INFINITY PROPERTY & CASUALTY CORP
Form PRE 14A
March 27, 2007

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 x Filed by a Party other than the Registrant ¨

Check the appropriate box:

x 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

INFINITY PROPERTY AND CASUALTY CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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(4) Date Filed:

INFINITY PROPERTY AND CASUALTY CORPORATION

3700 Colonnade Parkway

Birmingham, Alabama 35243

Notice of Annual Meeting of Shareholders

and Proxy Statement

To be Held on May 21, 2007

Dear Shareholder:

We invite you to attend our Annual Meeting of Shareholders on May 21, 2007, in Birmingham, Alabama. At the meeting, you will hear a report on our operations and have an opportunity to meet our directors and executives.

This booklet includes the formal notice of the meeting and the proxy statement. The proxy statement tells you more about the agenda and procedures for the meeting. It also describes how our Board of Directors operates and provides information about the nominees for our Board.

All shareholders are important to us. We want your shares to be represented at the meeting and urge you either to use the electronic voting system, if available to you or through your broker, or to promptly complete and return your proxy form.

Samuel J. Simon
Secretary

Birmingham, Alabama

April , 2007

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

OF INFINITY PROPERTY AND CASUALTY CORPORATION

Date:	Monday, May 21, 2007
Time:	10:00 a.m., Central Time
Place:	Birmingham Marriott 3590 Grandview Parkway Birmingham, Alabama 35243
Purpose:	Elect five Class II directors Ratify appointment of Ernst & Young LLP as our independent registered public accounting firm Amend the Amended and Restated Articles of Incorporation to eliminate the classified Board structure Conduct any other business that may properly be raised
Record Date:	March 26, 2007
Mailing Date:	Approximately April 13, 2007

General Information

Who may vote

Shareholders as recorded in our stock register on March 26, 2007, may vote at the meeting. As of that date, we had **[ ]** shares of common stock outstanding. Each share of common stock is entitled to one vote on each matter to be considered at the meeting.

How to vote

You may vote in person at the meeting or by proxy. We recommend you vote by proxy even if you plan to attend the meeting. You can always change your vote at the meeting.

Written Proxy. All shareholders can vote by completing and returning the attached proxy card.

Telephone and Internet Proxy. Some shareholders can also vote by touchtone telephone and/or the Internet. The use of electronic voting via the telephone or the Internet is dependent upon how a shareholder holds shares and, if held through a broker, each shareholder s particular broker. Please follow the instructions provided on the proxy card if electronic voting is made available to you and if you wish to vote electronically.

How proxies work

Our Board of Directors is asking for your proxy. Giving us your proxy means you authorize us to vote your shares at the meeting in the manner you direct. You may vote for all, some or none of our director candidates. You may also vote for or against the other proposals or abstain from voting on any and all matters.

If you sign and return the enclosed proxy card but do not specify how to vote, your shares will be voted in favor of our director candidates, in favor of the ratification of Ernst & Young LLP as our independent registered public accounting firm, and in favor of amending our Amended and Restated Articles of Incorporation to eliminate the classified Board of Directors structure. If any other matters come before the meeting or any postponement or adjournment thereof, each proxy will be voted in the discretion of the individuals named as proxies on the card.

You may receive more than one proxy or voting card depending on how you hold your shares. Shares registered in your name are covered by one card. If you hold shares through someone else, such as a stockbroker, you may get material from them asking how you want to vote.

Revoking a proxy

You may revoke your proxy before it is voted by submitting a new proxy with a later date (or by recording a later telephone or Internet proxy), by voting in person at the meeting, or by notifying our Corporate Secretary in writing at the address of our principal executive offices as listed on the front page of the proxy statement.

Quorum

In order to carry on the business of the meeting, we must have a quorum. This means that at least a majority of the outstanding shares eligible to vote must be represented at the meeting, either by proxy or in person. Abstentions and broker non-votes are considered present for purposes of determining whether a quorum is present. Broker non-votes occur when a broker returns a proxy card but does not have authority to vote on a particular proposal.

Vote Tabulation

Votes will be tabulated and the results certified by or under the direction of an Inspector of Elections, who may be an employee of ours.

The five director candidates who receive the greatest number of for votes will be elected to serve as Class II directors on the Board. Broker non-votes and abstentions will not affect the results of the election.

The proposal to approve ratification of Ernst & Young LLP as our independent registered public accounting firm must have more votes cast for than against to be approved. Neither broker non-votes nor abstentions will be counted as votes cast.

A majority of Infinity Property and Casualty Corporation s (Infinity or the Company) outstanding shares of common stock must vote for the proposal to approve amendment of the Amended and Restated Articles of Incorporation in order for this proposal to pass. Broker non-votes and votes cast abstain will have the effect of a vote against this proposal.

Proxy Solicitation

Our Board is soliciting your proxy for use at the Annual Meeting of Shareholders and at any adjournment of the Annual Meeting of Shareholders. We will bear the costs of the proxy solicitation, including the reimbursement of banks and brokers for reasonable expenses of sending out our proxy materials to the beneficial owners of our common stock. We have engaged D.F. King & Co., Inc. to assist us in soliciting proxies for a fee of $8,500 plus out-of-pocket expenses. In addition to solicitation by mail, our officers, directors and employees may solicit proxies in person, by telephone, by facsimile and by e-mail.

