

NATIONAL SECURITY GROUP INC
Form DEF 14A
April 05, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934

(AMENDMENT NO.)

Filed by the
Registrant ý

Filed by a Party
other than the
Registrant o
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
- under
§240.14a-12

The National Security Group, Inc.

(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):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

The filing fee of \$ _____ was calculated on the basis of the information that follows:

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth
(3) the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

- o Fee paid previously with preliminary materials.
Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
- o

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

661 East Davis Street, Elba, Alabama 36323

Notice of
Annual
Meeting of
Stockholders
May 17,
2019

To the Stockholders of The National Security Group, Inc.:

Notice is hereby given of the Annual Meeting of Stockholders of The National Security Group, Inc., a Delaware corporation (the "Company"), to be held at the principal executive offices of the Company, 661 East Davis Street, Elba, Alabama, on Friday, May 17, 2019, at 10:00 a.m. for the purpose of considering and acting upon the following:

1. The election of five (5) members to the Board of Directors to serve three-year terms, until their successors are duly elected and qualified (Proposal One);
2. To ratify selection of independent auditors (Proposal Two);
3. To approve The National Security Group, Inc.'s 2019 Equity Incentive Plan (Proposal Three);
4. To approve, on an advisory basis, the compensation of the Company's named executive officers, as disclosed in this proxy statement (Proposal Four);
5. To approve, on an advisory basis, the preferred frequency of stockholder advisory votes on executive compensation (Proposal Five);
6. The transaction of such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

The close of business on March 19, 2019, has been fixed as the record date for determination of stockholders entitled to notice of and to vote at the Annual Meeting of Stockholders. Stockholders are cordially invited to attend the Annual Meeting in person.

In addition to voting by proxy, you may use the internet to transmit your voting instructions. Online voting is available at www.proxyvote.com. Have your proxy card in hand when you access the website and follow the instructions to obtain your records and to create an electronic voting instruction form to transmit your voting instructions up until 11:59 P.M. Eastern Time on May 16, 2019. Telephone voting is available by calling 1-800-690-6903. Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time on May 16, 2019. Have your proxy card in hand when you call and then follow the instructions.

The Company's Proxy Statement is submitted herewith, together with the Annual Report for the year ended December 31, 2018, and is also available in the "Investors" section of our website at www.nationalsecuritygroup.com. You may also request a copy through www.proxyvote.com using your Control Number.

BY ORDER OF THE BOARD OF DIRECTORS

Elba, Alabama
April 5, 2019
Laura Williams Jordan
Secretary

Your Vote is Important

Whether or not you expect to attend in person, we urge you to vote your shares at your earliest convenience. This will ensure the presence of a quorum at the meeting. An addressed envelope for which no postage is required if mailed in

the United States is enclosed if you wish to vote by mail. Early submittal of your proxy will not prevent you from voting your shares in person if you desire to attend, as your proxy is revocable at your option.

Table of
Contents

Proxy Statement Voting Securities and Securities Ownership Stock Ownership of Certain Beneficial Owners Directors, Nominees and Executive Officers Proposal One: Election of Directors Proposal Two: Ratification of Company Independent Auditors Independent Registered Public Accounting Firm's Fees Proposal Three: Approve 2019 Equity Incentive Plan Proposal Four:

Advisory
Vote
Executive
Compensation
Proposal
Five:
Advisory
Vote
on
Frequency
of 11
Advisory
Approval
of
Executive
Compensation
Board
of 12
Directors
Director
Compensation 14
Selection
of 15
Directors
Board
Leadership
Structure
and 15
Risk
Oversight
Corporate
Governance 16
Meetings
and
Executive
Sessions 16
of the
Board
Committees
of the 16
Board
Independent
Directors 17
Stockholder
Communication
with 17
Directors
Certain 17
Relationships
and
Related

