

The meeting may be postponed or adjourned by an announcement at the meeting. If this happens, the proxies may vote your shares at the subsequent meeting as well, unless you have revoked your voting instructions.

***What constitutes a quorum at the meeting?***

The holders of a majority of the outstanding shares of common stock, present in person or represented by proxy at the meeting, will constitute a quorum for transacting business. Abstentions count as "shares present" for determining if there is a quorum.

***What is the difference between a share owner "of record" and a "street name" holder?***

If your shares are registered directly in your name with The Bank of New York, our stock transfer agent, you are considered the share owner "of record" of those shares.

If your shares are held in a stock brokerage account or by a bank or other nominee, you are considered the beneficial owner of those shares, and your shares are held in "street name."

*How do I vote my shares?*

If you are a share owner of record, you can give a proxy to be voted at the meeting either:

by telephone by calling a toll-free number,

on the Internet, or

by mailing the enclosed proxy card.

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We set up the telephone and Internet voting procedures for your convenience. We designed these procedures to authenticate your identity, to allow you to give voting instructions, and to confirm that those instructions have been recorded properly. If you are a share owner of record and you would like to vote by telephone or the Internet, please refer to the instructions on the enclosed proxy card. If you wish to vote using a paper format and you return your signed proxy to us before the annual meeting, your shares will be voted as you direct.

If you hold your shares in street name, your broker or nominee will vote your shares as you direct. You must give your voting instructions in the manner prescribed by your broker or nominee. Your broker or nominee has enclosed or provided a voting instruction card for you to use in directing the broker or nominee how to vote your shares.

#### ***What does it mean if I get more than one proxy card?***

If you get more than one proxy card, it means that your shares are registered differently and are in more than one account. Please sign and return all proxy cards to be sure that all of your shares are voted.

#### ***Can I vote my shares in person at the meeting?***

Yes. If you are a share owner of record, you may vote your shares at the meeting by completing a ballot at the meeting. However, if you are a street name holder, you may vote your shares in person only if you obtain a signed proxy from your broker or nominee giving you the right to vote the shares.

Even if you currently plan to attend the meeting, we recommend that you also submit your proxy as described above so that your vote will be counted if you later decide not to attend the meeting.

#### ***What are my choices when voting?***

Election of directors    You may vote for all nominees, or you may withhold your vote with respect to one or more nominees. See page 4 for this proposal.

Ratification of appointment of PricewaterhouseCoopers LLP as our independent accountants    You may vote for or against, or abstain from voting on, the proposal. See page 6 for this proposal.

#### ***What are the Board's recommendations?***

The Board of Directors recommends a vote:

FOR electing all nominees for director (Proposal 1), and

FOR ratifying the appointment of PricewaterhouseCoopers LLP as our independent accountants (Proposal 2).

#### ***What if I do not specify how I want my shares voted?***

If you sign and return your proxy card but do not specify on your proxy card (or when giving your proxy by telephone or over the Internet) how you want to vote your shares, they will be voted:

FOR electing all nominees for director (Proposal 1), and

FOR ratifying the appointment of PricewaterhouseCoopers LLP as our independent accountants (Proposal 2).

#### ***Can I change my vote?***

Yes. You can revoke your proxy at any time before it is exercised by:



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submitting written notice of revocation to Protective's Secretary;

submitting another proxy by telephone, on the Internet or by mail that is later dated and, if by mail, that is properly signed;  
or

voting in person at the meeting.

### ***What are the voting requirements for a proposal to be approved?***

The affirmative vote of a majority of the shares present at the meeting, in person or by proxy, and entitled to vote on the proposal at the meeting, is required to elect each nominee for director and to approve each proposal. Abstentions have the effect of a vote "against" any proposal as to which they are specified.

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***What are "broker non-votes," and how are they counted?***

If you hold your shares in street name, your broker or nominee can generally vote only in accordance with your instructions. However, if your broker or nominee has not received your voting instructions within 10 days before the meeting, it can vote on any proposal that is considered "routine" by the New York Stock Exchange ("NYSE"). If the broker or nominee cannot vote on a proposal because it is not routine, there is a "broker non-vote" on that proposal. Broker non-votes are counted for quorum purposes, but do not count as votes for or against the proposal.

We expect that the NYSE will consider Proposal 1 (election of directors) and Proposal 2 (ratification of appointment of PricewaterhouseCoopers LLP as our independent accountants) to be routine proposals.

***Are there any other matters to be acted upon at the annual meeting?***

We do not know of any other matters to be presented or acted upon at the meeting. Under our Bylaws, an item of business can be brought to a vote at the meeting only if it is specified in the meeting notice, or brought before the meeting by the Board of Directors or by a share owner who has met the notice requirements in the Bylaws. We have not received any such notice from a share owner.

If any other matter is presented at the meeting on which a vote may properly be taken, the shares represented by proxies will be voted in accordance with the judgment of the proxies.

***Who pays for the proxy solicitation?***

We pay the costs of soliciting proxies. We retain Broadridge Financial Solutions, Inc. to send proxy materials to share owners. Some of our employees may also help solicit proxies from time to time. They do not receive any extra or special pay for doing this.

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The Board of Directors has nominated all of our current directors for re-election at the 2009 annual meeting.

Our entire Board of Directors, which on May 4, 2009 will consist of 11 directors, will be elected at the annual meeting. Each director will serve until the next annual meeting or until he or she is succeeded by another qualified director who has been elected.

Each director nominee is now a member of the Board of Directors. Our share owners previously elected each nominee.

The Board has reviewed the external commitments of each of our directors, including their service as directors on other public company boards. In each instance, the Board feels that participation on these public company boards provides the directors with experience and insight that benefits us. The Board concluded that the external commitments of our directors are not excessive and do not negatively impact any director's ability to satisfy the obligations of service on this Board.

Your shares will be voted as specified on your proxy. If you do not specify how you want your shares voted when you provide your proxy, they will be voted FOR the election of all nominees listed below. If unforeseen circumstances (such as death or disability) make it necessary for the Board to substitute another person for any nominee, then your shares will be voted for that other person. The Board may also choose to reduce the number of directors to be elected, as permitted by our Bylaws.

The director nominees provided the following information about themselves as of the date of this proxy statement:

<b>Name</b>	<b>Age</b>	<b>Principal Occupation and Certain Directorships</b>	<b>Protective Director Since</b>
James S. M. French	68	Vice Chairman, Investments of Dunn Investment Company (materials, construction and investment holding company); formerly its Chairman of the Board and Chief Executive Officer. Director of Energen Corporation.	1996
Thomas L. Hamby	59	Formerly President AT&T Alabama of AT&T Inc. (telecommunications); formerly President Alabama of BellSouth Corporation (acquired by AT&T Inc. in December 2006). Director of Regions Bank.	2004
John D. Johns	57	Chairman of the Board, President and Chief Executive Officer of Protective; formerly its Chief Operating Officer; also a director and/or officer of each principal subsidiary of Protective. Director of Alabama Power Company (The Southern Company owns all common stock) and Genuine Parts Company.	1997
Vanessa Leonard	48	Vanessa Leonard, Attorney at Law (legal services). Trustee of The University of Alabama System.	2004

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<b>Name</b>	<b>Age</b>	<b>Principal Occupation and Certain Directorships</b>	<b>Protective Director Since</b>
Charles D. McCrary	57	President and Chief Executive Officer of Alabama Power Company (public utility), and formerly its President and Chief Operating Officer; Executive Vice President of The Southern Company (public utility), and formerly its Vice President; President and Director of Southern Electric Generation Company (affiliate of public utility); formerly President of Southern Company Generation and Energy Marketing (and certain predecessor companies) (affiliate of public utility). Director of Alabama Power Company and Regions Financial Corporation.	2005
John J. McMahon, Jr.	66	Chairman of Ligon Industries, LLC (manufacturer of wastewater treatment equipment, aluminum castings and hydraulic cylinders); formerly Chairman of the Executive Committee of McWane, Inc. (pipe and valve manufacturing). Director of ProAssurance Corporation.	1987
Malcolm Portera	63	Chancellor of The University of Alabama System (higher education). Director of Alabama Power Company.	2003
C. Dowd Ritter	61	Chairman, President and Chief Executive Officer of Regions Financial Corporation (bank holding company) and Chairman, President and Chief Executive Officer of Regions Bank (banking and financial services); formerly Chairman of the Board, President and Chief Executive Officer of AmSouth Bancorporation and of AmSouth Bank (acquired by Regions Financial Corporation in November 2006). Director of Alabama Power Company and Regions Financial Corporation.	2005
William A. Terry	51	Principal, Chief Compliance Officer and Corporate Secretary of Highland Associates, Inc. (SEC registered investment advisor); Chairman of the Board, President and Chief Compliance Officer of Highland Information Services, Inc. (registered broker-dealer); Member of Highland Strategies, LLC (developer and distributor of alternative investment funds).	2004
W. Michael Warren, Jr.	61	President and Chief Executive Officer, Children's Health System (health services); formerly Chairman of the Board, President and Chief Executive Officer of Energen Corporation (diversified energy holding company); formerly Chairman and Chief Executive Officer of Alabama Gas Corporation and of Energen Resources Corporation. Director of Energen Corporation.	2001
Vanessa Wilson	50	Formerly Managing Director and an equity research analyst with Deutsche Bank Securities, Inc. (broker-dealer).	2006

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**Board Recommendation**

**The Board of Directors unanimously recommends that you vote FOR the election of all 11 director nominees.**

**Proposal 2: Ratification of Appointment of Independent Accountants**

**Appointment of PricewaterhouseCoopers LLP**

The Audit Committee, which is composed of independent, non-employee directors, has appointed PricewaterhouseCoopers LLP, a firm of independent public accountants, as independent accountants for Protective and its subsidiaries for 2009. This firm or its predecessor has served as our independent accountants since 1974. Representatives of PricewaterhouseCoopers LLP are expected to be present at the annual meeting, will have an opportunity to make a statement if they so desire, and are expected to be available to respond to appropriate questions by share owners.

**Board Recommendation**

**The Board of Directors unanimously recommends that you vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent accountants.**

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**BOARD STRUCTURE AND CORPORATE GOVERNANCE**

**Board of Directors and Its Committees**

**Board of Directors**

Our Board oversees our business affairs and monitors the performance of our management. In accordance with corporate governance principles, the Board does not involve itself in day-to-day operations. The directors keep themselves informed through reports from and discussions with the Chief Executive Officer and other key executives and, as necessary, our outside advisors.

**Committees of the Board of Directors**

The Board has four standing committees to help it carry out its duties:

Audit Committee,

Compensation and Management Succession Committee,

Corporate Governance and Nominating Committee, and

Finance and Investments Committee.

Each committee has a formal written charter, a current copy of which is available on our website ([www.protective.com](http://www.protective.com)), and reports its actions and recommendations to the Board. Only independent directors serve on the Audit Committee, the Compensation and Management Succession Committee, and the Corporate Governance and Nominating Committee.

**Audit Committee.** The Audit Committee:

oversees our financial reporting and control processes on the Board's behalf, including assistance in oversight of the integrity of our financial statements; our compliance with legal requirements; the independence, qualifications and performance of the independent accountants; and the performance of our internal audit function;

reviews internal controls, systems and procedures, accounting policies, and other matters affecting our financial condition;

reviews our annual and quarterly financial statements and financial footnotes with management and the independent accountants;

discusses the types of information to be disclosed and the types of presentations to be made in the Company's earnings press releases, earnings guidance and other financial information provided to analysts and rating agencies;

appoints, evaluates and (if appropriate) terminates the independent accountants, approves all audit engagement fees and terms, and pre-approves all non-audit services; and

reviews with the independent accountants their audit procedures, management letters, and other significant aspects of their audit.

The Audit Committee concluded that, during 2008, it satisfied its responsibilities under its charter regarding our controls, internal audit functions and independent accountants. The Audit Committee Report is on page 49.

**Compensation and Management Succession Committee.** The Compensation and Management Succession Committee:

reviews and approves our base salary, annual incentive, and long-term incentive compensation practices for our officers and key employees;

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administers annual cash incentive and long-term stock-based incentive programs under our Annual Incentive Plan and Long-Term Incentive Plan; and

reviews management succession planning with the Chief Executive Officer, and recommends to the Board a successor to the Chief Executive Officer whenever the need to name a successor arises.

See pages 17-23 for more information about this Committee.

**Corporate Governance and Nominating Committee.** The Corporate Governance and Nominating Committee:

reviews and advises the Board on the functions and procedures of the Board and its committees, the compensation of the

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directors for service on the Board and its committees, and the selection and tenure of directors.

**Finance and Investments Committee.** The Finance and Investments Committee:

reviews and acts upon financial and investment matters, including borrowing and lending transactions entered into by Protective and its subsidiaries; and

establishes policies and guidelines for investment of our assets, reviews the investment and disposition of our funds, and reviews the risks inherent in our business and our strategy for understanding and minimizing the consequences of those risks.

**Special Committee.** At its November 3, 2008 meeting, the Board established a Special Committee to act with respect to the Treasury Department's Capital Purchase Program.

**Committee Memberships.** The following table shows the current membership of each committee.

Director	Committee				
	Audit	Comp	Corp Gov	Fin & Inv	Special
French	X			X	
Hamby		X		X	
Johns				Chair	
Leonard	Chair			X	X
McCrary			X	X	
McMahon		X	Chair	X	Chair
Portera			X	X	
Ritter		Chair		X	X
Terry			X	X	X
Warren	X			X	X
Wilson	X			X	

### **Meetings**

**Board and Committee Meetings.** Each director attended at least 75% of the combined Board and committee meetings held during the period served by that director in 2008, except for Mr. McMahon. During 2008, Mr. McMahon attended 73% of such meetings. Over the ten years ended on December 31, 2008, Mr. McMahon attended 93% of such meetings.

The Board and its committees held the following number of regular and special meetings during 2008:

	# Meetings
Board of Directors	6
Audit Committee	7
Compensation and Management Succession Committee	4
Corporate Governance and Nominating Committee	2
Finance and Investments Committee	4
Special Committee	1

We design our Board meetings to give directors both access to management and the opportunity to discuss matters outside management's presence. Senior management attends the first part of each meeting and is available to answer questions the directors may have. Only directors attend the second part, although selected management members may attend a portion of this part of the meeting if appropriate for discussion of a specific agenda item; these management members are excused from the meeting after the agenda item has been covered.