Other Matters

Any other matters considered at the meeting, including postponement or adjournment, will require the affirmative vote of a majority of the votes cast.

Cumulative Voting

In voting to elect directors, shareholders are entitled to cumulate their votes and to give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of shares held by the shareholder, or to distribute their votes on the same principle among as many candidates as the shareholder so desires. In order to invoke cumulative voting, notice of cumulative voting must be given in writing by a shareholder to our Corporate Secretary at the address as listed on the first page of this proxy statement not less than 48 hours prior to the Annual Meeting. The proxies solicited include discretionary authority to cumulate votes.

Item 1: Election of Directors

Our Amended and Restated Articles of Incorporation provide that the Board of Directors consists of two classes of directors divided into Class I and Class II. Each class is elected for a two-year term with one class being elected each year. The term of the Class II directors expires at the 2007 Annual Meeting of Shareholders and the term of Class I directors expires at the 2008 Annual Meeting of Shareholders. However, if Item 3 relating to the Amendment of the Amended and Restated Articles of Incorporation to eliminate the classified Board is approved at the 2007 Annual Meeting of Shareholders, the classified Board will be eliminated and the term of office for each director elected at the 2007 Annual Meeting of Shareholders will expire at the next Annual Meeting of Shareholders. Based upon the recommendation of the Nominating and Corporate Governance Committee, the Board of Directors has nominated Drayton Nabers, Jr. for election and Jorge G. Castro, Samuel J. Simon, Roger Smith and Gregory C. Thomas for re-election to the Board of Directors as Class II directors.

Proxies solicited by the Board will be voted for the election of these nominees. All directors elected at the Annual Meeting of Shareholders will be elected to hold office until the expiration of each elected director s two-year term. However, if Item 3 is approved, then each of the elected director s terms shall expire at the next Annual Meeting of Shareholders.

We have no reason to believe that any of the director nominees will be unable or unwilling to serve if elected. However, if any director nominee becomes unavailable or unwilling to serve before the election, your proxy card authorizes us to vote for a replacement nominee if the Board names one.

The Board recommends you vote FOR each of the following nominees:

Nominee	Business Experience
JORGE G. CASTRO Age 49	Elected Director in August 2003; Chief Executive Officer for Lombardia Capital Partners [formerly known as Valenzuela Capital Partners, LLC] since 2003; Chief Executive and Chief Investment Officer of CIC/HCM Asset Management from 1989 to 2003.
DRAYTON NABERS, JR. Age 66	Nominated to Serve as a Director in 2007; Currently serving as an attorney mediator / arbitrator; Chief Justice of the Alabama Supreme Court from 2004 to 2007; Director of Finance for the State of Alabama from 2003 to 2004; Chairman of the Board of Directors of Protective Life Corporation until 2002.
SAMUEL J. SIMON Age 50	General Counsel and Secretary since 2002 and Executive Vice President since 2005; Elected as a Director in December 2003; Served in various legal and executive capacities with Infinity s former parent company, American Financial Group, Inc. (AFG), since 1986.
ROGER SMITH Age 46	Chief Financial Officer and Treasurer since 2002 and Executive Vice President since 2005; Elected as a Director in December 2003; Served in various executive capacities with Great American Insurance Company, a wholly-owned subsidiary of AFG, since 1987.
GREGORY C. THOMAS Age 59	Elected Director in February 2003; Currently retired after serving until 1996 as Chief Financial Officer and Executive Vice President of Citicasters, Inc. and its predecessor public company.

Directors whose terms are continuing until 2008:

Director	Business Experience
JAMES R. GOBER Age 55	Chief Executive Officer, President and Director since 2002; Elected Chairman of the Board in December 2003; Served in various executive roles within each of Infinity s insurance company subsidiaries since 1991.
GREGORY G. JOSEPH Age 44	Elected Director in February 2003; Executive Vice President of Joseph Automotive Group since 1990.
HAROLD E. LAYMAN Age 60	Elected Director in August 2003; President and Chief Executive Officer of Blount International, Inc. until 2002; Currently serves on the Board of Directors of Blount International, Inc., GrafTech International, Ltd. and Grant Prideco, Inc. and as the Chairman of the Grant Prideco, Inc. Audit Committee.
SAMUEL J. WEINHOFF Age 56	Elected Director in May 2004; Currently serving as an insurance industry consultant; Currently serves on the Board of Directors of Allied World Assurance Company Holdings, Ltd.; Managing Director and Head of Schroders & Co. s U. S. Financial Institutions Group, Investment Banking from 1997 through 2000; Managing Director at Lehman Brothers from 1985 to 1997.

Board of Directors and Committees of the Board of Directors

General

Infinity is an Ohio corporation and, therefore, governed by the corporate laws of Ohio. Because our stock is publicly traded on the Nasdaq Global Select Market and we file reports with the Securities and Exchange Commission, we are also subject to Nasdaq rules as well as various provisions of federal securities laws.