Transactions
Audit
Committee
Pre-Approval
Policies 17
and
Procedures
Compensation
Discussion 17
and
Analysis
Report
of 20
Compensation
Committee
Compensation
Committee
Interlocks 20
and
Insider
Participation
Audit
Committee 20
Report
Company
Performance 21
Stock
Ownership
of 22
Certain
Beneficial
Owners
Section
16(a)
Beneficial 22
Ownership
Reporting
Compliance
Stockholders' 22
Proposals
Transfer
Agent 22
and
Registrar
Annual
Reports
and 22
Financial
Statement
Other 22
Matters

Important
Notice
Regarding
Delivery²²
of
Stockholder
Documents
Incorporation
by ²³
Reference
Signature²³
Appendix
A ^{A-1}

661 East Davis Street, Elba, Alabama 36323

Proxy

Statement

For Annual

Meeting of

Stockholders

May 17,

2019

This proxy statement is furnished in connection with the solicitation of proxies by the Board of Directors of The National Security Group, Inc. (the "Company"), to be voted at the Annual Meeting of Stockholders of the Company to be held at 10:00 a.m. (Central Time) on May 17, 2019, at the Conference Center located adjacent to the principal executive offices of the Company, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders ("Annual Meeting"). Any reference to "the Group" or any use of the terms "Company," "we," "us" or "our" in the proxy statement refers to The National Security Group, Inc. This proxy statement, dated April 5, 2019, is being mailed to holders of the Company common stock on or about March 19, 2019.

At the Annual Meeting, the stockholders of the Company will vote on matters noted in the proxy. If the enclosed proxy is properly signed and returned, your shares will be voted on all matters that properly come before the Annual Meeting for a vote. If instructions are specified in your signed proxy with respect to matters being voted upon, your shares will be voted in accordance with your instructions. If no instructions are so specified, your shares will be voted "FOR" the election of the persons nominated as directors in the proxy statement, "FOR" the ratification of selection of independent auditors, "FOR" the approval of the 2019 Equity Incentive Plan, "FOR" the approval of the compensation of the Company's named executive officers as disclosed in this proxy statement and a vote of "EVERY 1 YEAR" with respect to the frequency with which stockholders of the Company shall be entitled to have an advisory vote on executive compensation. So far as is now known, there is no business to be acted upon at the Annual Meeting other than as set forth above, and it is not anticipated that other matters will be brought before the Annual Meeting. If, however, other appropriate matters are duly brought before the Annual Meeting, the persons appointed as proxy agents will have discretion to vote or act thereon according to their own judgment.

Whether or not you attend the Annual Meeting, your vote is important. Accordingly, you are asked to sign and return the accompanying proxy, regardless of the number of shares you own. Shares can be voted at the Annual Meeting only if the holder is present or represented by proxy. Shares of common stock represented by a properly executed and returned proxy will be treated as present at the Annual Meeting for purposes of determining a quorum without regard to whether the proxy is marked as casting a vote for or against or abstaining with respect to a particular matter. In addition, shares of common stock represented by "broker non-votes" (i.e., shares of common stock held in record name by brokers or nominees as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote, (ii) the broker or nominee does not have discretionary voting power or (iii) the record holder has indicated that it does not have authority to vote such shares on the matter) generally will be treated as present for the purposes of determining a quorum. The affirmative vote of the holders of a majority of the outstanding shares of common stock of the Company present in person or represented by proxy at the Annual Meeting and entitled to vote thereon is required for the election of the nominees to the Board of Directors. With respect to this matter, an abstention will have the same effect as a negative vote, but because shares held by brokers will not be considered entitled to vote on matters as to which brokers would hold authority, a broker non-vote will have no effect on the vote.

A proxy may be revoked at any time prior to its exercise (i) by filing with the Secretary of the Company either an instrument revoking the proxy or a duly executed proxy bearing a later date or (ii) by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting by itself will not revoke a proxy.