**Board Strategic Planning Session.** About every 18 months, the Board has an extended 1- to 2-day meeting that focuses on strategic planning. Management gives the Board presentations about the strategic issues and opportunities we face. The Board discusses these issues and



gives our management its insight.

**Non-Management Director Meetings.** Our non-management directors are scheduled to meet in executive session without any management directors in attendance at each regularly scheduled Board meeting (usually at least 5 times a year). If the Board has a special meeting, the non-management directors may also decide to meet in executive session. The Lead Director presides at each executive session of the non-management directors. Our Lead Director is the Chairman of the Corporate Governance and Nominating Committee, who is currently Mr. McMahon.

**Share Owner Annual Meeting.** Our directors are expected to attend annual meetings of share owners. All directors then serving on our Board attended the 2008 annual meeting.

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## **Board Composition, Qualifications and Nominations**

### **Board Composition and Director Qualifications**

The Board and its Corporate Governance and Nominating Committee adopted a policy that our directors should be non-employees (except for our President and Chief Executive Officer). Under this policy, directors should have a background evidencing a high level of knowledge, experience, judgment, education, character, dedication and achievement, and collectively bring a diversity of background and experience to the Board. They should possess high personal and professional ethics, integrity and values; be committed to representing the long-term interests of our share owners; and have an inquisitive and objective perspective, practical wisdom and mature judgment. Directors should be willing to devote sufficient time and energy to Protective and should be share owners as required by our Bylaws.

### **Director Nominations**

The Corporate Governance and Nominating Committee considers recommendations for director nominees from directors and share owners. Share owners should submit recommendations in writing to the Corporate Governance and Nominating Committee, c/o Secretary, Protective Life Corporation, P.O. Box 2606, Birmingham, Alabama 35202. Please include relevant information about the potential nominee (including name, address, telephone numbers, and a brief description of the individual's background and experience). Each individual recommended will be evaluated in light of the criteria described above.

## **Corporate Governance**

### **Corporate Governance Guidelines**

The Board has adopted Corporate Governance Guidelines. These Guidelines and our Board committee charters provide the framework for our governance. Our Corporate Governance and Nominating Committee oversees and reviews the Guidelines at least annually, and recommends any proposed changes to the Board for approval.

### **Code of Business Conduct**

Our Code of Business Conduct applies to all directors, officers and employees. The Code incorporates a code of ethics that applies to our Chief Executive Officer and to all of our financial officers, including our Chief Financial Officer and our Chief Accounting Officer.

### **Corporate Website**

Our website has a corporate governance section that contains copies of our principal governance documents. The corporate governance section may be found at [www.protective.com](http://www.protective.com) under "Analyst/Investor Corporate Governance." This section contains the following documents, which are available in print to any share owner who requests a copy in writing to Protective Life Corporation, c/o Corporate Secretary's Office, Box 2606, Birmingham, Alabama 35202:

Corporate Governance Guidelines,

Code of Business Conduct,

Audit Committee Charter,

Compensation and Management Succession Committee Charter,

Corporate Governance and Nominating Committee Charter, and

Finance and Investments Committee Charter.

### **Communications with Directors**

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Share owners and other interested parties may send communications to the Board, the Lead Director, the non-management directors as a group, or any specific director by mailing the communication to the Board of Directors, c/o Secretary, Protective Life Corporation, P.O. Box 2606, Birmingham, Alabama 35202. Protective's Secretary will forward the correspondence to the Chairman of the Corporate Governance and Nominating Committee unless it is addressed to an individual director or a specific group of directors, in which case the correspondence will be forwarded accordingly. The Board has requested that certain items unrelated to its duties be excluded, such as solicitations and advertisements, junk mail, product-related communications, job referral materials such as resumes, and surveys.

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## **Compensation Committee Interlocks and Insider Participation**

During 2008, the members of our Compensation and Management Succession Committee were Messrs. H. Corbin Day (Chairman and member of the Committee until May 5, 2008), Hamby, McMahon (who became a member of the Committee on August 4, 2008) and Ritter (who became Chairman of the Committee on August 4, 2008). No interlocking relationship existed during 2008 between any of these individuals and any of our executive officers. In addition, none of these individuals has ever been an officer or employee of ours, or had any relationship for which the SEC requires disclosure.

## **Director Independence**

### **Independence Standards**

Our Corporate Governance Guidelines provide that a majority of our directors must meet the criteria for independence required by the NYSE. The Board has adopted categorical independence standards consistent with the NYSE listing guidelines. These standards are contained in Exhibit A to our Corporate Governance Guidelines, found on our website at [www.protective.com](http://www.protective.com) under "Analyst/Investor Corporate Governance." A director is not considered independent unless the Board has determined that the director has no direct or indirect material relationship with us. Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, among others. In determining a director's independence, the Board also observes any other laws and regulations governing us and evaluates any information it has that may impact independence.

The Board has established certain categories of transactions that do not, in the Board's opinion and absent other circumstances, cause a director to be less than independent. As a result, the Board did not consider the following relationships when evaluating the independence of our directors:

if a family member of the director (other than a spouse, child or child-in-law) is, or has been within the last 3 years, a Protective employee, if the employee is not an executive officer of Protective or an officer with a policy-making role;

if an immediate family member of the director (a) is a current employee of our internal or external auditor, if the immediate family member does not participate in the firm's audit, assurance or tax compliance practice; or (b) is a partner, member or principal of a law firm or other firm that provides non-accounting professional services, if the immediate family member does not derive income directly dependent on the revenues received from us or perform significant work for us;

if the director or an immediate family member is an officer or director of another company or an organization on whose board any of our present executive officers or other directors sit;

if the director or an immediate family member is a current executive officer or other employee of another company that: (a) does business with us and the annual sales to, or purchases from, us in any of the last 3 fiscal years were less than 2% of the other company's consolidated gross revenues; or (b) is indebted to us, or to which we are indebted, and the total amount of either company's indebtedness to the other is less than 1% of the other company's total consolidated assets; or

if the director or an immediate family member is an executive officer, director or trustee of a foundation, university or other nonprofit organization that has received from us (including our foundation), during any of the last 3 fiscal years, contributions which did not exceed the greater of \$1 million or 25% of that organization's annual consolidated gross revenue during that organization's fiscal year.

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**Review of Director Independence**

The Board conducts an annual review of the independence of all directors. Before the meeting at which this review occurs, each director is asked to supply the Corporate Governance and Nominating Committee and the Board with complete information about the director's relationship with us and with our senior management and their affiliates. Our management provides additional information about transactions, relationships or arrangements between us and the directors or parties related to the directors.

The Corporate Governance and Nominating Committee reviews this information and makes its own determinations of each director's independence. It reports its findings and the reasons for those findings to the Board, which then makes the final determinations of director independence.

**Independence Determinations**

The Corporate Governance and Nominating Committee and the Board have reviewed the independence of our directors, following the procedures outlined above. As part of this review, the Corporate Governance and Nominating Committee and the Board considered that a limited liability company, established by limited liability companies maintained for the benefit of the families of Mr. Johns and Mr. Terry, owns certain recreational property (a small portion of which is also owned by each of Mr. Johns and Mr. Terry).

After review and discussion of the information provided to it and the report of the Corporate Governance and Nominating Committee, the Board affirmatively determined that, under the NYSE independence standards, all of our current non-employee directors (French, Hamby, Leonard, McCrary, McMahon, Portera, Ritter, Terry, Warren and Wilson) are independent, and that H. Corbin Day was independent during the period that he served in 2008. Mr. Johns, our Chairman, President and Chief Executive Officer, is our only non-independent director. The Board also determined that all members of the Audit Committee, the Compensation and Management Succession Committee, and the Corporate Governance and Nominating Committee meet the applicable independence tests.

**Related Party Transactions**

**Related Party Transaction Policy and Procedures**

We review all relationships and transactions in which we and "related parties" (our directors, director nominees, executive officers, and their immediate family members) participate to determine if any related party has a direct or indirect material interest. Our General Counsel's Office is primarily responsible for developing and implementing processes to obtain the necessary information and for determining, based on the facts and circumstances, whether a direct or indirect material interest exists. We disclose any such transactions in our proxy statement, as required by SEC rules.

If the General Counsel's Office determines that a transaction may require disclosure under SEC rules, the General Counsel's Office will notify:

the Corporate Governance and Nominating Committee, if the transaction involves one of our directors or director nominees; otherwise,

the Audit Committee.

The relevant Board committee will approve or ratify the transaction only if it determines that the transaction is in our best interests. In considering the transaction, the committee will consider all relevant factors, including (as applicable):

our business rationale for entering into the transaction;

the alternatives to entering into the transaction;

whether the transaction is on terms comparable to those that could be obtained in arms-length dealings with an unrelated third party;

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the potential for the transaction to lead to an actual or apparent conflict of interest, and any safeguards imposed to prevent actual or apparent conflicts; and

the overall fairness of the transaction to us.

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**Related Party Transactions**

Based on the information available to the General Counsel's Office and to the Board, there have been no transactions between us and any related party since January 1, 2008, nor are any currently proposed, for which disclosure is required under SEC rules.

Table of Contents**SECURITY OWNERSHIP****Beneficial Ownership**

The following table shows the number of shares of common stock and common stock equivalents beneficially owned as of March 9, 2009 (unless otherwise noted) by each current director, each of the executive officers named in the Summary Compensation Table, all current directors and executive officers of Protective as a group, and persons we believe to beneficially own 5% or more of our common stock.

**Security Ownership of Certain Beneficial Owners and Management**

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership <sup>(1)</sup>		Percent of Class <sup>(1)</sup>
	Sole Power <sup>(2)</sup>	Shared Power <sup>(2)</sup>	
<b>Management:</b>			
Richard J. Bielen	83,941 <sup>(3)</sup>	0	*
James S. M. French	25,497 <sup>(4)</sup>	31,800 <sup>(5)</sup>	*
Thomas L. Hamby	8,770 <sup>(4)</sup>	0	*
John D. Johns	356,390 <sup>(3)</sup>	4,210	*
Carolyn M. Johnson	13,140 <sup>(3)</sup>		*
Vanessa Leonard	4,417 <sup>(4)</sup>	0	*
Deborah J. Long	57,460 <sup>(3)</sup>	0	*
Charles D. McCrary	8,002 <sup>(4)</sup>	0	*
John J. McMahon, Jr.	33,820 <sup>(4)</sup>	77,938	*
Malcolm Portera	14,148 <sup>(4)</sup>	0	*
C. Dowd Ritter	3,225	0 <sup>(6)</sup>	*
William A. Terry	11,846 <sup>(4)</sup>	0	*
Carl S. Thigpen	23,320 <sup>(3)</sup>		*
W. Michael Warren, Jr.	16,740 <sup>(4)</sup>	1,357	*
Vanessa Wilson	7,267	0	*
All current directors and executive officers as a group (20 persons)	739,092 <sup>(3)(4)</sup>	117,305	1.22%
<b>5% or More Beneficial Owners:</b>			
Barclays Global Investors, NA	4,808,986 <sup>(7)</sup>	0	6.87%
EARNEST Partners, LLC	4,571,267 <sup>(8)</sup>	0	6.53%
Regions Financial Corporation	5,666,778 <sup>(9)</sup>	0	8.10%
Janus Capital Management LLC	5,630,887 <sup>(10)</sup>	0	8.05%

\*

less than 1%

(1)

The number of shares reported includes shares that are deemed to be beneficially owned under SEC regulations. Under these regulations, a person is generally deemed to beneficially own shares as to which such person holds or shares, directly or indirectly, through any contract, relationship, arrangement, understanding or otherwise, either voting power or investment power. The total number of shares beneficially owned is subdivided, where applicable, into two categories: shares as to which voting/investment power is held solely and shares as to which voting/investment power is shared. The percentage calculation is based on the aggregate number of shares beneficially owned and on 69,972,618 shares of common stock outstanding on March 9, 2009.

(2)

This column may include shares held in the name of a spouse, minor children, or certain other relatives sharing the same home as the director or officer, or held by the director or officer (or the spouse of the director or officer) as a trustee or as a custodian for children. Unless otherwise noted below, the directors and officers disclaim beneficial ownership of these shares.