Governance of the corporation is placed in the hands of the directors who, in turn, elect officers to manage the business operations. The Board oversees the management of Infinity on your behalf. It reviews Infinity s long-term strategic plans and exercises direct decision making authority in all major decisions, such as acquisitions, the declaration of dividends and major capital and financing initiatives.

During 2006, the full Board of Directors met on four occasions, while the independent directors met separately two times. During 2006, each director attended all meetings held by the Board of Directors and at least 75% of all meetings held by committees of the Board on which such director served.

Our policy is to require director attendance at annual meetings of shareholders. All directors attended the 2006 Annual Meeting of Shareholders.

The committees of the Board of Directors are the Audit, Compensation, Nominating and Corporate Governance and Executive Committees. The charters of each committee can be found on the Company s website at www.ipacc.com. The Board of Directors adopted a Code of Ethics, which is also available on our website. A copy of the Code of Ethics will also be provided without charge upon written request sent to our Corporate Secretary at the address shown on the cover page of this proxy statement. To the extent permitted by Nasdaq Marketplace Rule 4350(n), any amendments to or waivers from the Code of Ethics will be posted on our website within four business days after the date of an amendment. Any amendments to or waivers from the Code of Ethics may be disclosed on Form 8-K filed with the SEC either in addition to or in lieu of the website disclosure.

The Board of Directors has adopted a process to facilitate written communications by shareholders to the Board of Directors. Shareholders wishing to write to the Board of Directors or a specified director or committee of the Board should send correspondence to the Corporate Secretary at 3700 Colonnade Parkway, Birmingham, Alabama 35243. All communications received from shareholders are screened by the Corporate Secretary and, other than trivial or obscene items, are forwarded to the full Board of Directors, or to a specific Board member or committee if designated by the shareholder. Trivial items will be delivered to the Board at the next scheduled Board meeting. Anyone who wishes to communicate with a specific Board member or committee should send instructions asking that the material be forwarded to the director or to the appropriate committee chairman.

In 2006, non-employee directors of Infinity received $55,000 per year for serving as directors and as members of committees of the Board. In 2007, non-employee directors of Infinity will receive $80,000 per year for serving as directors and as members of committees of the Board. Pursuant to the Non-Employee Directors Stock Ownership Plan approved at the 2005 Annual Meeting, $25,000 of the annual retainer for 2006 was paid and $50,000 of the annual retainer for 2007 will be paid in the form of restricted stock. The Lead Director and Audit Committee Chairman receive an additional $15,000 annual retainer, and chairmen of all other committees receive an additional $5,000 annual retainer. Non-employee directors also receive $1,500 for each director or committee meeting attended. Directors who are employees of Infinity are not separately compensated for serving as directors.

Under the Non-Employee Directors Stock Ownership Plan, it is also required that non-employee directors beneficially own, not later than three years after receiving his or her first annual restricted stock award, $90,000 of common stock or three times the then-current cash portion of the annual Board retainer, whichever is less.

The independent directors re-appointed Gregory G. Joseph as the lead independent director on May 23, 2006 to preside at meetings of non-employee directors. The independent members met two times in 2006 without the presence of management directors.

The directors have organized themselves into the committees described below. With the exception of the Executive Committee, each of these committees is composed exclusively of non-employee directors that meet the relevant independence requirements established by the Nasdaq Global Select Market, the Sarbanes-Oxley Act and Securities and Exchange Commission Rule 10A-3 that apply to their particular assignments. The Board of Directors has determined that all nominees for election and all continuing directors, with the exception of Messrs. Gober, Smith and Simon, meet the independence standards of Nasdaq Marketplace Rule 4200(a)(15).

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee met two times during 2006 and consists of Gregory G. Joseph (Chairman), Harold E. Layman and Jorge G. Castro. Each member of the Nominating and Corporate Governance Committee is independent as provided under the Nasdaq Marketplace Rules.

The Board of Directors has established a Nominating and Corporate Governance Committee Charter for the Nominating and Corporate Governance Committee, which is available on our website at www.ipacc.com and reviewed annually by the Nominating and Corporate Governance Committee.

Under the terms of its charter, the Nominating and Corporate Governance Committee is responsible for considering and making recommendations concerning the composition, function and needs of the Board, and the review and development of corporate governance guidelines. In fulfilling its duties, the Nominating and Corporate Governance Committee, among other things, shall:

- identify individuals qualified to be Board members consistent with criteria established by the Board;
- lead all performance evaluations of the Board or of any Board committee;
- recommend nominees to the Board for the next annual meeting of shareholders;
- review the structure of the Board and its committees;
- consider issues involving related party transactions with directors and members of senior management; and
- review and establish all matters pertaining to fees and retainers paid to directors.

Directors, members of management, shareholders, or industry or professional organizations may suggest nominees. The Nominating and Corporate Governance Committee is also able to use the services of a third-party executive search firm to assist it in identifying and evaluating possible nominees for director.