Voting Securities and Securities Ownership

The Board of Directors has fixed the close of business on March 19, 2019, as the record date for the determination of stockholders who are entitled to notice of, and to vote at the Annual Meeting and any adjournments thereof. On the record date, the Company had outstanding 2,527,136 shares of common stock, the holders of which are entitled to one vote per share. No shares of any other class of common stock are issued or outstanding. The Company has retained Broadridge Financial Solutions, Inc. to assist in the distribution of proxy materials and solicitation of votes. The Company bears all costs associated with the distribution and solicitation.

Proposal One: Directors are elected by a plurality of the votes cast at the Annual Meeting on this proposal, and the nominees

1

who receive the most votes will be elected. Your vote is important. Whether or not you expect to attend in person, we urge you to vote your shares at your earliest convenience. Early submittal of your proxy will not prevent you from voting your shares in person if you desire to attend, as your proxy is revocable at your option. Your brokerage firm or other nominee may not vote your shares with respect to Proposal One without specific instructions from you as to how to vote with respect to the election of each of the nominees for director, because election of directors is not considered a “routine” matter under the NASDAQ rules. Abstentions and broker non-votes represented by submitted proxies will not be taken into account in determining the outcome of the election of directors.

Proposal Two: To be approved, this proposal must receive an affirmative majority of the total votes cast “FOR” and “AGAINST” this proposal at the meeting. Proposal Two is considered a “routine” matter under the NASDAQ rules and, therefore, brokerage firms and nominees that are members of the NASDAQ have the authority under those rules to vote their customers' unvoted shares on Proposal Two if the customers have not furnished voting instructions within a specified period of time prior to the meeting.

Proposal Three: To be approved, this proposal must receive an affirmative majority of the shares present or represented by proxy at the Annual Meeting. If you do not give instructions on this proposal to your proxy, your shares will be voted "FOR" the approval of the 2019 Plan. Brokers may not vote on the 2019 Plan without specific instruction from the beneficial owners of the shares. Broker non-votes and abstentions will be included in the calculation of the number of shares present at the Annual Meeting and will have the same effect as a negative vote.

Proposal Four: To be approved, this proposal must receive an affirmative majority of the total votes cast "FOR" and "AGAINST" this proposal at the meeting without regard to broker non-votes or abstentions.

Proposal Five: To be approved, this proposal must receive an affirmative majority of the total votes cast "FOR" and "AGAINST" this proposal at the meeting without regard to broker non-votes or abstentions.

Stock Ownership of Certain Beneficial Owners, Directors, Nominees and Executive Officers

The following table sets forth information with respect to the holdings of: (1) directors and executive officers; and (2) all directors and executive officers as a group; and (3) shares held in the employee stock ownership plan. This information is as of the record date, except as otherwise indicated. To the best of our knowledge, each of the persons named in the table below as beneficially owning the shares set forth therein has sole voting power and sole investment power with respect to such shares, unless otherwise indicated.

Names	Number of Shares Owned ¹	Percent of Common Stock
W. L. Brunson, Jr.	445,641 ^{2, 3}	17.63 %
Winfield Baird**	121,221	4.80 %
Jack E. Brunson	118,098 ⁴	4.67 %
Fred Clark, Jr.	88,910	3.52 %
Donald S. Pittman	38,613	1.53 %
Brian R. McLeod	29,141	1.15 %
James B. Saxon**	24,038	*
Mickey L. Murdock	23,813	*
Charles B. Arnold	15,600	*
Frank B. O'Neil	15,382	*
Walter P. Wilkerson	11,273	*
Paul C. Wesch	10,457	*
L. Brunson White	10,038	*
Fleming G. Brooks	8,265	*
Elizabeth B. Crawford	4,375	*
Directors and Officers (as a group, 15 persons including persons named above)	964,865 ⁵	38.18 %
National Security Employee Stock Ownership Plan (excluding shares included above)	77,046	3.05 %
	1,041,911	41.23 %
		* Less than 1%

** Director Emeritus (non-voting member of the board)

¹For purposes of this table, an individual is considered to "beneficially own" any shares of the Company if he or she directly or indirectly has or shares (i) voting power, which includes power to vote or direct voting of the shares; or (ii) investment power, which includes the power to dispose or direct the disposition of the shares. All amounts include stock held in a spouse's name.