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- (3) Includes the following number of shares allocated to accounts under our 401(k) and Stock Ownership Plan as follows: Mr. Bielen 16,415; Mr. Johns 12,117; Ms. Johnson 875; Ms. Long 4,075; Mr. Thigpen 8,718; and all current directors and executive officers as a group 59,872.
- Includes the following number of stock equivalents held under our Deferred Compensation Plan for Officers, as follows: Mr. Bielen 55,726; Mr. Johns 329,225; Ms. Johnson- 147; Ms. Long 48,105; Mr. Thigpen 574; and all current directors and executive officers as a group 566,685. Each stock equivalent entitles the participant to receive, upon distribution, one share of common stock.
- Does not include the following number of stock appreciation rights: Mr. Bielen 129,947; Mr. Johns 657,102; Ms. Johnson 20,400; Ms. Long 55,662; Mr. Thigpen 70,700; and all current directors and executive officers as a group 1,023,884.
- Does not include the following number of unvested restricted stock units: Mr. Bielen 3,205; Ms. Johnson 5,684; Ms. Long 2,404; Mr. Thigpen 1,603; and all current directors and executive officers as a group 24,106.
- (4) Includes the following number of stock equivalents held by certain directors under our Deferred Compensation Plan for Directors Who Are Not Employees of Protective, as follows: Mr. French 23,997; Mr. Hamby 7,006; Ms. Leonard 4,342; Mr. McCrary 7,902; Mr. McMahon 33,820; Dr. Portera 14,048; Mr. Terry 11,346; Mr. Warren 16,440; and all current directors and executive officers as a group 118,901. Each stock equivalent entitles the participant to receive, upon distribution, one share of common stock.
- (5) Includes 30,000 shares of common stock owned by Dunn Investment Company, of which Mr. French is Vice Chairman, Investments.
- (6) Does not include shares held by Regions Financial Corporation and Regions Bank (see Note 9 to this table), of which Mr. Ritter is Chairman, President, Chief Executive Officer and a director. Mr. Ritter disclaims beneficial ownership of these shares.
- (7) Based on a Schedule 13G filed with the SEC on February 5, 2009. As of December 31, 2008, Barclays Global Investors, NA (a bank) and its affiliates may be deemed the beneficial owner of 4,808,986 shares of common stock as follows. Barclays Global Investors, NA (a bank) may be deemed the beneficial owner of 3,164,653 shares of common stock: it has sole voting power for 2,723,381 shares, sole investment power for 3,164,653 shares, and no shared voting or investment power. Barclays Global Fund Advisors (an investment adviser) may be deemed the beneficial owner of 1,259,787 shares of common stock: it has sole voting power for 864,977 shares, sole investment power for 1,259,787 shares, and no shared voting or investment power. Barclays Global Investors, Ltd (a bank) may be deemed the beneficial owner of 240,396 shares of common stock: it has sole voting power for 170,317 shares, sole investment power for 240,396 shares, and no shared voting or investment power. Barclays Global Investors Japan Limited (an investment adviser) may be deemed the beneficial owner of 130,688 shares of common stock: it has sole voting power for 130,688 shares, sole investment power for 130,688 shares, and no shared voting or investment power. Barclays Global Investors Canada Limited (an investment adviser) may be deemed the beneficial owner of 12,124 shares of common stock: it has sole voting power of 12,124 shares, sole investment power of 12,124 shares and no shared voting or investment power. Barclays Global Investors Australia Limited (an investment adviser) may be deemed the beneficial owner of 1,268 shares of common stock: it has sole voting power of 1,268 shares, sole investment power of 1,268 shares and no shared voting or investment power. The shares reported are held in trust accounts for the economic benefit of the beneficiaries of those accounts. The addresses of the filers are (a) Barclays Global Investors, NA and Barclays Global Fund Advisors 400 Howard Street, San Francisco, California 94105; (b) Barclays Global Investors, Ltd Murray House, 1 Royal Mint Court, London, England EC3N 4HH; and (c) Barclays Global Investors Japan Limited Ebisu Prime Square Tower, 8<sup>th</sup> Floor, 1-1-39 Hiroo Shibuya-Ku, Tokyo 150-8402, Japan; (d) Barclays Global Investors Canada Limited Brookfield Place 161 Bay Street, Suite 2500, PO Box 614, Toronto, Canada, Ontario M5J 2S1; (e) Barclays Global Investors Australia Limited Level 43, Grosvenor Place, 225 George Street, PO Box N43, Sydney, Australia NSW 1220.
- (8) Based on a Schedule 13G filed with the SEC February 13, 2009. As of December 31, 2008, EARNEST Partners, LLC (an investment adviser), may be deemed the beneficial owner of 4,571,267 shares of common stock: it has sole voting power for 1,996,961 shares, shared voting power for 1,227,606 shares, sole investment power for 4,571,267 shares, and no shared investment power. No client interest relates to more than 5% of the outstanding shares of common stock. The address of EARNEST Partners, LLC is 1180 Peachtree Street NE, Suite 2300, Atlanta, Georgia 30309.



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- (9) Based on a Schedule 13G filed with the SEC on February 9, 2009. As of December 31, 2008, Regions Financial Corporation (in its capacity as a bank holding company), may be deemed the beneficial owner 2,833,389 shares of common stock: it has no sole voting or investment power, but has shared voting power for 2,693,757 shares and shared investment power for 2,760,507 shares. As of December 31, 2008, Regions Bank (in its capacity as a bank fiduciary of various trusts and estates) may be deemed the beneficial owner of 2,833,389 shares of common stock: it has sole voting power for 2,693,757 shares, no shared voting power, sole investment power for 1,232,360 shares, and shared investment power 1,528,147 shares. All of the shares are held by trusts and estates of which Regions Financial Corporation's subsidiary, Regions Bank, is a fiduciary. No single one of these trusts and estates holds as much as 5% of the class. The address of Regions Financial Corporation and Regions Bank is 1900 Fifth Avenue North, Birmingham, Alabama 35203.
- (10) Based on a Schedule 13G filed with the SEC on February 17, 2009. As of December 31, 2008, Janus Capital Management LLC, an investment adviser, may be deemed the beneficial owner of 5,630,887 shares of common stock: it has shared voting power for 5,630,887 shares, no sole voting power, shared investment power for 5,630,887 shares and no sole investment power. No client interest relates to more than 5% of the outstanding shares of common stock. The address of Janus Capital Management LLC is 151 Detroit Street, Denver, Colorado 80206.
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**Section 16(a) Beneficial Ownership Reporting Compliance**

Our directors and executive officers are required to file reports with the SEC showing changes in their beneficial ownership of our common stock. In addition to reporting transactions such as purchases, sales, and the exercise of options or stock appreciation rights, the rules require disclosure of certain stock-based awards under our compensation arrangements for our executive officers, even if the officers cannot acquire shares of our stock under the awards until some time in the future.

We have reviewed copies of these reports and written representations from the individuals who are required to file reports. Based on this review, we believe that each of our directors and executive officers complied with these reporting requirements in 2008 with the following exceptions. The Company failed to file timely reports for James S.M. French, Charles D. McCrary, John J. McMahon, Jr., Malcolm Portera, William A. Terry and W. Michael Warren, Jr. with respect to the acquisition of stock equivalents pursuant to the payment of two quarterly director's retainers.

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**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

**Our Compensation Philosophy**

The objectives of our executive compensation program are to:

- attract the most qualified executives,
- motivate them to achieve high levels of performance, and
- retain executives who contribute to our success.

**Principals of Our Compensation Program**

To meet these objectives, we design our program to:

- attract, motivate and retain officers who will commit to building long-term share owner value,
- focus officers on key business goals,
- enhance share owner value by rewarding officers for achieving long-term goals,
- reflect market and industry practices, while taking internal pay equity into account, and
- be communicated effectively, so our officers understand how compensation is linked to performance.

**Compensation Committee**

The Compensation and Management Succession Committee of our Board of Directors designs and implements the compensation program for our officers. The Committee's principal duties include:

- determining the compensation packages of our senior officers,
- setting annual cash incentive opportunities and determining whether the related performance objectives have been achieved,
- granting long-term incentive awards and determining whether any related performance objectives have been achieved, and
- reviewing senior management performance and succession plans with our Chief Executive Officer.

The Committee hires an independent compensation consultant to help it fulfill its duties. The consultant's agreement with the Committee describes the consultant's duties and the fees and expenses that it will be paid. For the 2008 compensation cycle discussed in this proxy statement, Towers Perrin was the compensation consultant. We pay the compensation consultant's fees and expenses.

The compensation consultant provides the Committee with compensation information from compensation surveys, its own database, and analysis of proxy statements, and recommends a compensation package for our Chief Executive Officer. Our Human Resources and Legal Departments provide the Committee with additional information about our officers and our compensation arrangements. Our Chief Executive Officer recommends compensation packages for our senior officers; however, he does not provide recommendations regarding his own compensation.

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For 2008, the compensation consultant focused on the pay practices of a peer group of 20 life insurance and financial services companies that compete with us for officer and key employee talent. The Committee selects the companies in this compensation peer group, taking into account our management's recommendations. The consultant also provides a summary of compensation survey data for other companies, to give the Committee additional information for comparison purposes.

In addition to the compensation peer group, the Committee selects a performance share peer group that is used for determining performance under our performance share award program. For 2008, the performance share peer group included 28 companies 17 of the companies in the compensation peer group, plus 11 other life insurance and financial services companies with which the Committee believes we should compare our performance. See pages 31-33 for more information about performance share awards.

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The performance share peer group for 2008 performance share awards and the compensation peer group for the 2008 compensation cycle included:

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Aflac Incorporated*	Kansas City Life Insurance Company
The Allstate Corporation*	Lincoln National Corporation*
American Equity Investment Life Holding Company	Manulife Financial Corporation
American International Group, Inc.	MetLife, Inc.
American National Insurance Company*	National Western Life Insurance Company
Ameriprise Financial, Inc.	Nationwide Financial Services, Inc.*
Assurant, Inc.*	The Phoenix Companies, Inc.*
Citizens, Inc.	Presidential Life Corporation
Conseco, Inc.*	Principal Financial Group, Inc.*
Delphi Financial Group, Inc.*	Prudential Financial, Inc.
FBL Financial Group, Inc.*	Reinsurance Group of America, Incorporated*
Genworth Financial, Inc.*	StanCorp Financial Group, Inc.*
The Hartford Financial Services Group, Inc.*	Torchmark Corporation*
Independence Holding Company	UnumProvident Corporation*

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\* Indicates companies that are included in the compensation peer group. Great American Financial Resources, Inc., Scottish RE Group Limited and Universal American Financial Corp. were also in the compensation peer group for the 2008 compensation cycle.

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The compensation consultant also advises the Committee about:

- the amount and type of compensation to provide to our officers and key employees,
- the value of long-term incentive grants,
- the allocation of total compensation between cash and stock-based incentives,
- the allocation of total compensation between "at risk" (annual cash incentives and stock-based incentives) and not "at risk," and
- internal pay equity among key executives.

The Committee currently meets at least 3 times a year, in February, March and November. Other meetings are scheduled as necessary.

At its November meeting, the Committee starts the year's compensation cycle by reviewing our compensation program and current levels of compensation. It also gives the compensation consultant and our management guidance about senior manager compensation for the following year.

In February, the Committee focuses on pay for our named executives that is, the officers who are named in our proxy statement and other senior officers. It reviews information provided by the compensation consultant and our Human Resources department, and makes preliminary compensation decisions.

In March, the Committee evaluates the performance of our Chief Executive Officer and other key executives, and finalizes their compensation based on these evaluations. It also reviews and approves the proposed salaries and annual cash incentive opportunities of other key officers, and makes awards under our annual cash incentive and long-term incentive programs. (In 2008, this meeting was held on February 29, in order to accommodate a special Board planning meeting that was scheduled for early March.)

The Compensation Committee provides the Board with reports about its meetings and the compensation of our senior officers.

**Components of Our Compensation Program**

The key components of our executive compensation program are

- base salaries,
- annual cash incentive awards, and
- long-term equity-based incentives.

The Compensation Committee considers each component (separately and with the others) for our senior officers. As part of its review, the Committee considers the total "mix" of the compensation delivered to our senior officers, and compares that compensation mix to the compensation mix of comparable officers at other companies. For example, the Committee compares the amount and percentage of each named executive's cash compensation (base salary and annual cash incentive awards) and stock-based incentives to the amounts and percentages delivered to comparable officers in the compensation peer group. The Committee also compares the amount and percentage of each named executive's "not at risk" compensation (base salary) and "at risk" compensation (annual cash incentives and long-term equity based incentive awards) to the amounts and percentages delivered to these peer group officers. The Committee does not have formal policies regarding these factors, but tries to make our practices generally consistent with the practices of the peer group.

The Committee targets the total annual compensation package to be at the median of the compensation peer group. The annual incentive and long-term incentive components of the program are designed so above-average company performance will result in above-median total



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compensation, and below-average company performance will result in below-median total compensation.

**Base Salaries.** Base salary is the primary fixed portion of executive pay. It compensates individuals for performing their day-to-day duties and responsibilities. Salary adjustments are usually made at the Committee's March meeting, and are effective March 1 of that year. The Committee considers the responsibilities of the job, individual performance, the relative value of a position, experience, and comparisons to salaries for similar positions in other companies. For the Chief Executive Officer, the Committee also considers company performance. No particular weighting is given to any of these factors.

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The Committee considered adjustment of the base salaries of the named executives at its March 2, 2009 meeting. Mr. Johns recommended that the named executives not receive a base salary increase in 2009, due to the economic and financial conditions in which the Company is operating, the Company's plans and projections for 2009, and the recent declines in the Company's stock price. The Committee accepted Mr. Johns' recommendation.

**Annual Cash Incentive Awards.** Officers and key employees are eligible for annual cash incentive opportunities under our Annual Incentive Plan (AIP). You have approved the AIP, most recently in 2007. The AIP's purpose is to reward individuals for achievement of key annual goals that will enhance company performance and share owner value.

At its February and March meetings, the Compensation Committee determines the AIP target incentive opportunities and performance objectives for our named executives for the current year. Our executive officers select other officers and employees for AIP participation, and establish their target incentive opportunities and performance objectives. Each eligible employee has a target incentive of between 4% and 120% of salary.

Payment of AIP incentives is based on achievement of one or more performance goals. The Committee believes that the goals it sets will encourage our officers and key employees to focus their efforts on our profitability and long-term growth, which should lead to increased value for our shareholders. For 2008, the performance objectives for our named executives were our corporate operating earnings per share (OEPS), a cash expense management objective, and sales objectives for our Asset Protection Division, universal life insurance and annuity products. In addition to these goals, other officers and employees had divisional goals that depended on the employee's role at the Company.

Each goal has threshold, minimum and maximum levels of achievement. Cash incentive payments range from 50% (threshold) to 200% (maximum) of the target. If performance is below threshold, no payment is made for that goal.

At its March meeting, the Compensation Committee also determines the achievement of the performance objectives for the incentive opportunities granted to the named executives in the previous year. For other officers and managers, the Committee reviews the total incentive opportunities and the methods used to determine individual payments. The Committee may decrease (but not increase) the incentive paid to a named executive, even if the incentive's performance objectives were achieved. For other employees, the Committee may increase or decrease the incentive payable (up to the maximum otherwise payable under the original award).

**Long-Term Equity-Based Incentive Awards.** The decisions our executives make now will affect our performance for years to come. We believe that equity (stock) based compensation and stock ownership are the best way to establish and maintain a strong link between management objectives and your long-term interests.

The Compensation Committee implements this philosophy through grants under our Long-Term Incentive Plan (L-TIP). You have approved the L-TIP, most recently in 2008. In 2008, we made annual awards of long-term equity-based compensation with grants of performance shares, stock appreciation rights and restricted stock units.

*Performance shares* provide the recipient with compensation based on our average return on average equity (ARAE) and our stock price. For each performance share award awarded in 2008, the number of shares of common stock the officer will actually receive is based on a comparison of our ARAE for a 4-year period to the ARAE of the companies in a group of 28 life insurance and financial services companies. We believe this is an effective way to compare our performance to that of our competitors, and that our stock price should go up over the long term if we outperform these other companies on this key measure.