In identifying and considering candidates for nomination to our Board, whether recommended by officers, directors, shareholders or industry or professional organizations, the Nominating and Corporate Governance Committee considers, in addition to the requirements set out in the Nominating and Corporate Governance Committee Charter, quality of experience, the needs of Infinity and the range of talent and experience represented on the Board. The Nominating and Corporate Governance Committee also evaluates the ability of a nominee director to devote the time and attention necessary to fulfill his or her responsibilities. Shareholders desiring to submit recommendations for nominations by the Nominating and Corporate Governance Committee should direct them to the Corporate Secretary at the address shown on the cover page of this proxy statement.

Mr. Weinhoff recommended that the Nominating and Corporate Governance Committee consider nominating Drayton Nabers, Jr. for election to the Board of Directors. After considering the foregoing, the Nominating and Corporate Governance Committee recommended that the Board of Directors nominate the current Class II directors for re-election and Mr. Nabers for election as a Class II director at its February 26, 2007 meeting.

Executive Committee

Our Executive Committee did not meet in 2006. It is composed of James R. Gober (Chairman), Gregory G. Joseph and Samuel J. Weinhoff. This committee has the authority to exercise the power and authority of the Board of Directors between meetings of the Board of Directors, subject to any limitation or limitations imposed by law, the Articles of Incorporation, the Code of Regulations or any resolution of our Board.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of the Compensation Program

The Compensation Committee of the Company s Board of Directors is responsible for establishing the Company s compensation philosophy. The Compensation Committee is responsible for establishing the compensation of the Company s executive officers, which include James R. Gober, Chairman, Chief Executive Officer and President; Roger Smith, Executive Vice President, Chief Financial Officer and Treasurer; and Samuel J. Simon, Executive Vice President, General Counsel and Secretary (herein referred to as the Executive Officers). Mr. Gober is responsible for establishing the compensation of John R. Miner, Regional President; Glen N. Godwin, Regional President (Messrs. Miner and Godwin, along with the Executive Officers, are referred to herein as the NEOs); and the two remaining Regional Presidents. The Regional Presidents are not officers of Infinity Property and Casualty Corporation but serve as officers of various operating subsidiaries of the Company.

Compensation Philosophy and Objectives

The objectives of the Company s compensation philosophy are to attract qualified personnel in the recruiting process and to retain, motivate and reward key personnel. Since the Company s initial public offering of common stock (the IPO), and particularly with the sale by AFG of its 38% remaining stake in the Company in December 2003, the Compensation Committee has focused on the dual objectives of retaining the executive teams while motivating them primarily through cash based incentive plans of both short and long-term duration. This is in keeping with the Compensation Committee s belief that compensation should be designed with sufficient base compensation to be competitive in the market and avoid excessive turnover, yet should also contain a sufficient at-risk component so that the Executive Officers will have an incentive to perform at or above expectations.

The Compensation Committee and Mr. Gober believe that the incentive component of compensation should contain both a short and a long-term component. However, the Compensation Committee has not formulated any particular benchmark with respect to the percentage of compensation that should come from each particular component, nor has this Committee established specific targets or benchmarks that are tied to setting compensation for the Executive Officers at any specific percentile within the Company s peer group or any stock market index. Instead, the Committee and Mr. Gober consider a number of factors when establishing or recommending overall compensation for key personnel. These factors include, but are not limited to: (i) the extent to which corporate performance objectives have been met, (ii) the scope of an individual s responsibility and ability to influence the Company s results and strategic initiatives, (iii) performance over a sustained period of time, (iv) the alignment of the interests of management with the Company s shareholders, (v) the compensation levels and practices of peer group companies and (vi) the level of an individual s experience, past performance and future potential.

Since the IPO, the Compensation Committee has approved annual incentive bonus plans for the Executive Officers. In 2005, the Compensation Committee adopted a long-term incentive compensation plan that is set to expire on December 31, 2007. The Compensation Committee believes that the Company s operational performance is guided by two primary factors: combined ratio and growth in written premiums. The Compensation Committee believes that management needs to balance both of these factors in order to obtain optimal performance. Therefore, both the annual and long-term incentive compensation plans for the Executive Officers, as well as the remaining NEOs, contain performance goals based upon combined ratios and growth in written premiums (each measured individually) or upon a combination of these two factors. Additionally, the Compensation Committee believes that earnings per share is an important measure of the financial performance of the Company, as a whole, as well as a significant performance measure for shareholders. As such, the incentive compensation plans for the Executive Officers also contain earnings per share components.

