

STEWART INFORMATION SERVICES CORP

Form DEF 14A

March 27, 2007

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OMB APPROVAL

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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

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 Materials Pursuant to §240.14a-12

Stewart Information Services 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):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth 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.

o 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.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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**STEWART INFORMATION SERVICES CORPORATION
1980 Post Oak Boulevard
Houston, Texas 77056**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held April 27, 2007**

Notice is hereby given that Stewart Information Services Corporation, a Delaware corporation, will hold its annual meeting of stockholders on April 27, 2007, at 8:30 A.M., in the First Floor Conference Room of Three Post Oak Central, 1990 Post Oak Boulevard, Houston, Texas, for the following purposes:

- (1) To elect Stewart's directors to hold office until the next annual meeting of stockholders or until their respective successors are duly elected and qualified.
- (2) To approve an amendment and restatement of Stewart's 2005 Long-Term Incentive Plan.
- (3) To transact such other business as may properly come before the meeting or any adjournment thereof.

The holders of record of Stewart's common stock and Class B common stock at the close of business on February 27, 2007 will be entitled to vote at the meeting.

By Order of the Board of Directors,

Max Crisp
Secretary

March 27, 2007

IMPORTANT

You are cordially invited to attend the meeting in person. Even if you plan to be present, you are urged to sign, date and mail the enclosed proxy promptly. If you attend the meeting you can vote either in person or by your proxy.

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STEWART INFORMATION SERVICES CORPORATION

1980 Post Oak Boulevard
Suite 800
Houston, Texas 77056
713-625-8100

**PROXY STATEMENT
FOR ANNUAL MEETING OF STOCKHOLDERS
To Be Held April 27, 2007**

We at Stewart Information Services Corporation are furnishing this proxy statement to our stockholders in connection with the solicitation by our board of directors of proxies for the annual meeting of stockholders we are holding on Friday, April 27, 2007, at 8:30 A.M., in the First Floor Conference Room of Three Post Oak Central, 1990 Post Oak Boulevard, Houston, Texas, or for any adjournment of that meeting.

Proxies in the form enclosed, properly executed by stockholders and received in time for the meeting, will be voted as specified therein. Unless you specify otherwise, the shares represented by your proxy will be voted for the nominees listed therein. If after sending in your proxy you wish to vote in person, you may revoke the proxy at any time before it is exercised by delivering written notice to us at or prior to the meeting. We are mailing this proxy statement on or about March 27, 2007 to stockholders of record at the close of business on February 27, 2007.

At the close of business on February 27, 2007, 17,181,258 shares of our common stock and 1,050,012 shares of our Class B common stock were outstanding and entitled to vote, and only the holders of record on such date may vote at the meeting. As long as 600,000 or more shares of Class B common stock are outstanding, the common stock and Class B common stock will be voted as separate classes at each election of directors. Holders of our Class B common stock, to whom we refer as our Class B common stockholders, may convert their shares of Class B common stock on a one-for-one basis into shares of our common stock at any time.

The holders of our common stock, to whom we refer as our common stockholders, voting as a class, are entitled to elect five of our nine directors. Each common stockholder is entitled either to cast one vote per share for each of those five directors, or to vote cumulatively by casting five votes per share, which may be distributed in any manner among any number of the nominees for director. The enclosed form of proxy allows you to vote for all of the nominees listed therein, to withhold authority to vote for one or more of such nominees or to withhold authority to vote for all of such nominees. If you withhold authority to vote for four or fewer of the nominees, and if there are nominees other than management nominees for the positions to be elected by the common stockholders, then the persons named in the enclosed proxy may vote cumulatively by dividing the number of votes represented by the proxy equally among the nominees for which you did not withhold authority to vote. If there are no nominees other than management nominees for the five positions to be elected by the common stockholders, the persons named in the enclosed proxy intend to allocate the votes represented by the proxy evenly among the management nominees. If there are any additional nominees for such positions, the persons named in the enclosed proxy will vote cumulatively to elect as many as possible of the management nominees. If it is not possible to elect each of the five management nominees, the persons named in the enclosed proxy will have discretion as to which of such nominees they will elect.