A named executive will receive a 2008 performance share award payout of 100% or more only if our ARAE is better than the ARAE of 50% of the companies in the peer group. There is no payout if we are in the bottom 25% of the peer group. Since the award is paid in shares of our stock, the compensation the officer receives is directly related to our stock price as well.

*Stock appreciation rights* provide the recipient with compensation based on the price increase of our common stock. Each SAR has a base price equal to the closing price of our stock on the effective date of the grant (which is never earlier than the date the Committee makes the grant). An officer who

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exercises an SAR receives the "spread" (the difference between our stock's value when the SAR is exercised and the base price), so the officer receives compensation from SARs only if our stock price goes up. The spread is paid in shares of our stock (except for a portion payable in cash equal to the tax withholding obligation due when the SAR is exercised).

*Restricted stock units* provide the recipient with compensation based on the value of our common stock. An RSU is not a share of stock – it is our agreement to transfer shares of our stock to the RSU recipient if and when the vesting conditions of the RSU award are satisfied. We grant RSUs to certain officers to align their interests to those of our share owners and to encourage them to remain employed with us.

At its February and March meetings, the Compensation Committee determines the total value of the long-term incentives to be granted to each officer. Grants are made at the March meeting. (The Committee makes special grants at other times upon the hiring or promotion of a senior officer.) The Committee considers a named executive's responsibilities, performance and previous long-term incentive awards, and internal compensation equity, when making the award for a given year.

The compensation consultant provides an estimated value for each award, so the Committee can make awards with the appropriate total value. For 2008, the consultant recommended a value for a performance share of 80% of the value of our stock on the grant date. The principal factor in this valuation was the earn-out schedule for the performance share award (shown on page 32-33), assuming that there was an equal chance that we would achieve each of the possible performance levels. The consultant recommended a value for an SAR of one-third of the value of our stock on the grant date. This is an approximation of the FAS 123R value for SARs that we use for accounting purposes. The consultant recommended a value for an RSU equal to the value of our stock on the grant date.

In 2008, each named executive, and twelve other senior officers, received 50% of the value of their long-term incentive award in performance shares and 50% of the value in SARs. Other officers received only SARs. The Committee also made additional RSU awards to certain named executives and other officers as special recognition for their work and dedication during 2008.

The Committee's meeting schedule is set several months in advance. The Committee does not attempt to coordinate its grants with the release of earnings or other inside information, and award sizes are not affected by the dates the awards are made.

The Committee considered the grant of long-term incentives to the named executives at its March 2, 2009 meeting. Mr. Johns recommended that the named executives receive awards with a lower projected value and compensation expense than the awards made in 2008. The Committee accepted Mr. Johns' recommendation. The grant date fair value of the long-term incentives granted to the named executives at the March 2, 2009 meeting was a total of approximately \$1.6 million, as compared to an approximate value of \$2.5 million for the awards made to the named executives in 2008 (as shown in column (1) of the Grants of Plan-Based Awards Table on page 31).

**Stock Ownership Guidelines**

We have always encouraged our officers to hold shares of our common stock. We believe this aligns their interests with those of our share owners. Our policies encourage employees and officers to hold our stock as a long-term investment, and prohibit trading in options on our stock and other speculative transactions.

The Compensation Committee adopted formal stock ownership guidelines in 2004. The guidelines provide that our officers are not to dispose of shares of stock unless their holdings exceed a multiple of their base salary. The multiples are

<b>Officer</b>	<b>Multiple of Base Salary</b>
Chief Executive Officer	5x
Executive Vice Presidents	3x
Senior Officers	2x
Vice President	1x

Shares owned by the officer and the officer's spouse and children, shares in our 401(k) and stock ownership plan and share equivalents in our nonqualified deferred compensation plan all count as shares owned under the guidelines. Unearned performance shares, unexercised SARs and unvested restricted stock units do not count.

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The Committee reviews compliance with the guidelines each year. Each officer certified compliance with the guidelines for the 12 months ended February 2009.

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**Company Severance Pay Plan**

The Company has a severance pay plan for its employees, including the named executives. The plan pays severance pay if an employee is terminated due to a reduction in force. The Company may elect to pay severance pay if an employee is terminated for poor job performance. The amount of severance pay generally equals two weeks base salary plus one and one-half weeks base salary for every year of service after the first year. The Company has the right to increase or decrease the amount of severance pay, but the total amount paid cannot exceed two times the employee's annual base salary. In order to receive severance benefits, the employee must sign a release that waives any claims the employee may have related to their employment or termination of employment with the Company.

Except as described under "Change of Control Arrangements" below, the Company does not have employment contracts or special severance arrangements with any of its officers.

**Change of Control Arrangements**

The Compensation Committee and our Board of Directors have carefully considered the effects that a change of control, or an attempted change of control, could have on us and our share owners. The Committee and the Board have addressed these concerns by approving change of control provisions in some of our compensation programs (including the Long-Term Incentive Plan) and providing key officers and employees with employment continuation agreements.

We believe these arrangements benefit us and our share owners by:

assuring employees that we are aware of the issues they could face if a change of control occurs,

providing them with financial assurances so they can perform their duties with a minimum of distraction in the face of a pending change of control,

encouraging them to stay with us while a change of control is occurring, so the acquirer can retain people who have been key to our success, and

helping us recruit employees who have similar agreements at other companies.

The L-TIP provides for vesting and payment of outstanding performance share, SAR and restricted stock unit awards upon a change of control, even if the employee has not terminated employment. We believe it is appropriate (and consistent with the practice of most companies) to pay these awards when a change of control occurs, in recognition of the employee's past performance and service while the change of control was pending.

Employment continuation agreements give the employee a guaranteed minimum level of ongoing base salary, cash incentive opportunities, and long-term incentive opportunities for 2 years after a change of control occurs. The agreements provide for additional benefits only if the employee is terminated or resigns due to significant adverse changes in their employment.

The Internal Revenue Code imposes an excise tax on officers who receive change of control payments that exceed 3 times their average pay over the last 5 years. This tax can affect officers who have similar compensation in different ways. For example, an officer who defers compensation, postpones the exercise of SARs, or postpones receipt of previously deferred compensation will owe more excise tax than a similarly paid officer who makes other decisions about their compensation. To address this issue, our employment continuation agreements provide our officers with a tax reimbursement payment that will put the officer in the same after-tax position that the officer would be in if the excise tax did not apply.

**Accounting and Tax Issues**

We consider accounting and tax matters in the design of our compensation program. For example, we adopted FAS 123 (now FAS 123R) in 1995. As a result, we reduce our net income by the estimated cost of annual cash incentives and long-term equity-based incentives. The performance goals under the AIP and L-TIP reflect accruals for this estimated compensation.

Section 162(m) of the Internal Revenue Code limits our tax deduction for annual compensation in excess of \$1 million paid to certain executive officers. Code Section 162(m) does not apply to performance-based compensation (as defined in that Code Section). The AIP and L-TIP are designed to provide performance-based compensation.

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In general, the Compensation Committee intends to administer the performance-based portion of our compensation program in compliance with Code Section 162(m). However, the Committee believes there may be times when it will be in your best interests to pay compensation that is not tax-deductible under Code Section 162(m), and it may do so in the future.

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**Summary**

The Compensation Committee has reviewed tally sheets that summarized each named executive's total compensation, including:

current base salary,  
current annual incentive opportunity,  
current grant of long-term incentives,  
pension benefits,  
balances in our 401(k) and nonqualified deferred compensation plans,  
dividend equivalents from the nonqualified deferred compensation plan,  
health and welfare benefits and perquisites,  
amounts previously paid under long-term incentives,  
value of outstanding long-term incentive opportunities, and  
severance benefits that would be payable under various circumstances (including a change of control).

Based on this review, the Committee believes our compensation program

is providing the appropriate level of compensation to our senior officers,  
is properly designed to link compensation and performance,  
does not encourage our officers or employees to take unnecessary and excessive risks or to manipulate earnings or other financial measures, and  
is designed and implemented in your best interests as share owners.

Table of Contents**Compensation Summary**

This table has information about the compensation of the executives named below.

**Summary Compensation Table**

Name and principal position	Year	Salary (\$)	Bonus (\$)	Stock awards (\$)
(a)	(b)	(c)	(d)	(e) <sup>(1)(2)</sup>
<b>John D. Johns</b>	2008	\$845,833	\$0	\$621,679
Chairman of Board,	2007	\$820,833	\$0	\$961,279
President & Chief Executive Officer (principal executive officer)	2006	\$791,667	\$0	(\$94,436)
<b>Richard J. Bielen</b>	2008	\$437,500	\$0	\$151,334
Vice Chairman & Chief Financial Officer (principal financial officer)	2007	\$417,500	\$0	\$298,178
	2006	\$395,833	\$0	\$2,112
<b>Carolyn M. Johnson</b>	2008	\$396,667	\$20,000	\$69,774
Executive Vice President & Chief Operating Officer	2007	\$347,708	\$104,300	\$180,509
<b>Deborah J. Long</b>	2008	\$388,333	\$0	\$76,441
Executive Vice President, Secretary & General Counsel	2007	\$377,500	\$0	\$184,250
	2006	\$359,167	\$0	(\$10,295)
<b>Carl S. Thigpen</b>	2008	\$396,667	\$0	\$72,588
Executive Vice President & Chief Investment Officer	2007	\$360,833	\$0	\$130,608



Table of Contents**Summary Compensation Table**

(continued from previous page)

<b>SAR awards (\$)</b>	<b>Non-equity incentive plan compensation (\$)</b>	<b>Change in pension value &amp; nonqualified deferred compensation earnings (\$)</b>	<b>All other compensation (\$)</b>	<b>Total (\$)</b>
<b>(f) <sup>(1)(2)</sup></b>	<b>(g)</b>	<b>(h)</b>	<b>(i)</b>	<b>(j)</b>
\$521,570	\$0	\$174,607	\$397,497	\$2,561,186
\$487,631	\$1,105,500	\$130,821	\$306,772	\$3,812,836
\$725,610	\$0	\$626,392	\$288,601	\$2,337,835
\$133,324	\$0	\$192,214	\$39,950	\$954,322
\$220,041	\$370,200		\$16,700	\$1,322,619
\$139,103	\$0	\$140,715	\$32,333	\$710,046
\$66,336	\$130,000	\$36,424	\$28,745	\$747,946
\$32,806	\$196,000	\$12,861	\$15,500	\$889,684
\$61,931	\$50,000	\$64,932	\$39,843	\$681,480
\$59,143	\$280,100		\$23,209	\$924,202
\$54,337	\$0	\$161,936	\$40,823	\$605,968
\$169,986	\$65,000	\$166,940	\$29,159	\$900,340
\$168,457	\$302,100	\$16,670	\$30,661	\$1,009,329

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- (1) These numbers show the amount of expense realized for financial reporting purposes with respect to 2008 as calculated in accordance with the proxy statement disclosure rules and Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123R, Share-Based Payment. The amounts shown for Mr. Johns take into account his eligibility for early retirement, as required by FAS 123R. Under the terms of our awards, this means that the entire expense for his 2008 awards was realized in 2008 (instead of being spread over the period over which the award will be earned). The assumptions we used under FAS 123R for 2008 are: for performance share awards, stock prices of \$41.05 for the 2005 awards, \$48.60 for the 2006 awards, \$43.46 for the 2007 awards (\$48.05 for a performance share award to Ms. Johnson in June 2007), and \$38.59 for the 2008 awards, and expected performance share payouts of 50% to 68% (depending on the terms of the awards); for restricted stock units, stock prices of \$43.46 for the 2007 awards and \$38.59 for the 2008 awards; for 2005 SAR awards, expected volatility of 24.1% to 31.9%, a risk-free interest rate of 4.1% to 4.3%, a dividend rate of 2.0%, and an expected exercise date of 2010 to 2014; for 2006 SAR awards, expected volatility of 15.5% to 32.5%, a risk-free interest rate of 4.6% to 5.0%, a dividend rate of 1.7%, and an expected exercise date of 2011 to 2015; for 2007 SAR awards, expected volatility of 16.2% to 31.0%, a risk-free interest rate of 4.5% to 4.6%, a dividend rate of 2.0%, and an expected exercise date of 2012 to 2015; and for 2008 SAR awards, expected volatility of 16.3%, a risk-free interest rate of 2.9%, a dividend rate of 2.1%, and an expected exercise date of 2014. All awards are assumed to have a 0% forfeiture rate.
- (2) The information provided in the Summary Compensation Table is presented as required by SEC rules. The Committee believes that the information provided in columns (e) and (f) does not give a complete picture of the design and operation of our long-term incentive program, particularly with the Company's stock price at its current levels. As reflected in footnote 1, the amounts shown for our long-term incentive awards for a given year are based on the accounting expense that the Company recognizes for all awards that are outstanding during that year. This expense is based on our stock price on the date the respective awards were made (among other factors), and does not necessarily reflect the value of the awards that will be paid to the named executives. For example, for Mr. Johns, the accounting expense attributable to performance shares during 2008 was \$621,679 (as shown in column (e)); however, we currently estimate that the value of the performance share award that he will be paid for the 2005-2008 performance period will be approximately \$290,788 (based on our closing stock price of \$14.35 on December 31, 2008, and as shown in the SAR Exercises and Stock Vested Table on page 38). Similarly, the accounting expense attributable to Mr. Johns' SARs during 2008 was \$521,570, but he would have received \$0 if he had exercised all outstanding SARs (whether or not the SARs were actually exercisable) on December 31, 2008.

Table of Contents**Discussion of Summary Compensation Table**

*Column (c) Salary.* These amounts include base salary for 2008 that the executive contributed to our 401(k) plan and to our nonqualified deferred compensation plan. The Nonqualified Deferred Compensation Table (page 42) has more information about 2008 participation in this plan.

The Compensation Committee reviewed the performance and base salaries of the named executives at its February 4 and February 29, 2008 meetings. It approved the following annual base salaries (and annual base salary increases), effective March 1, 2008:

Johns	\$850,000 (3.0%)
Bielen	\$440,000 (3.5%)
Johnson	\$400,000 (5.3%)
Long	\$390,000 (2.6%)
Thigpen	\$400,000 (5.3%)

*Column (d) Bonus.* The amount shown for Ms. Johnson for 2008 represents a bonus paid at the Committee's discretion under our Annual Incentive Plan. The Grants of Plan-Based Awards Table (page 30) has more information.