The Compensation Committee and Mr. Gober believe that a greater portion of an Executive Officer s overall compensation should be equity-based as compared to other key employees. In other words, in order to align the interests of management with the Company s shareholders, the NEOs should have an ownership stake in the Company. As such, the Board of Directors adopted stock ownership guidelines in July 2006 that stipulate that the Chief Executive Officer should own Company stock equal to three (3) times his or her salary, that each Executive Vice President should own Company stock equal to two (2) times his or her salary, and that each Regional President should own Company stock equal to one (1) times his or her salary. The aforementioned stock ownership guidelines must be met by the latter of July 1, 2011, or within five years of attainment of the officer s position as Chief Executive Officer, Executive Vice President or Regional President, and shall thereafter be maintained as long as an individual serves in such officer position. Determination of the share value and base salary shall be based on the market value of the shares and the executive s base salary as of ninety (90) days prior to the date on which compliance is initially required. Non-compliance due to fluctuations in the market price of the shares or an upward adjustment to base salary shall be cured within one hundred twenty (120) days of occurrence unless, in the opinion of the Nominating and Corporate Governance Committee, attaining compliance within such period would create an undue hardship on the officer, in which case a reasonable period for compliance shall be determined by the Nominating and Corporate Governance Committee. Equity in vested but non-exercised stock options and vested restricted shares shall be counted toward satisfying the stock ownership requirements.

The Compensation Committee also considers the potential impact of Section 162(m) of the Internal Revenue Code of 1986, as amended. Section 162(m) disallows a tax deduction for any publicly held corporation for individual compensation exceeding $1 million in any taxable year for the Chief Executive Officer and the other NEOs, except for compensation that is performance-based under a plan that is approved by the shareholders and that meets certain other technical requirements. It is the policy of the Compensation Committee to periodically review and consider whether particular compensation and incentive payments to the Company s executives will be deductible for federal income tax purposes. With the exception of a portion of compensation related to the vesting of restricted stock awarded in 2003 in connection with the IPO to Mr. Gober, executive compensation for 2006 satisfied the requirements for deductibility under Section 162(m). However, the Compensation Committee retains the ability to evaluate the performance of the Company s executives and to compensate executives appropriately, even if it may result in the non-deductibility of certain compensation under federal tax law.

Principal Guides and Benchmarks Used for Setting Executive Compensation

The Compensation Committee has historically reviewed the compensation offered by the Company s peer group and its competitors, as well as the Company s recent performance vis-à-vis its competitors in determining the appropriate level and form of compensation for the Executive Officers. Consistent with the philosophy that substantial compensation for the Executive Officers should be performance based, or at risk, base compensation for Messrs. Gober and Simon have been maintained at the levels established at the IPO, while Mr. Smith s base compensation was adjusted to its current level in 2005. Since that time, except as noted below and in the Summary Compensation Table, any increase in overall compensation for Messrs. Simon and Smith has been achieved through increases in the base amounts under annual incentive bonus plans, while Mr. Gober s bonus base amount has remained at the same level as established at the IPO. In assessing overall compensation levels and practices in 2006, the Compensation Committee analyzed executive pay against the peer group defined by SNL Financial s Executive Compensation Review, specifically focusing on the following companies: 21st Century Insurance Group; Alfa Corporation; Bristol West Holdings, Inc.; CNA Surety Corporation; The Midland Company; Safety Insurance Group, Inc.; State Auto Financial Corporation; and Zenith National Insurance Corp. For the last two years, the Compensation Committee has reviewed tally sheets showing each Executive Officer s compensation for the most recent fiscal year and for the prior fiscal year. Additionally, the Compensation Committee considered the recommendations of Mr. Gober in establishing compensation packages for the Executive Officers (other than Mr. Gober), and in evaluating the talent, skill, and the potential for further career advancement and management succession plans of the Executive Officers.

2006 Executive Compensation Components

Salary

Minimum salary and bonus targets for each of the NEOs were established pursuant to existing employment contracts. Except for an increase of $21,800 in Mr. Godwin s salary, there were no salary increases for the NEOs in 2006.

Annual Performance Incentive Plan

The Compensation Committee has generally based the annual incentive bonus plan on the attainment of certain performance goals for three components: earnings per share, combined ratio and growth in gross written premiums. At the 2006 Annual Meeting of Shareholders, the Company s shareholders approved the 2006 Annual Executive Bonus Plan (the Executive Bonus Plan). The Executive Officers are the only participants in the Executive Bonus Plan. Under the Executive Bonus Plan, Mr. Gober has the opportunity to receive up to a maximum of 200% of his contractual annual base salary, with a target of 100% of his contractual annual base salary, and Messrs. Simon and Smith have the opportunity to receive up to a maximum of 120% of their contractual annual base salary, with a target of 60% of their contractual annual base salary. Under the 2006 formula for the Executive Bonus Plan, the weight assigned to each of the three performance measures is as follows: 50% is assigned to earnings per share, 25% is assigned to combined ratio, and 25% is assigned to growth in gross written premiums. Each Executive Officer was subject to the same performance objectives for each of these three components. Since the IPO, the average annual performance incentive payout to each Executive Officer has been 124.9% of the annual target amount.