²Includes stock held in Brunson Properties, a partnership (W.L. Brunson Estate), W. L. Brunson, Jr., Managing Partner.

³Includes 57,713 shares held by the Jerry B. Brunson Marital Trust and the Jerry B. Brunson Family Trust. Sara B. Brunson and W. L. Brunson, Jr. co-trustees. W. L. Brunson, Jr. disclaims beneficial ownership of these shares.

⁴Includes 45,641 shares held in Jack R. Brunson Estate.

⁵Includes 36,140 units held in 401-K plan and 17,984 units held in the National Security Employee Stock Ownership Plan.

On January 18, 2013, the Board of Directors of National Security Group, Inc. adopted the recommendation of its Compensation Committee that established a stock ownership target for Independent Directors of 3,000 shares or an amount of shares equal to three years' annual Board cash compensation, whichever amount of shares is greater. The stock ownership target is intended to encourage Director ownership of National Security Group, Inc. common stock so as to further align the interests of the Independent Directors with our stockholders. Directors will obtain, then

maintain, this level of stock ownership within their first three years of Board service, or within two years from the enactment of this policy.

3

Proposal One: Election of Directors

The By-laws of the Company provide that the Board of Directors shall be divided into three classes as nearly equal in number as possible. The term of each director is three years, and the terms are staggered to provide for the election of one class of directors each year. At the Annual Meeting, our stockholders will elect five directors to hold office until the 2022 Annual Meeting and until their respective successors have been duly elected and qualified. The Board of Directors, upon the recommendation of the Nominating Committee, has nominated the following directors, to serve as directors until the 2022 Annual Meeting and until their respective successors have been duly elected and qualified:

Charles B. Arnold currently serves as an assistant controller for Church's Chicken. He served as an advisory board member of The National Security Group, Inc. prior to his election as a Director in 2017. Mr. Arnold has experience in financial reporting and project management in various industries and has worked in the public accounting field for several years before moving to industry. He is a certified public accountant.

Charles B. Arnold, 41
Financial Expert
Buford, Georgia

Term Expires 2019	NSEC Board and Board Committees	Meeting Attendance
Director since 2017	Board of Directors	4 of 4 100%
Independent	Dividend Committee	3 of 3 100%
	Audit Committee	6 of 6 100%

Frank B. O'Neil is the Senior Vice President and Chief Communications Officer of ProAssurance Corporation (NYSE: PRA) of Birmingham, Alabama. He is a member of National Investor Relations Institute and holds the Investor Relations Charter designation. He is a former member and chairman of the Board of Directors of the Alabama Insurance Planning Commission. Mr. O'Neil formerly served as Chairman of the Rating Agency Liaison Committee for the Physician Insurers Association of America, a group representing medical professional liability insurance companies. Mr. O'Neil has extensive knowledge of the insurance industry and regulation, financial reporting, investor communications, corporate governance, risk management and experience working with other public company boards.

Frank B. O'Neil, 65
Compensation Committee Chairman
Birmingham, Alabama

Term Expires 2019	NSEC Board and Board Committees	Meeting Attendance
-------------------	---------------------------------	--------------------

Director since 2004	Board of Directors	4 of 4 100%
Independent	Compensation Committee	1 of 1 100%

Donald S. Pittman
has been in the
private practice of
law since June of
1988, in
Enterprise,
Alabama. He is a
member of the
Coffee County and
State of Alabama
Bar
Associations. Mr.
Pittman has
extensive
experience with
real estate,
corporate, tax and
estate law as well
as risk
management,
financial acumen
and industry
knowledge
developed through
his tenure as a
director and prior
service as Audit
Committee
Chairman.

Donald S. Pittman, 58

Enterprise, Alabama