*Column (e) Stock Awards.* These values include performance share and RSU awards. The

Grants of Plan-Based Awards Table (page 30) has more information about the 2008 grants.

*Column (f) SAR Awards.* The Grants of Plan-Based Awards Table (page 30) has more information about the 2008 SAR grants.

*Column (g) Non-equity incentive plan compensation.* For 2008, these amounts show the annual cash incentives payable in March 2009 under our Annual Incentive Plan for 2008 performance. The Grants of Plan-Based Awards Table (page 30) has more information about this incentive opportunity.

*Column (h) Change in pension value and nonqualified deferred compensation earnings.* These amounts represent the increase in the present value of the named executive's benefits under our tax-qualified defined benefit pension plan and our nonqualified defined benefit excess pension plan. For 2008, the total change in the present value of pension benefits for each executive was divided between the plans as follows:

Name	Tax-qualified	Non-qualified
Johns	\$5,580	\$169,027
Bielen	\$43,036	\$149,178
Johnson	\$14,428	\$21,996
Long	\$12,352	\$52,580
Thigpen	\$45,396	\$121,544

The Pension Benefits Table (page 39) has more information about each officer's participation in these plans in 2008.

The named executives have account balances in our nonqualified deferred compensation plan. The Nonqualified Deferred Compensation Table (page 42) has more information. The earnings on an executive's balance reflect the earnings of investments selected by that executive. These earnings are the same as for any other investor in these investments, and we do not provide any above-market or preferential earnings rates.

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Column (i) *All other compensation.* For 2008, these amounts include the following:

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**All Other Compensation Table**

Name	401(k) matching	Nonqualified deferred compensation plan contributions	Dividend equivalents	Financial planning program	Other perquisites	Tax reimbursement payments
Johns	\$9,200	\$70,622	\$262,859	\$10,546	\$39,079	\$5,191
Bielen	\$9,200	\$23,108	\$0	\$0	\$4,442	\$3,200
Johnson	\$9,200	\$6,300	\$0	\$0	\$7,689	\$5,556
Long	\$9,200	\$18,537	\$0	\$10,588	\$1,443	\$75
Thigpen	\$9,200	\$19,959	\$0	\$0	\$0	\$0

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**401(k) Matching.** Our employees can contribute a portion of their salary, overtime and cash incentives to our tax-qualified 401(k) plan and receive a dollar-for-dollar company matching contribution. The maximum match is 4% of the employee's eligible pay. The table shows the matching received by the named executives.

**Nonqualified Deferred Compensation Plan Contributions.** The table includes contributions that we made in February 2009 to each named executive's account under our nonqualified deferred compensation plan, with respect to the officer's participation in our 401(k) plan during 2008. The Nonqualified Deferred Compensation Table (page 42) has more information about this plan.

**Dividend Equivalents.** The table includes dividend equivalents that Mr. Johns elected to receive in cash, instead of having them reinvested in our nonqualified deferred compensation plan.

**Financial Planning Program.** We have engaged a third party to provide a financial and tax planning program for certain senior officers. We believe this program helps the officers plan their financial future, while minimizing the distractions and time normally required. We pay the provider's fees and travel expenses, and this amount is included in the table.

**Other Perquisites.** We pay for dining club memberships for Mr. Johns and Ms. Long. The amount of these membership fees is included in the table. We reimburse the officers for business-related meals in accordance with our regular policies. They pay for all personal meals.

Protective does business in every state in the United States and has offices in 13 states. Our employees and officers (including Mr. Johns) routinely use commercial air service for business travel, and we generally reimburse them only for the coach fare for domestic air travel. In order to provide for timely and cost-effective travel to these wide-spread locations, we also maintain a company aircraft program. Under this program, we do not operate any aircraft, own a hanger or employ pilots. Instead, we have purchased a one-sixteenth fractional interest in each of four aircraft. We pay a fixed fee per aircraft, plus a variable charge for hours actually flown, in exchange for the right to use the four aircraft for an aggregate of 200 hours per year. Our directors, officers and employees use these aircraft for selected business trips. All travel under the program must be approved by our chief executive officer. Whether a particular trip will be made on a company aircraft or on a commercial flight depends, in general, upon the availability of commercial air service at the destination, the schedule and cost of the commercial air travel, the number of Protective employees who are making the trip, the expected travel time, and the need for flexible travel arrangements.

Based on information provided by the compensation consultant, the Compensation Committee has adopted a policy that allows the chief executive officer (and his guests) to use company aircraft for personal trips for up to 20 hours per year, to reduce his personal travel time and thereby increase the time he can effectively conduct company business. In 2008, he and his guests flew a total of 12.1 hours under this policy. The estimated

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incremental cost that we incurred was \$29,403. This amount, which is included in the table, is based on incremental hourly charges, fuel, taxes and similar items allocable to Mr. Johns' personal travel time on the aircraft. The Company does not provide tax reimbursement payments with respect to this air travel. Mr. Johns has flown on company aircraft one time under this policy in 2009, for an estimated incremental cost to Protective of \$4,854. Mr. Johns has advised us that he does not plan to use company aircraft under this policy for the remainder of 2009.

If a Company employee's spouse travels with the employee on Company business, the Company reimburses the employee for the associated travel expenses if the spouse's presence on the trip is deemed necessary or appropriate for the purpose of the trip. If reimbursement of these expenses results in taxable income to the employee, the Company provides the employee a payment to cover the taxes that the employee is expected to incur with respect to the reimbursement (and the related payment). The amount of expense reimbursement for each named executive was: Mr. Johns, \$7,598; Mr. Bielen, \$4,442; Ms. Johnson, \$7,689; and Ms. Long, \$107, and is included in the table.

**Tax Reimbursement Payments.** The amount of the tax reimbursement payment described in the previous paragraph is shown in the table.

Table of Contents**Grants of Plan-Based Awards**

This table has additional information about:

the 2008 performance share and RSU awards shown in column (e) of the Summary Compensation Table,

the 2008 SAR awards shown in column (f) of the Summary Compensation Table, and

the AIP incentive opportunities granted for 2008, which were payable in March 2009 and are shown in column (g) of the Summary Compensation Table.

**Grants of Plan-Based Awards Table**

Name	Grant date	Threshold (\$) <sup>(1)</sup>	Estimated Future Payouts Under Non-Equity Incentive Plan Awards	
			Target (\$)	Maximum (\$)
(a)	(b)	(c)	(d)	(e)
Johns	2/29/08	\$510,000	\$1,020,000	\$1,700,000
	2/29/08			
	2/29/08			
Bielen	2/29/08	\$165,000	\$330,000	\$660,000
	2/29/08			
	2/29/08			
Johnson	2/29/08	\$130,000	\$260,000	\$520,000
	2/29/08			
	2/29/08			
Long	2/29/08	\$107,250	\$214,500	\$429,000
	2/29/08			
	2/29/08			
Thigpen	2/29/08	\$130,000	\$260,000	\$520,000
	2/29/08			
	2/29/08			

(1)

These numbers show the amount that would be payable if each performance goal were achieved at the minimum level. Since the amount actually payable is determined on a performance goal-by-performance goal basis, an officer could receive a payout under the total award that is less than the number shown in the table. See page 32 for more information about the way the amount payable is determined.

Table of Contents**Grants of Plan-Based Awards Table**

(continued from previous page)

Estimated Future Payouts of Shares Under Equity Incentive Plan Awards			All other stock awards: number of shares of stock or units	All other SAR awards: number of securities underlying SARs	Base price of SAR awards (\$/Sh)	Grant date fair value of stock and SAR awards <sup>(2)</sup>
Threshold (#)	Target (#)	Maximum (#)	(#)	(#)	(k)	(l)
(f)	(g)	(h)	(i)	(j)	(k)	(l)
17,400	34,800	65,600		81,900	\$38.59	\$899,764 \$503,685
4,450	8,900	17,800		21,000	\$38.59	\$230,112 \$129,150
2,850	5,700	11,400	3,900	13,300	\$38.59	\$147,375 \$150,501 \$81,795
2,000	4,000	8,000		9,500	\$38.59	\$103,421 \$58,425
2,850	5,700	11,400		13,300	\$38.59	\$147,375 \$81,795

(2)

These numbers show the fair value, as of the date of the grant, of awards made in 2008. These numbers were calculated in accordance with the proxy statement disclosure rules and Financial Accounting Standards Board Statement No. 123R, Share-Based Payment. The amounts shown for Mr. Johns take into account his eligibility for early retirement, as required by FAS 123R. Under the terms of our awards, this means that the entire expense for his 2008 awards was realized in 2008 (instead of being spread over the period over which the award will be earned). The assumptions we used under FAS 123R are: for performance share awards, a stock price of \$38.59, and an expected performance share payout of 50%; for restricted stock unit awards, a stock price of \$38.59; for SAR awards, expected volatility of 16.33%, a risk-free interest rate of 2.9%, a dividend rate of 2.1%, and an expected exercise date of 2014; and a 0% forfeiture rate for all awards.

Table of Contents**Discussion of Grants of Plan-Based Awards Table**

Columns (c), (d) and (e) Estimated future payouts under non-equity incentive plan awards. On February 29, 2008, the Compensation Committee granted 2008 target incentive opportunities under the AIP to the named executives as follows:

Johns 120% of salary

Bielen 75% of salary

Johnson 65% of salary

Long 55% of salary

Thigpen 65% of salary

The Committee established these performance goals for the named executives:

Goal	Minimum (50% payout)	Target (100% payout)	Maximum (200% payout)
OEPS (50%)	\$3.70	\$4.00	\$4.30
Expense management (10%)	\$354.6M	\$344.3M	\$333.9M
APD sales (10%)	\$475M	\$515M	\$550M
Universal life sales (excluding conversions) (15%)	\$63.0M	\$74.1M	\$85.2M
Annuity sales (15%)	\$1,804.5M	\$2,005.0M	\$2,205.5M

M= millions

Performance below the minimum for any goal would result in no payout with respect to that goal. We interpolate if performance is between the minimum and the target, or between the target and the maximum, to determine the percentage to pay. At its March 2, 2009 meeting, the Compensation Committee determined that:

our OEPS was \$3.37,

our expenses (as defined by the expense management goal) were \$327.5 million,

our Asset Protection Division sales were \$414.5 million,

our universal life sales (excluding conversions) were \$ 45.3 million, and

our annuity sales were \$2,612.6 million.

Based on the achievement of the goals as described above, the following amounts were payable to the named executives: Mr. Johns, \$510,000; Mr. Bielen, \$165,000; Ms. Johnson, \$130,000; Ms. Long, \$107,250; and Mr. Thigpen, \$130,000. Mr. Johns recommended that the Committee adjust the amounts actually paid to take into account the economic and financial conditions in which the Company is operating, the Company's plans and projections for 2009, the recent declines in the Company's stock price and in the price of financial services stocks in general, and the performance of individual officers. Mr. Johns recommended that he and Mr. Bielen not receive incentive payments, and the Committee accepted that recommendation. Based on the factors described above and Mr. Johns' recommendations, the Committee decided to reduce the amounts payable to Ms. Long and Mr. Thigpen to the amounts shown in column (g) of the Summary Compensation Table (page 25). Consistent with Mr. Johns' recommendations and in light of the strong operating results of the Company's Life and Annuity Division and Ms. Johnson's individual performance in leading the Division, the Committee decided to pay her the entire amount determined by the AIP formulas, and to pay her an additional discretionary bonus of \$20,000 (shown in column (d) of the Summary Compensation Table (page 24)).



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*Columns (f), (g) and (h) Estimated future payouts under equity incentive plan awards February 29, 2008 awards.* On February 29, 2008, the Compensation Committee granted performance share awards under our Long-Term Incentive Plan to the named executives and other officers and key employees. The named executives received the following performance share grants:

Johns 34,800

Bielen 8,900

Johnson 5,700

Long 4,000

Thigpen 5,700

Payment of the awards will be based on a comparison of our average return on average equity (ARAE) for a 4-year period (2008-2011) to that of a 28 company peer group of insurance and financial services companies. The companies in the performance share peer group are shown (with the compensation peer group) on page 18.

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A company that is acquired or exits the industry during the 4-year period is ranked below us for comparison purposes.

The performance shares awarded to the named executives will be paid according to this schedule:

<b>If our ARAE (out of 30 total companies) is</b>	<b>Award earn-out</b>
22 <sup>nd</sup> or worse (below 25 <sup>th</sup> percentile)	0%
17 <sup>th</sup> (40 <sup>th</sup> percentile)	50%
15 <sup>th</sup> (50 <sup>th</sup> percentile)	100%
7 <sup>th</sup> (75 <sup>th</sup> percentile)	150%
2 <sup>nd</sup> or better (90 <sup>th</sup> percentile)	200%

We interpolate if performance is between the 25<sup>th</sup> percentile and the 40<sup>th</sup> percentile, between the 40<sup>th</sup> percentile and the 50<sup>th</sup> percentile, between the 50<sup>th</sup> percentile and the 75<sup>th</sup> percentile, or between the 75<sup>th</sup> percentile and the 90<sup>th</sup> percentile, to determine the exact percentage to pay. Earned awards are paid as soon as we have made the necessary determinations and the Committee has approved the pay-outs, which is usually about 5 months after the end of the 4-year award period.

If a performance share recipient's employment ends due to death, disability, retirement at age 65, or early retirement (at our request or with our consent), the performance shares will generally be paid out based on performance as of the end of the previous year. The amount paid out would be reduced to reflect the number of months remaining between the date employment terminated and the end of the 4-year award period. The Committee may also pay out performance shares using this formula if a recipient's employment ends due to the sale of a business unit or a major reduction of our workforce.

Performance share pay outs are made in shares of our common stock (except for a portion payable in cash equal to the tax withholding obligation on the payment).

*Column (i) All other stock awards: number of shares of stock or units.* On February 29, 2008, the Compensation Committee granted restricted stock units to Ms. Johnson under our Long-Term Incentive Plan. This award will align her interests to those of our share owners.