The remaining NEOs, as well as other Company employees, participate in annual cash bonus plans established by Mr. Gober. These plans provide incentives to employees for reaching, in some cases, certain earnings per share goals and, more generally, performance goals consisting of a combination of both accident year combined ratio and growth in net written premiums. Performance goals for these executives are measured both by corporate-wide performance and performance within an executive s particular geographic region of responsibility. In 2006, the annual cash bonus targets for Messrs. Miner and Godwin were $300,000 and $150,000, respectively, with maximum payout potential of 204% and 205%, respectively, of the target amount. In 2006, the annual cash bonus components for Messrs. Miner and Godwin were as follows: 20% and 0%, respectively, based upon attainment of earnings per share goals, 30% and 40%, respectively, based upon corporate-wide attainment of a combination of accident year combined ratio and growth in net written premium goals, and 50% and 60%, respectively, based upon attainment of a combination of accident year combined ratio and growth in net written premium goals within the individual NEO s region.

Prior to 2007, the Company s Summary Compensation Tables reported annual bonuses paid to the NEOs during the year, as opposed to reporting the bonus payments to be made to the NEOs based upon the Company s performance for the particular year. For instance, in last year s proxy statement, the Company reported bonuses paid to the NEOs during 2005, 2004 and 2003 based upon the Company s performance in 2004, 2003 and 2002, respectively. In the Summary Compensation Tables that follow, the Company is reporting the annual bonus due to the NEOs based upon 2006 performance, whether or not paid in 2006, under the column entitled Non-Equity Incentive Plan Compensation. As a result of this change in reporting practice, certain bonus payments made during 2006 and based upon prior years performance were not reported in last year s Summary Compensation Tables and do not appear in the following Summary Compensation Tables. The amounts for Messrs. Gober, Smith, Miner, Simon and Godwin were as follows: $723,800; $197,400; $300,756; $263,200; and $118,935, respectively.

Annual Profit Sharing Bonus

In December 2006, as had been the practice in prior profitable years for the Company and, before its IPO, certain of its operating companies, Mr. Gober approved a discretionary annual profit sharing bonus equivalent to the greater of one-week s pay or $900 for all full-time employees that had been employed with the Company since January 1, 2006. Mr. Gober excluded himself from participating in this bonus payment.

Long Term Incentive Plans

In 2005 the Compensation Committee adopted a long-term incentive plan (the 2005 LTIP). Payouts under the 2005 LTIP will be based upon attainment of pre-established combined ratio and growth in gross written premium objectives. Prior to the adoption of the 2005 LTIP, the Compensation Committee, along with the Company, had determined that it would be in the Company s best interest to move away from the practice of granting stock options as part of its long-term compensation philosophy. As such, the Compensation Committee adopted the 2005 LTIP to supplant the long-term compensation previously offered through stock option grants. The Compensation Committee believed that long-term incentive plans rewarding management for attainment of sustained operational excellence were preferable to stock options, whose value could fluctuate, for better or worse, due to investor preferences, trends within the overall insurance industry, macroeconomic conditions, and other factors over which management is generally unable to exert significant influence.

The 2005 LTIP will terminate on December 31, 2007. Upon termination of the 2005 LTIP, participants will receive 75% of their payout, if any, in 2008, and will receive the remaining 25% of their payout, subject to increase or decrease for development of accident years 2005 through 2007, in 2009. Based upon the Company s performance through the end of fiscal year 2006, the Company believes that participants in the 2005 LTIP will likely receive a payout at slightly above the target rate of the 2005 LTIP.

In 2006, the only compensation paid to any NEOs under any long-term incentive compensation plan was the result of installment payouts made on a long-term incentive compensation plan established prior to the Company s IPO. Messrs. Gober and Godwin were the only NEOs to receive compensation under such plan. This plan measured performance of seven of the operating companies organized into two separate performance groups for the years 2000 through 2004. The final installment under this plan became due in the first quarter of 2007.

Stock Options and Equity

In conjunction with its IPO, certain members of management, including the Executive Officers, received grants of restricted stock and stock options. In 2004, the Compensation Committee granted additional stock options to certain members of management, including the NEOs. Since 2004, there have been no grants of stock options or restricted stock made to the NEOs or any other employees of the Company. However, the Compensation Committee is currently evaluating its overall compensation philosophy, particularly with respect to future long-term compensation plans, and may decide to resume granting restricted stock or other forms of equity to members of management, including the NEOs, for future years.

401(k) and Other Retirement Plans

The Company matches employee contributions to the 401(k) plan on a one-to-one basis on the first 3% of a participant s contributions. NEOs are eligible to receive this benefit. Additionally, the Company has historically made discretionary contributions to the 401(k) plan. In 2006, this discretionary contribution was equal to 3% of an employee s eligible earnings. The Company made this discretionary contribution during the first quarter of 2007. The Internal Revenue Code limits employer matching and discretionary contributions in 401(k) plans to the first $220,000 of an employee s annual compensation. The Company maintains a Supplemental Executive Retirement Plan (SERP) in which employees, including the NEOs, that earn in excess of $220,000 may participate and to which the Company will provide discretionary contributions in excess of the statutory limit. The Company also maintains a deferred compensation plan in which eligible participants, including the NEOs, may elect to defer between 5% to 80% of his or her base salary during any calendar year period and/or between 10% to 80% of any lump sum bonus payment. The Company does not have a defined benefit retirement plan for its employees, including its NEOs.