The restricted stock units will earn dividend equivalents until they vest. Each time we pay a dividend on our stock, we will credit the officer's account with additional RSUs by:

multiplying the dividend paid per share by the number of restricted stock units, and

dividing that amount by the closing price of our stock on the dividend record date.

The restricted stock units will vest on February 28, 2018. The restricted stock units will also vest if the officer's employment ends due to death, disability, retirement at age 65, or early retirement (at our request or with our consent). Any unvested RSUs will be forfeited if employment ends for other reasons.

Vested restricted stock units are paid in shares of our common stock (except for a portion payable in cash equal to the tax withholding obligation on the payment).

*Column (j) All other SAR awards: number of securities underlying SARs February 29, 2008 awards.* On February 29, 2008, the Compensation Committee granted stock appreciation rights to the named executives under our Long-Term Incentive Plan. The base price of each SAR (shown in column (k)) is the closing price of our stock on that date.

The SARs become exercisable in 4 equal annual installments, beginning February 28, 2009. An officer who exercises an SAR receives the difference between the value of our common stock at the time of exercise and the SAR's base price. This "spread" is payable in shares of our common stock (except for a portion payable in cash equal to the tax withholding obligation due when the SAR is exercised). If the officer exercises SARs and goes to work with one of our competitors within a year of the SAR exercise, we have the right to recover the spread from all SAR exercises that occurred within the year before the officer terminated employment. The SARs terminate on February 28, 2018, if they have not been exercised or otherwise cancelled.

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The SARs also become exercisable if the officer's employment ends due to death, disability or early or normal retirement, in which case they remain exercisable for 3 years (but not past February 28, 2018). If employment terminates for any other reason, any unexercised SARs are immediately cancelled. The Committee may make the exercise date of SARs earlier, or give an SAR recipient additional time to exercise (but not later than February 28, 2018), if it believes such an action is appropriate.

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**Change of Control.** Special vesting and payment provisions apply to performance share, SAR and RSU awards if we have a change of control. See "Potential Payments upon Change of Control" (page 44) for more information.

Table of Contents**Outstanding Equity Awards**

This table has information about the named executives' outstanding equity awards at December 31, 2008.

<b>Outstanding Equity Awards at Fiscal Year-End Table</b>									
Name	SAR Awards				Stock Awards		Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested		
	Number of securities underlying unexercised SARs (#) exercisable	Number of securities underlying unexercised SARs (#) unexercisable	SAR base price (\$)	SAR expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$)	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested (\$)	
(a)	(b)	(c) <sup>(1)</sup>	(d)	(e)	(f)	(g) <sup>(10)</sup>	(h) <sup>(11)</sup>	(i) <sup>(10)</sup>	
Johns	166,302	0	\$22.31	3/6/10					
	300,000	0	\$32.00	3/4/12					
	17,400	5,800 <sup>(2)</sup>	\$41.05	3/4/15					
	12,650	12,650 <sup>(3)</sup>	\$48.60	3/3/16					
	15,100	45,300 <sup>(4)</sup>	\$43.46	3/5/17					
	0	81,900 <sup>(5)</sup>	\$38.59	2/28/18					
							32,500 <sup>(12)</sup>	\$466,375	
							27,400 <sup>(13)</sup>	\$393,190	
							17,400 <sup>(14)</sup>	\$249,690	
Bielen	17,317	0	\$22.31	3/6/10					
	15,000	0	\$32.00	3/4/12					
	50,000	0	\$26.49	3/3/13					
	3,525	1,175 <sup>(2)</sup>	\$41.05	3/4/15					
	2,800	2,800 <sup>(3)</sup>	\$48.60	3/3/16					
	4,075	12,225 <sup>(4)</sup>	\$43.46	3/5/17					
	0	21,000 <sup>(5)</sup>	\$38.59	2/28/18					
					3,143 <sup>(8)</sup>	\$45,102			
							7,200 <sup>(12)</sup>	\$103,320	
							7,400 <sup>(13)</sup>	\$106,190	
							4,450 <sup>(14)</sup>	\$63,858	
Johnson	1,025	3,075 <sup>(4)</sup>	\$43.46	3/5/17					
	750	2,250 <sup>(6)</sup>	\$48.05	6/28/17					
	0	13,300 <sup>(5)</sup>	\$38.59	2/28/18					
						1,572 <sup>(8)</sup>	\$22,582		
						4,002 <sup>(9)</sup>	\$57,429		
							2,430 <sup>(12)</sup>	\$34,871	
							1,900 <sup>(13)</sup>	\$27,265	
							1,400 <sup>(13)</sup>	\$20,090	
							2,850 <sup>(14)</sup>	\$40,898	



Table of Contents**Outstanding Equity Awards at Fiscal Year-End Table**

Name	SAR Awards				Stock Awards		Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested	Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested
	Number of securities underlying unexercised SARs (#) exercisable	Number of securities underlying unexercised SARs (#) unexercisable	SAR base price (\$)	SAR expiration date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested (\$)		
(a)	(b)	(c) <sup>(1)</sup>	(d)	(e)	(f)	(g) <sup>(9)</sup>	(h) <sup>(10)</sup>	(i) <sup>(9)</sup>
Long	17,962	0	\$22.31	3/6/10				
	15,000	0	\$32.00	3/4/12				
	2,100	700 <sup>(2)</sup>	\$41.05	3/4/15				
	1,500	1,500 <sup>(3)</sup>	\$48.60	3/3/16				
	1,850	5,550 <sup>(4)</sup>	\$43.46	3/5/17				
	0	9,500 <sup>(5)</sup>	\$38.59	2/28/18				
					2,357 <sup>(8)</sup>	\$33,823		
							3,800 <sup>(12)</sup>	\$54,530
							3,300 <sup>(13)</sup>	\$47,355
							2,000 <sup>(14)</sup>	\$28,700
Thigpen	15,000	0	\$32.00	3/4/12				
	0	35,000 <sup>(7)</sup>	\$41.05	3/4/15				
	1,850	5,550 <sup>(4)</sup>	\$43.46	3/5/17				
	0	13,300 <sup>(5)</sup>	\$38.59	2/28/18				
					1,572 <sup>(8)</sup>	\$22,558		
							2,720 <sup>(12)</sup>	\$39,032
							3,300 <sup>(13)</sup>	\$47,355
							2,850 <sup>(14)</sup>	\$40,898

- (1) The regular SAR exercise schedules are shown in the following footnotes. In addition, the SARs become exercisable if the officer's employment ends due to death, disability or retirement, in which case the SARs remain exercisable for 3 years (but not past the expiration date shown for those SARs). If employment terminates for any other reason, any unexercised SARs are immediately cancelled. The Committee may make the exercise date of SARs earlier, or give an SAR recipient additional time to exercise (but not later than the expiration date shown for those SARs), if it believes such an action is appropriate. See "Potential Payments upon Change of Control" (page 44) for information about SAR exercises if we have a change of control.
- (2) These SARs became exercisable on March 4, 2009.
- (3) These SARs become exercisable in two equal annual installments, beginning March 3, 2009.
- (4) These SARs become exercisable in three equal annual installments, beginning March 5, 2009.
- (5) These SARs become exercisable in four equal annual installments, beginning February 28, 2009.
- (6) These SARs become exercisable in three equal annual installments, beginning June 28, 2009.

(7)

These SARs become exercisable on March 4, 2010.



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- (8) Represents unvested restricted stock units. The RSUs will vest as follows:
- one-third of the unvested RSUs on March 5, 2009 will vest on that date,
  - one-half of the remaining unvested RSUs on March 5, 2010 will vest on that date, and
  - the remainder of the unvested RSUs will vest on March 5, 2011.
- The restricted stock units will also vest if employment ends due to death, disability, retirement at age 65, or early retirement (at our request or with our consent). Any unvested RSUs will be forfeited if employment ends for other reasons. See "Potential Payments upon Change of Control" (page 44) for information about RSU vesting if we have a change of control.
- (9) Represents unvested restricted stock units that will vest on February 28, 2018. The restricted stock units will also vest if employment ends due to death, disability, retirement at age 65, or early retirement (at our request or with our consent). Any unvested RSUs will be forfeited if employment ends for other reasons. See "Potential Payments upon Change of Control" (page 44) for information about RSU vesting if we have a change of control.
- (10) Based on an assumed stock price of \$14.35 per share, which was our closing stock price on December 31, 2008.
- (11) The actual number of shares earned will probably be different from these estimates. The performance level that we used for these estimates is based on the proxy statement disclosure rules. Payment of shares of common stock for a performance award is made in May or June of the year after the last year of the 4-year performance period. If a performance share recipient's employment ends due to death, disability, retirement at age 65, or early retirement (at our request or with our consent), the performance shares will be paid out based on performance as of the end of the previous year. The amount paid out would be reduced to reflect the number of months remaining between the date employment terminated and the end of the 4-year award period. The Committee may also pay out performance shares using this formula if a recipient's employment ends due to the sale of a business unit or a major reduction of our workforce. See "Potential Payments upon Change of Control" (page 44) for information about performance share payout if we have a change of control.
- (12) Represents unvested and unearned performance shares for the 2006-2009 performance period, based on the assumption that the target performance goal for the grant (and 100% payout) will be achieved.
- (13) Represents unvested and unearned performance shares for the 2007-2010 performance period, based on the assumption that the target performance goal for the grant (and 100% payout) will be achieved.
- (14) Represents unvested and unearned performance shares for the 2008-2011 performance period, based on the assumption that the minimum performance goal for the grant (and 50% payout) will be achieved.
-

Table of Contents**SAR Exercises and Earned Performance Shares**

This table presents the number of SARs exercised by the named executives during 2008 (and the dollar amount realized), and an estimate of the performance shares earned by the named executives for the 4-year performance period ending December 31, 2008 and payable in 2009 (and the estimated value to be realized).

**SAR Exercises and Stock Vested Table**

Name	SAR Awards		Stock Awards	
	Number of SARs exercised (#)	Value realized on exercise (\$)	Number of shares acquired on vesting (#)	Value realized on vesting (\$)
(a)	(b)	(c)	(d)	(e)
Johns	0	\$0	20,264	\$290,788
Bielen	0	\$0	4,148	\$59,523
Johnson	0	\$0	1,605	\$23,032
Long	0	\$0	2,516	\$36,105
Thigpen	0	\$0	1,775	\$25,471

**Discussion of SAR Exercises and Stock Vested Table**

*Column (d) Number of shares acquired on vesting.* The named executives have performance share awards for the 2005-2008 performance period that will be payable in 2009. Earned awards will be payable in shares of our common stock. The information needed to determine the amount payable is not yet available, so these numbers are estimates.

Mr. Johns and Mr. Bielen have each elected to defer receipt of 94% of the shares of common stock that are payable under this performance share award. The amounts deferred will be credited to our nonqualified deferred compensation plan.

*Column (e) Value realized upon vesting.* For all of the named executives, these estimated values are based on a stock price of \$14.35 per share, which was the closing price of our common stock on December 31, 2008 (without reduction for the tax withholding that will be applied to the payments).

Table of Contents**Post-Employment Benefits**

This table has information about benefits payable to the named executives upon their retirement.

<b>Pension Benefits Table</b>			
<b>Name</b>	<b>Plan name</b>	<b>Number of years credited service (#) <sup>(1)</sup></b>	<b>Present value of accumulated benefit (\$) <sup>(2)</sup></b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>
Johns	Pension	15	\$272,776
	Excess Benefit	15	\$2,787,999
Bielen	Pension	18	\$228,025
	Excess Benefit	18	\$638,857
Johnson	Pension	4	\$44,993
	Excess Benefit	4	\$55,055
Long	Pension	15	\$247,323
	Excess Benefit	15	\$478,529
Thigpen	Pension	25	\$369,770
	Excess Benefit	25	\$630,733

(1) The number of years of service that are used to calculate the executive's benefit under each plan, as of December 31, 2008.

(2) The actuarial present value of the executive's benefit under each plan as of December 31, 2008. The valuation method and material assumptions that we used to calculate these amounts are discussed in note 13 of the footnotes to our 2008 financial statements.

**Discussion of Pension Benefits Table**

We have "defined benefit" pension plans to help provide our employees with retirement security. We do not have any enhanced benefit or "top-hat" plans for our officers, and all similarly-situated employees earn benefits under the same formula.

**Pension Plan.** Almost all of our full-time employees participate in our tax qualified pension plan. On January 1, 2008, the plan was amended to provide different benefit formulas (beginning in 2008) for three different groups:

the "grandfathered group" any employee employed on December 31, 2007 whose age plus years of service totaled 55 or more as of that date,

the "non-grandfathered group" any employee employed on December 31, 2007 whose age plus years of service was less than 55 as of that date, and

the "post-2007 group" any employee first hired after December 31, 2007 or any former employee who is rehired after that date.

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Messrs. Johns, Bielen and Thigpen and Ms. Long are grandfathered employees; Ms. Johnson is a non-grandfathered employee.

For both grandfathered and non-grandfathered employees, the monthly life annuity benefit payable under the plan at normal retirement age (usually age 65) for service before 2008 equals:

1.1% of the employee's *final average pay* **times** years of service through 2007 (up to 35 years), plus

0.5% of the employee's final average pay over the employee's *Social Security covered pay* **times** years of service through 2007 (up to 35 years), plus

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0.55% of the employee's final average pay **times** years of service through 2007 (over 35 years).

For service after 2007, grandfathered employees continue to earn a monthly life annuity benefit payable at normal retirement age (usually age 65), calculated as follows:

1.0% of the employee's *final average pay* **times** years of service after 2007 (up to 35 years minus service before 2008), plus

0.45% of the employee's final average pay over the employee's *Social Security covered pay* **times** years of service after 2007 (up to 35 years minus service before 2008), plus

0.50% of the employee's final average pay **times** the lesser of years of service after 2007 and total years of service minus 35 years.

For service after 2007, non-grandfathered employees earn a hypothetical account balance that is credited with pay credits and interest credits. Pay credits for a year are based on a percentage of *eligible pay* for that year, as follows:

Credited Service	% of Pay Credit
1-4 years	4%
5-8 years	5%
9-12 years	6%
13-16 years	7%
17 or more years	8%

*Final average pay* for grandfathered employees is the average of the employee's eligible pay for the 60 consecutive months that produces the highest average. (However, if the employee's average eligible pay for any 36 consecutive months as of December 31, 2007 is greater than the 60-consecutive month average, the 36-month number will be used.) For non-grandfathered employees, final average pay is the average of the employee's eligible pay for the 36 consecutive months before January 1, 2008 that produces the highest average.