Perquisites

It is the Company s philosophy to limit the type and amount of perquisites that it provides its executives, including its NEOs. As disclosed in the Summary Compensation Tables set forth herein, Messrs. Gober and Godwin received a personal automobile allowance, and Messrs. Gober, Smith and Godwin received automobile and homeowners insurance premiums.

Employment Contracts / Change-in-Control Arrangements

Infinity has employment agreements with the NEOs. Messrs. Simon, Smith, Miner and Godwin s agreements expire on December 31, 2007, while Mr. Gober s agreement expires on December 31, 2008. Messrs. Miner and Godwin s agreements also give the Company the option to extend the term of each agreement for a period of one year from its expiration. The agreements provide for a base salary of at least $550,000 for Mr. Gober, $400,000 for Mr. Simon, $300,000 for Mr. Smith, $203,200 for Mr. Godwin and $350,000 in 2006 and $325,000 in 2007 for Mr. Miner, and a bonus opportunity under a performance-based annual incentive bonus plan. Pursuant to the employment agreements, the annual base bonus target must be equal to at least 50% of Messrs. Simon, Smith and Godwin s annual salary and 100% of Mr. Gober s annual salary. Mr. Miner s agreement provides an annual bonus target equal to $300,000 in 2006 and $250,000 in 2007. Mr. Godwin s annual bonus target was set at $150,000 for 2006 and 2007.

If Messrs. Gober, Simon, Smith, Miner or Godwin s employment is terminated by the Company other than for cause, or is terminated by the executive for good cause, which includes, among other things, the assignment to the executive of any duties inconsistent with the executive s status as an executive officer of Infinity (including by reason of Infinity becoming a subsidiary, or under the control, of a company not an affiliate of Infinity), the agreements provide that the executive will receive payment of (i) earned but unpaid salary and bonus amounts accrued through the date of termination; (ii) continued payment of his most recent salary for a period of 24 months from the date of termination for Mr. Gober, a lump sum payment equal to two times current base salary for Messrs. Simon and Smith, and a lump sum payment equal to current base salary for Messrs. Miner and Godwin; (iii) payment in a lump sum of two times the target annual bonus then in effect for Messrs. Gober, Simon and Smith, and a lump sum of his target annual bonus then in effect for Messrs. Miner and Godwin; (iv) payment of accrued but unused vacation time and reimbursement of business expenses; (v) 100% vesting of any stock options and an allowance that such options may be exercised within three years of the termination date for Messrs. Gober, Simon and Smith and within ninety days of the termination date for Messrs. Miner and Godwin; (vi) 100% vesting of restricted shares; (vii) immediate conversion to cash of all performance units issued under the 2005 long-term incentive compensation plan and (viii) payment of the executive officer s life insurance, medical and dental benefits for a period of 18 months after termination for Messrs. Gober, Simon and Smith, and 12 months for Messrs. Miner and Godwin. Additionally, Mr. Gober has agreed not to compete with us or solicit our employees for a period of up to 24 months following certain events of termination.

2007 Executive Compensation Components

For the 2007 fiscal year, the Compensation Committee has engaged Pearl Meyer & Partners (Pearl Meyer) to assist it in making compensation decisions for the Executive Officers, in selecting a peer group of companies from which to conduct competitive pay, financial performance, pay-for-performance and pay mix analysis, in developing a long-term incentive compensation package for the Executive Officers and other key employees, in reviewing non-employee director compensation, and to more broadly advise the Compensation Committee in formulating a more comprehensive compensation philosophy. The Compensation Committee engaged Pearl Meyer in early January 2007. In selecting a compensation-consulting firm, the Compensation Committee sought proposals from three compensation-consulting firms. At its December 2006 meeting, the Compensation Committee heard proposals from each of these consulting firms and, after discussing the strengths and weaknesses of each firm, decided to retain Pearl Meyer. Pearl Meyer has not previously conducted any business directly with the Company. In order to obtain insight into the Company s business model, its compensation philosophy and its historical compensation practices, Pearl Meyer met with each member of the Compensation Committee and each Executive Officer.

At the Compensation Committee s February 26, 2007 meeting, Pearl Meyer presented its analysis and recommendations, which were extensively discussed amongst the members of the Compensation Committee. In assessing overall compensation levels and practices, Pearl Meyer recommended, and the Compensation Committee concurred, that executive pay be analyzed against the following peer group: 21st Century Insurance Group; Alfa Corporation; Argonaut Group, Inc.; Bristol West Holdings, Inc.; The Commerce Group, Inc.; Erie Indemnity Company; Ohio Casualty Corporation; Philadelphia Consolidated Holding Corp.; ProAssurance Corporation; RLI Corp.; Safeco Corporation; Safety Insurance Group, Inc.; Selective Insurance Group, Inc.; State Auto Financial Corporation; United Fire & Casualty Company; and Zenith National Insurance Corp. This peer group is composed of property and casualty insurance companies with revenues between $500 million to $2 billion and without significant executive ownership, recent financial problems or significant non-insurance business operations. Although Safeco Corporation does not fall within these parameters, it was added to the peer group due to its strong market presence. Currently, the Compensation Committee is in the process of reviewing various compensation vehicles to develop a more comprehensive and integrated compensation philosophy to motivate and retain the Executive Officers in both the short and long term. As such, the Compensation Committee plans to continue developing and refining the existing compensation packages of the Executive Officers throughout 2007.