*Eligible pay* includes base salary, overtime and AIP incentives. Pay does not include payment of performance shares, gains on SAR exercises, vesting of restricted stock units, severance pay, or other extraordinary items.

*Social Security covered pay* is one-twelfth of the average of the Social Security wage bases for the 35-year period ending when the employee reaches Social Security retirement age. (For non-grandfathered participants, Social Security covered pay is determined as of December 31, 2007.) The wage base is the maximum amount of pay for a year for which Social Security taxes are paid. Social Security retirement age is between age 65 and 67, depending on the employee's date of birth.

Unless special IRS rules apply, benefits are not paid before employment ends. An employee may elect to receive:

a life annuity (monthly payments for the employee's life only), or

a 50%, 75% or 100% joint and survivor annuity (the employee receives a smaller benefit for life, and the employee's designated survivor receives a benefit of 50%, 75% or 100% of the reduced amount for life), or

a 5-, 10- or 15-year period certain and life annuity benefit (the employee receives a smaller benefit for life and, if the employee dies before the selected period, the employee's designated survivor receives the reduced amount until the end of the period), or

a lump sum benefit.

If an employee chooses one of these benefit options, the plan actuary uses the interest rate assumptions and mortality tables specified in the plan to adjust the benefit so it has the same value as benefit determined by the plan formulas.

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An employee whose employment ends before age 65 may begin benefit payments after termination of employment. The plan actuary reduces this benefit below the level of the age 65 benefit to account for early commencement, so the benefit remains the actuarial equivalent of a benefit beginning at age 65.

If an employee retires after age 55 with at least 10 years of service, the employee may take an "early retirement" benefit with respect to benefits earned through 2007, beginning immediately after employment ends. Mr. Johns and Ms. Long are eligible for early retirement. The early retirement benefit for pre-2008 service is based on the pension plan formula. The benefit is reduced below the level of the age 65 benefit; however, the reduction for an early retirement benefit is not as great as the

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reduction for early commencement of a vested benefit. (For example, the early retirement reduction at age 55 is 50%; the actuarial reduction (using the plan interest rates and mortality tables on December 31, 2008) was 62%. At age 62, the early retirement reduction is 20%, and the actuarial reduction was 26%.)

**Nonqualified "Excess" Pension Plan.** Benefits under our tax qualified pension plan are limited by the Internal Revenue Code. We believe we should pay our employees the total pension benefit they have earned, without imposing these Code limits. Therefore, like many large companies, we have a nonqualified "excess" benefit plan that makes up the difference between:

the benefit determined under the tax qualified plan formula, without applying these limits, and

the benefit actually payable under the tax qualified plan, taking these limits into account.

Benefits under the excess plan with respect to service before 2005 are paid at the same time and in the same form as the related benefits from our tax qualified pension plan. Benefits under the excess plan with respect to service after 2004 are paid after the participant's termination of employment in the form elected by the participant. (In general, an officer who was a participant in the excess plan in 2008 had to elect a form of payment in that year. Other officers must make the election before the date participation in the excess plan begins.) Payment is made from our general assets (and is therefore subject to the claims of our creditors), and not from the assets of the tax qualified plan.

Table of Contents**Nonqualified Deferred Compensation**

This table has information about the named executives' participation in our nonqualified deferred compensation plan in 2008.

<b>Nonqualified Deferred Compensation Table</b>					
Name	Executive contributions in last FY (\$)	Registrant contributions in last FY (\$)	Aggregate earnings in last FY (\$)	Aggregate withdrawals/distributions (\$)	Aggregate balance at last FYE (\$)
(a)	(b) <sup>(1)</sup>	(c) <sup>(2)</sup>	(d)	(e)	(f) <sup>(3)</sup>
Johns	\$1,134,851	\$23,833	(\$9,025,009)	\$0	\$5,076,104
Bielen	\$227,633	\$7,700	(\$1,457,971)	\$0	\$871,712
Johnson	\$0	\$6,500	(\$3,818)	\$0	\$8,670
Long	\$39,833	\$6,100	(\$1,361,247)	\$0	\$829,914
Thigpen	\$30,210	\$11,933	(\$218,193)	\$0	\$245,091

(1)

These amounts include the following amounts that are also included in column (c) (Salary) of the Summary Compensation Table (page 24) as compensation paid to the officer in 2008:

Johns \$36,046

Bielen \$34,242

Long \$14,833

These amounts include the following amounts that are also included in column (g) (Non-equity incentive plan compensation) of the Summary Compensation Table (page 25) as compensation paid to the officer in 2008:

Johns \$44,220

Long \$25,000

Thigpen \$30,210

For Mr. Johns and Mr. Bielen, the remainder of these amounts is the value of performance shares earned for the 2004-2007 performance period and paid to the named executive in May 2008. These amounts were reported (on an estimated basis) in the SAR Exercises and Stock Vested Table in last year's proxy statement.

(2)

These amounts are supplemental matching contributions made to the officer's account in 2008 with respect to the officer's participation in our 401(k) plan during 2007. These amounts are reported in the Summary Compensation Table as compensation for 2007.

(3)

These amounts include the following amounts that have been reported as compensation to the officer in previous proxy statements:

Johns \$12,638,573

Bielen \$1,679,376

Long \$1,576,820

Thigpen \$138,125



**Discussion of Nonqualified Deferred Compensation Table**

**Deferrals by Our Officers.** The named executives and other key officers can elect to participate in our nonqualified deferred compensation plan. An officer who defers compensation under the plan does not pay taxes on the compensation at that time. Instead, the officer pays taxes on the compensation (and any earnings on the compensation) only when the officer receives the compensation and earnings from the plan.

Eligible officers may defer:

up to 25% of their base salary,

up to 94% of any AIP incentive, and/or

all or a portion of the shares of common stock payable when performance shares are earned.

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An election to defer base salary for a calendar year must be made by December 31 of the previous year. An election to defer an AIP incentive for a calendar year must be made by June 30 of that year. An election to defer earned performance shares for a 4-year performance period must be made by June 30 of the last year in the performance period.

Deferred compensation accrues earnings based on the investment choices available under the plan. For deferred base salary and AIP incentives, the officer can choose between our common stock and 9 mutual funds. All earnings on deferred performance shares are based on the performance of our common stock. The 2008 investment returns for each of the investment choices were

Investment Choice	Return
AIM Mid Cap Equity A	(27.5%)
American Funds American Balanced R4	(25.7%)
American Funds Growth Fund R4	(39.1%)
Dodge & Cox Stock	(43.3%)
Neuberger Berman Genesis Tr	(32.9%)
Protective Stock Fund	(63.9%)
Templeton Foreign A	(46.1%)
Vanguard Total Stock Market Index	(37.0%)
Wells Fargo Cash Investment Money Market Admin. Class	2.7%
Wells Fargo Index I	(37.4%)

An officer may elect to receive payments in a lump sum or in up to 10 annual installments. An officer may elect to receive a deferred amount (and earnings) upon termination of employment. The officer may not change this election. An officer may instead elect to receive a deferred amount (and earnings) on a fixed date (before the officer's 70<sup>th</sup> birthday). An officer may also request a distribution if the officer has an extreme and unexpected financial hardship, as determined under IRS rules.

**Supplemental Matching.** We make supplemental matching contributions to the account of eligible officers. These contributions provide matching that we would otherwise contribute to our tax qualified 401(k) plan, but which we cannot contribute because of Internal Revenue Code limits on 401(k) plan matching. For a calendar year, the supplemental match that an officer receives is

the lesser of

4% of the officer's base salary and AIP incentive during the year, and

the amount the officer deferred under both our 401(k) plan and our nonqualified deferred compensation plan during the year; minus

the actual match the officer received in the 401(k) plan for that year, applying the Internal Revenue Code limits.

Supplemental matching contributions are credited to the officer's account at the same time 401(k) matching contributions are made in February or early March of the year after the year in which the related deferrals were made. Half of an officer's supplemental matching has earnings that are based on the performance of our common stock. The officer can choose between our common stock and 9 mutual funds for the remaining matching. Supplemental matching is paid only after termination of employment. The officer can elect payment in a lump sum or in up to 10 annual installments.

**Other Provisions.** Investment choices must be in 1% increments. An officer may transfer money between the mutual funds on any business day. An officer may not transfer money into or out of our common stock. An officer may elect to receive dividend equivalents on deferred stock in cash, instead of having them reinvested. We do not provide any above-market or preferential earnings rates, and do not guarantee that an officer's investments will make money.

If an officer terminates employment due to death or disability, the officer's plan balance is paid immediately in a lump sum. Also, if an officer terminates employment before early or normal retirement under our pension plan, the officer's plan balance is paid immediately in a lump sum, regardless of the officer's other elections.

Amounts invested in mutual funds are paid in cash. Amounts invested in our common stock are paid in shares of stock.

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See "Potential Payments upon Change of Control" (page 44) for information about plan provisions that apply if we have a change of control.

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### **Potential Payments upon Change of Control**

**Change of Control.** We have programs that apply if we have a change of control. A change of control occurs if:

someone acquires 50% or more of the market value or of the voting power of our stock, or

a majority of the members of our Board is replaced during any 12-month period by directors whose appointment or election was not endorsed by a majority of the Board of before the appointment or election occurred, or

someone acquires 80% or more of our assets, or

the Board decides that a change of control has occurred. (This provision applies only to certain terminations of employment under our employment continuation agreements.)

**Long-Term Incentive Plan.** If we have a change of control, all outstanding 2006 performance share awards will be paid out at 125% of the performance shares awarded (or the actual level of achievement at that time, if greater). All outstanding 2007 and 2008 performance share awards would be paid out at 100% of the performance shares awarded (or the actual level of achievement at that time, if greater).

Before a change of control occurs, the Compensation Committee may decide that SARs and restricted stock units will remain outstanding, or will be replaced with other awards after the change of control occurs. The value and terms of these alternative awards must substantially equal those of the prior awards. If the Committee does not make this decision, then all RSUs would vest upon a change of control. Also, all SARs would be cancelled in exchange for a payment in cash or our common stock, based on the value of our stock on the date of the change of control.

**Employment Continuation Agreements.** We have employment continuation agreements with our named executives and other key officers. Under the agreements, the officer agrees to remain employed for 2 years after a change of control. During this 2-year period, the officer will be provided with base salary, annual cash incentive opportunities, long-term incentive opportunities, employee benefits and perquisites that are no less favorable than those the officer had before the change of control occurred. These obligations end if the officer dies, becomes disabled, is fired for "cause" or resigns. Under the agreements, "cause" means conviction of a felony, or extreme dishonesty, misconduct or violations of the agreement that materially damage our business or reputation.

If an officer is terminated without cause, or resigns for "good reason," the officer receives special termination benefits if the termination occurs within 2 years after a change of control. Termination is for good reason if any of these events occurs without the officer's written consent:

there is a material adverse change in the officer's duties, authority or responsibilities,

we fail to provide the officer with the promised level of compensation during the 2-year employment period,

we require the officer to work in an office that is more than 20 miles from the office where they worked before the change of control, or

we fail to get a company that acquires us to agree to comply with the terms of the agreement.

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The special termination benefits that we would have provided the named executives if there had been a change of control on December 31, 2008 are

- (1)  
a lump sum cash severance payment equal to 3 times the sum of:
  - the officer's annual salary,
  - the average of the officer's AIP incentive payments over the last 3 years, and
  - the average of the value of the long-term incentives granted to the officer over the last 3 years (excluding special or "one-time" grants).
- (2)  
a lump sum cash payment equal to the officer's target AIP incentive for the year in which the officer's termination occurs. (If termination is on or after December 31, the payment is based on the actual achievement of the performance goals for that year.)
- (3)  
a cash lump sum supplemental retirement benefit, determined by:
  - calculating the officer's benefit at age 65 under our pension plan and excess benefit plan after giving the officer credit for 3 extra years of service,
  - subtracting the officer's actual age 65 benefit under these plans, and
  - determining the actuarial lump sum value of the resulting amount, using the pension plan's standard actuarial table and an interest rate of the 10-year Treasury Note rate plus 0.75%.
- (4)  
continuation of the officer's medical, dental, disability and life insurance, and other welfare benefits, for 2 years after the officer's termination date. (This obligation will also end if the officer gets comparable benefits from another employer. If a medical or dental benefit plan is self-insured by the Company, then coverage under the plan generally continues for 18 months, and the officer receives an additional cash payment equal to the cost of 6 months of coverage under that plan.)
- (5)  
if the officer is subject to the excise tax imposed by the Internal Revenue Code on certain change of control payments, a tax reimbursement payment that will put the officer in the same after-tax position that the officer would be in if this tax did not apply.

The agreements have a 3-year initial term. The agreements extend for another year each May 1, unless the Board decides not to extend an officer's agreement and notifies the officer at least 30 days before the May 1 extension date.

**Nonqualified Deferred Compensation Plan; Excess Benefit Plan.** Upon a change of control, an officer who has investments in company stock will be able to transfer those balances to the other investments available under the plan. Also, if an officer's employment is terminated after a change of control, the officer's benefits under our excess benefit plan will be paid in a cash lump sum using the pension plan's standard actuarial table and an interest rate equal to the lesser of (1) the 10-year Treasury Note rate plus 0.75% and (2) the interest rate used for determining lump sum payments under the pension plan.

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**Summary of Benefits.** The following table shows the benefits that would have been paid under the L-TIP and the employment continuation agreements if there had been a change of control on December 31, 2008, and the named executives had been terminated without cause on that date.

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**Potential Payments upon Change of Control Table**

Name	Performance shares <sup>(1)</sup>	Restricted stock units	SARs <sup>(1)</sup>	Severance payment	AIP incentive <sup>(2)</sup>	Supplemental retirement benefit	Medical and other benefits	Excise tax payment	Total
Johns	\$1,489,889	\$0	\$0	\$9,545,715	\$510,000	\$993,452	\$180	\$4,651,285	\$17,190,521
Bielen	\$363,055	\$45,102	\$0	\$3,245,013	\$165,000	\$253,688	\$24,972	\$1,599,846	\$5,696,676
Johnson	\$172,745	\$79,987	\$0	\$2,371,787	\$130,000	\$104,545	\$18,063	\$1,198,309	\$4,075,436
Long	\$172,918	\$33,823	\$0	\$2,199,429	\$107,250	\$245,640	\$25,402	\$984,695	\$3,769,157
Thigpen	\$177,940	\$22,558	\$0	\$2,468,463	\$130,000	\$211,880	\$24,972	\$1,231,300	\$4,267,113

(1) Based on an assumed stock price of \$14.35 per share, which was our closing stock price on December 31, 2008, and disregarding that portion of the value of the 2005 performance share award that was actually earned as of December 31, 2008.

(2) These amounts are the incentives payable based on the actual achievement of the goals for the 2008 AIP incentive opportunities, without taking into account the adjustments made by the Committee when the incentives were actually paid in March 2009 (as discussed at page 32).

Table of Contents**Director Compensation**

This table has information about the 2008 compensation of our non-employee directors.

**Director Compensation Table**

<b>Name</b>	<b>Fees earned or paid in cash (\$)</b>	<b>Stock awards (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)</b>
James S.M. French	\$ 51,150	\$ 42,237	\$ 0	\$ 93,387
Thomas L. Hamby	\$ 41,100	\$ 42,237	\$ 10,656	\$ 93,993
Vanessa Leonard	\$ 71,400	\$ 42,237	\$ 10,359	\$ 123,996
Charles D. McCrary	\$ 38,400	\$ 42,237	\$ 0	\$ 80,637
John J. McMahon, Jr.	\$ 44,300	\$ 42,237	\$ 0	\$ 86,537
Malcolm Portera	\$ 46,900	\$ 42,237	\$ 0	\$ 89,137
C. Dowd Ritter	\$ 41,100	\$ 42,237	\$ 0	\$ 83,337
William A. Terry	\$ 42,600	\$ 42,237	\$ 12,450	\$ 97,287
W. Michael Warren, Jr.	\$ 47,100	\$ 42,237	\$ 0	\$ 89,337
Vanessa Wilson	\$ 51,800	\$ 42,237	\$ 9,073	\$ 103,110

**Discussion of Director Compensation Table**

We pay director compensation only to directors who are not our employees

*Column (b) Fees earned or paid in cash.* The 2008 cash compensation components were

*Cash Retainer Fees*

Board membership \$5,000 per quarter

Additional retainer for Audit Committee chair \$5,000 per quarter

Additional retainer for other Board committee chairs \$1,250 per quarter

Cash retainers are paid in February, May, August and November.

*Meeting Attendance Fees*

Board meeting (or per day for multi-day meetings):

out-of-town director in person \$2,600

out-of-town director by telephone \$1,500

in-town director \$1,500

Board committee meeting \$1,200

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For meetings held in Birmingham, our out-of-town directors are Ms. Leonard, Dr. Portera and Ms. Wilson.

*Column (c) Stock awards.* On May 5, 2008, the Board approved the issuance of 1,000 shares of our common stock to each of our directors as their annual stock retainer. This grant was made under our Stock Plan for Non-Employee Directors, which is described below. The amount in the table is based on the closing price of our stock on May 5, 2008 (as adjusted to reflect a pending dividend payment).

*Column (d) All Other Compensation.* If a Company director's spouse travels with the director on Company business, the Company reimburses the director for the associated travel expenses if the spouse's presence on the trip is deemed necessary or appropriate for the purpose of the trip. If reimbursement of these expenses is not tax-deductible by the Company (and results in taxable income to the director), the Company provides the director a payment to cover the taxes that the director is expected to incur with respect to the reimbursement (and the related payment). The amount of the expense reimbursement and tax reimbursement payment for each director was: Mr. Hamby, \$6,373 and \$4,283; Ms. Leonard, \$6,195 and \$4,164; Mr. Terry, \$7,446 and \$5,004; and Ms.



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Wilson, \$4,945 and \$4,128, and is included in the table.

**Stock Plan for Non-Employee Directors.** We believe that director compensation should be tied to your interests as share owners. Therefore, we pay a significant percentage of director compensation in our common stock.

Each year, the Board of Directors may grant each non-employee director shares of our stock as part of their annual retainer. The maximum grant is 2,000 shares per director per year. Grants are made under our Stock Plan for Non-Employee Directors, which you approved in 2004. We may issue no more than 100,000 shares under the plan before its scheduled May 1, 2014 termination date.

**Deferred Compensation Plan for Directors Who Are Not Employees of Protective.** Directors may elect to defer their compensation. They may defer cash amounts into a common stock equivalent or an interest-bearing equivalent (earning interest at the 30-day LIBOR rate plus 0.75%). Directors may defer stock compensation only as common stock equivalents. We do not provide any above-market or preferential earnings rates, and do not guarantee that a director's investments in common stock equivalents will make money.

Amounts deferred into the interest-bearing equivalent are payable in cash. Amounts deferred as common stock equivalents are payable as shares of stock.

**Stock Ownership Guidelines.** Our directors are expected to own our stock (or stock equivalents held under our deferred compensation plan) with a value of at least 3 times the annual retainer. If a director does not own this amount when first elected, the director must retain shares of stock until this level is met.

### Compensation Committee Report

The Compensation and Management Succession Committee reviewed and discussed with management the Compensation Disclosure and Analysis that begins on page 17. Based on this review and discussion, the Committee recommended to the Board of Directors that the Compensation Disclosure and Analysis be included in this proxy statement.

COMPENSATION AND MANAGEMENT  
SUCCESSION COMMITTEE

*C. Dowd Ritter, Chairman*  
*Thomas L. Hamby*  
*John J. McMahon, Jr.*

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**AUDIT-RELATED MATTERS**

**Audit Committee Report**

The Audit Committee serves a board-level oversight role in which it provides advice, counsel and direction to management and the auditors on the basis of the information it receives; discussions with management and the auditors; and the experience of the Audit Committee members in business, financial and accounting matters. The Audit Committee members are not professional accountants or auditors, and their functions are not intended to duplicate or to certify the activities of management and the independent auditors. In its oversight role, the Committee relies on the work and assurances of: (1) Protective's management, who has the primary responsibility for the establishment and maintenance of systems of internal controls and for the preparation, presentation and integrity of the financial statements and other financial information included in Protective's Annual Report; and (2) Protective's independent accountants, who are responsible for planning and performing an independent audit of Protective's consolidated financial statements in accordance with generally accepted auditing standards and issuing a report expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States.

In fulfilling its oversight responsibilities, the Committee has: (1) reviewed and discussed the audited consolidated financial statements with management, who represented to the Committee that our consolidated financial statements were prepared in accordance with accounting principles and practices generally accepted in the United States; (2) discussed with the independent accountants the matters required to be discussed by PCAOB AU Section 380 (*Communication with Audit Committees*), including their judgment as to the quality not just the acceptability of the accounting principles, the reasonableness of significant judgments and the clarity of the disclosure in the financial statements; and (3) received the written disclosures and the letter from the independent accountants required by Independence Standards Board Standard No. 1 (*Independence Discussions with Audit Committees*), discussed with the independent accountants its independence from the Company and its management and considered the compatibility of non-audit services provided by the independent accountants with auditor independence.

The Committee discussed with Protective's internal auditors and the independent accountants the overall scope and plans for their respective audits. The Committee meets with the internal auditors and independent accountants, with and without management present, to discuss the results of their examinations, their evaluations of Protective's internal controls, and the overall quality of Protective's financial reporting. The Committee also meets regularly in executive session.

Based on the reviews and discussions referred to above and in reliance on management's representations and the independent accountants' report with respect to the financial statements, the Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Annual Report on Form 10-K for the year ended December 31, 2008 for filing with the Securities and Exchange Commission. The Committee also appointed PricewaterhouseCoopers LLP as Protective's independent accountants for the fiscal year ending December 31, 2009.

AUDIT COMMITTEE

*Vanessa Leonard,*  
*Chairman*  
*James S. M. French*  
*W. Michael Warren, Jr.*  
*Vanessa Wilson*

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The following table shows the aggregate fees billed by PricewaterhouseCoopers LLP for 2008 and 2007 with respect to various services provided to Protective and its subsidiaries.

Type of Fees	2008	2007
	(\$ in millions)	
Audit Fees	\$4.7	\$ 5.0
Audit-Related Fees	0.5	0.6
Tax Fees	0.6	0.7
All Other Fees	0.0	0.0
Total	\$5.8	\$ 6.3

**Audit Fees.** Audit Fees were for professional services rendered for the audits of our consolidated financial statements, including:

the attestation report on management's assessment of our internal control over financial reporting,  
 statutory audits of subsidiaries,  
 issuance of comfort letters and consents,  
 and  
 assistance with review of documents filed with the SEC and other regulatory authorities.

**Audit-Related Fees.** Audit-Related Fees were for:

assurance and related services related to employee benefit plan audits,  
 due diligence and accounting consultations in connection with acquisitions,  
 attest services that are not required by statute or regulation, and  
 consultations concerning financial accounting and reporting standards.

**Tax Fees.** Tax Fees were for services related to:

tax compliance, including the preparation of tax returns and claims for refund,  
 tax planning and tax advice, including assistance with tax audits and appeals, advice related to acquisitions, tax services for employee benefit plans, and requests for rulings or technical advice from tax authorities.

**All Other Fees.** All Other Fees include fees that are appropriately not included in the Audit, Audit-Related, and Tax categories.

**Pre-Approval of Independent Accountant Services**

On March 2, 2009, the Audit Committee approved the engagement of PricewaterhouseCoopers LLP to render audit and non-audit services for us and our subsidiaries for the period ended March 2010. Its policy is to pre-approve, generally for a 12-month period, the audit, audit-related, tax and other services provided by the independent accountants to us and our subsidiaries. Under the pre-approval process, the Audit Committee reviews and approves specific services and categories of services and the maximum aggregate fee for each service or service category. Performance of any additional services or categories of services, or of services that would result in fees in excess of the established

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maximum, requires the separate pre-approval of the Audit Committee or one of its members who has been delegated pre-approval authority. The Audit Committee or its Chairman pre-approved all Audit, Audit-Related, Tax and Other services performed for us by PricewaterhouseCoopers LLP with respect to fiscal year 2008.

In evaluating the selection of PricewaterhouseCoopers LLP as principal independent accountants for us and our subsidiaries, the Audit Committee considered whether the provision of the non-audit services described above is compatible with maintaining the independent accountants' independence. The Audit Committee determined that such services have not affected PricewaterhouseCoopers LLP's independence. The Audit Committee also reviewed the non-audit services performed in 2008 and determined that those services were consistent with our policy. In addition, the Audit Committee considered the non-audit professional services that PricewaterhouseCoopers LLP will likely be asked to provide for us during 2009, and the effect which performing such services might have on audit independence.

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**GENERAL INFORMATION**

**Electronic Delivery of Proxy Materials.** We strongly encourage you to elect to receive future proxy materials electronically in order to conserve natural resources and help us reduce printing costs and postage fees. With electronic delivery, if you are a share owner of record, you will be notified as soon as the proxy materials are available on the Internet. To sign up for electronic delivery, please follow the instructions on your proxy card to vote using the Internet and, when prompted, indicate that you agree to receive or access share owner communications electronically in future years.

If you hold your shares in a brokerage account, you may also have the opportunity to receive proxy materials electronically. Please follow your broker's instructions.

**Householding.** We have adopted the SEC-approved procedure of householding. Under this procedure, share owners who have the same address and last name and do not participate in electronic delivery will receive only one copy of our proxy materials, unless one or more of these share owners notifies us that they wish to continue receiving individual copies. Share owners who participate in householding will continue to receive separate proxy cards. This procedure will reduce our printing costs and postage fees.

If you wish to continue to receive multiple copies of the proxy materials at the same address, you may request multiple copies by notifying us in writing or by telephone at: Investor Relations, Protective Life Corporation, P.O. Box 2606, Birmingham, Alabama 35202, Telephone (205) 268-3573, Fax (205) 268-5547. You may revoke your consent to householding by notifying us at least 30 days before the mailing of proxy materials in March of each year. If you share an address with another share owner and currently are receiving multiple copies of the proxy materials, you may request householding by notifying us at the address or telephone number given above.

**Form 10-K Reports Available.** Our Annual Report on Form 10-K is electronically available on our website ([www.protective.com](http://www.protective.com)) and on the SEC's website ([www.sec.gov](http://www.sec.gov)). **You may receive a printed copy of this document, without charge, by mailing a request to: Investor Relations, Protective Life Corporation, P.O. Box 2606, Birmingham, Alabama 35202, Telephone (205) 268-3573, Fax (205) 268-5547.**

**Incorporation by Reference.** In our SEC filings, information is sometimes "incorporated by reference." This means that we are referring you to information that has previously been filed with the SEC and the information should be considered as part of the particular filing. As SEC regulations provide, the "Audit Committee Report" and the "Compensation Committee Report" contained in this proxy statement specifically are not incorporated by reference into any other SEC filings. In addition, this proxy statement contains several website addresses. These website addresses are intended to provide inactive, textual references only. The information on those websites is not part of this proxy statement.

**Share Owner Proposals and Nominations for 2010 Annual Meeting.** If a share owner wishes to have a qualified proposal considered for inclusion in next year's proxy statement, the share owner must submit the proposal in writing to our Secretary at our principal executive office so that we receive it by November 25, 2009.

In addition, any share owner who intends to submit a proposal for consideration at our 2010 annual meeting, but not for inclusion in our proxy statement, or who intends to submit a nominee for election as a director at the meeting must notify our Secretary in writing. Under our Bylaws, the notice must be received at our principal executive office no earlier than February 3, 2010 and no later than March 5, 2010, and must satisfy specified requirements. You may receive a printed copy of our Bylaws by mailing a request to Protective Life Corporation, Corporate Secretary's Office, P.O. Box 2606, Birmingham, Alabama 35202.

These advance notice provisions are in addition to, and separate from, the requirements that a share owner must meet in order to have a proposal included in the proxy statement under SEC rules.