COMPENSATION COMMITTEE REPORT

The Compensation Committee is responsible for establishing the compensation for Infinity s Executive Officers and for administering Infinity s equity-based compensation plans. The Compensation Committee met three times during 2006. The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis as well as the accompanying tables with management, and based on this review and discussion has recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company s proxy statement.

Respectfully submitted,

Compensation Committee

Harold E. Layman (Chairman)

Jorge G. Castro

Gregory G. Joseph

Gregory C. Thomas

SUMMARY COMPENSATION TABLE

Name and Principal Position (a)	Year (b)	Salary ($) (c) (1)	Bonus ($) (d) (2)	Stock Awards ($) (e) (3)	Option Awards ($) (f) (4)	Non-Equity Incentive Plan Compensation ($) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (h)	All Other Compensation ($) (i)	Total ($) (j)
James R. Gober Chief Executive Officer and President	2006	$ 558,800	$ 0	$ 13,889	$ 189,648	$ 831,187(5)	$ 2,199(6)	$ 45,886(7)(8)(9)	$ 1,641,609
Roger Smith Executive Vice President and Chief Financial Officer	2006	$ 304,800	$ 5,862(10)	$ 3,472	$ 79,560	$ 213,188	$ 511(6)	$ 22,305(7)(8)(11)	$ 629,698
John R. Miner Regional President	2006	$ 352,308	$ 6,731(10)	$ 5,556	$ 103,620	$ 282,138(12)	$ 2,051(6)	$ 29,495(8)(13)	$ 781,899
Samuel J. Simon Executive Vice President, General Counsel and Secretary	2006	$ 406,400	$ 7,815(10)	$ 4,861	$ 98,808	$ 284,250	$ 359(6)	$ 20,364(8)(14)	$ 822,857
Glen N. Godwin Regional President	2006	$ 218,292	$ 4,327(10)	$ 0	$ 30,468	$ 233,150(15)(16)	$ 215(6)	$ 18,092(7)(8)(17)	$ 504,544

(1) In 2005, the Company relocated its principal offices to the present facility. Each relocated employee became subject to an additional 1% income tax imposed by Jefferson County, Alabama. To offset the effect of this additional income tax, each relocated employee, including the Messrs. Gober, Smith, Simon and Godwin, had his or her salary grossed-up to offset the effect of this additional income tax.

(2) Additional information regarding the reporting of prior year bonuses is contained under the heading Annual Performance Incentive Plan in the Compensation Discussion and Analysis section.

(3) Includes dollar amounts recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006, in accordance with SFAS 123(R) of awards under the Company s Restricted Stock Plan and thus may include awards granted in and prior to 2006. Assumptions used in the calculation of these amounts are included in Note 6, Share-Based Compensation, to the Company s audited financial statements for the fiscal year ended December 31, 2006, included in the Company s 2006 Annual Report on Form 10-K.

(4) Includes dollar amounts recognized for financial statement reporting purposes for the fiscal year ended December 31, 2006, in accordance with SFAS 123(R) of awards under the Company s 2002 Stock Option Plan and thus may include awards granted in and prior to 2006. Assumptions used in the calculation of these amounts are included in Note 6, Share-Based Compensation, to the Company s audited financial statements for the fiscal year ended December 31, 2006, included in the Company s 2006 Annual Report on Form 10-K.

(5) Includes $179,781 from a long-term incentive compensation plan (LTIP) established prior to Infinity becoming a publicly traded company.

(6) Attributable to above market rate of interest on deferred compensation.

(7) Includes automobile allowances of [$] for Mr. Gober and [$] for Mr. Godwin and automobile and homeowners insurance premiums of $4,187 for Mr. Gober, $5,886 for Mr. Smith, and $8,358 for Mr. Godwin.

(8) Includes $6,600 in matching 401(k) contributions.

(9) Includes $34,414 in supplemental executive retirement contributions.

(10) Represents discretionary profit sharing bonus made by the Company, as described in the Compensation Discussion and Analysis section.

(11) Includes $9,819 in supplemental executive retirement contributions.

(12) $99,000 is payable in 2008 and is subject to adjustment based upon favorable or unfavorable changes to 2006 accident year results

(13) Includes $22,895 in supplemental executive retirement contributions.

(14) Includes $13,764 in supplemental executive retirement contributions.

(15) Includes $26,150 from a long-term incentive compensation plan (LTIP) established prior to Infinity becoming a publicly traded company.

(16) $103,500 is payable in 2008 and is subject to adjustment based upon favorable or unfavorable changes to 2006 accident year results.

(17) Includes $2,918 in supplemental executive retirement contributions.

GRANTS OF PLAN-BASED AWARDS

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards	
		Threshold ($)	Target ($)
Name (a)	Grant Date (b)	(c)	(d)