Withholding of authority in the enclosed proxy will not affect the election of those directors for whom you withhold authority to vote, unless you vote in person at the meeting or by means of another proxy, because our By-Laws provide that directors are elected by a plurality of the votes cast. Under applicable Delaware law, a broker non-vote will not affect the outcome of the election of directors. We will count the shares held by each stockholder who signs and returns the enclosed form of proxy to determine the presence of a quorum at the meeting.

Our Class B common stockholders, voting as a class, are entitled to elect the remaining four of our nine directors. Each Class B common stockholder has the right to vote, in person or by proxy, the number of shares owned by him for those four directors for whose election he has a right to vote.

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The following table sets forth information as of February 27, 2007 with respect to persons we know to be the beneficial owners of more than 5% of either class of our voting shares:

| Name and Address of Beneficial Owner | Title of Class | Amount and Nature of Beneficial Ownership | Percent of Class |
|--|-----------------------|--|-------------------------|
| Malcolm S. Morris 3992 Inverness Houston, Texas 77019 | Class B Common Stock | 525,006 | 50.0 |
| Stewart Morris, Jr. #8 West Rivercrest Houston, Texas 77042 | Class B Common Stock | 525,006 | 50.0 |
| Artisan Partners Limited Partnership 875 East Wisconsin Avenue, Suite 800 Milwaukee, Wisconsin 53202 | Common Stock | 2,855,594(1) | 16.6 |
| Wachovia Corporation One Wachovia Center Charlotte, North Carolina 28288-0137 | Common Stock | 1,627,220(2) | 9.5 |
| Dimensional Fund Advisors Inc. 1299 Ocean Avenue, 11th Floor Santa Monica, California 90401 | Common Stock | 1,439,301(3) | 8.4 |
| Goldman Sachs Asset Management, L.P. 32 Old Slip Road New York, New York 10005 | Common Stock | 954,361(4) | 5.6 |
| Barclay s Global 45 Fremont Street San Francisco, California 94105 | Common Stock | 934,799(5) | 5.4 |
| Advisory Research, Inc. 180 North Stetson St., Suite 5500 Chicago, Illinois 60601 | Common Stock | 887,990(6) | 5.2 |

(1) Artisan Partners Limited Partnership reported shared dispositive power with respect to all of such shares and shared voting power with respect to 2,451,194 of such shares in its most recent report on Schedule 13G filed January 26, 2007. Artisan Partners is an investment advisor registered under Section 203 of the Investment Advisors Act of 1940. The shares reported have been acquired on behalf of discretionary clients of Artisan Partners. Persons other than Artisan Partners are entitled to receive all dividends from and proceeds from the sale of the shares.

(2) Wachovia Corporation reported shared voting power with respect to 1,100 shares, shared dispositive power with respect to 159 shares and sole voting and dispositive power with respect to the remainder of these shares in its

most recent report on Schedule 13G filed February 6, 2007.

- (3) Dimensional Fund Advisors Inc. reported sole voting and dispositive power with respect to all of such shares in its most recent report on Schedule 13G/A filed February 9, 2007. Dimensional is an investment advisor registered under Section 203 of the Investment Advisors Act of 1940 and furnishes advice to four investment companies registered under the Investment Company Act of 1940. Dimensional also serves as investment manager to certain other commingled group trusts and separate accounts. All securities reported in this schedule are owned by these investment companies, trusts and accounts. Dimensional disclaims beneficial ownership of such securities.
- (4) Goldman Sachs Asset Management, L.P. reported sole dispositive power with respect to all of such shares and sole voting power with respect to 868,013 of such shares in its most recent report on Schedule 13G/A filed January 10, 2007.

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- (5) In its group filing on Schedule 13G filed January 23, 2007, Barclays Global Investors, N.A., Barclay's Global Fund Advisors and Barclays Global Investors, Ltd., reported sole voting and dispositive power with respect to an aggregate of 934,799 shares.
- (6) Advisory Research, Inc. reported sole voting and dispositive power with respect to all of such shares in its most recent report on Schedule 13G filed February 22, 2007.

Our Class B common stockholders have entered into an agreement to maintain an equal ownership of shares of common stock and Class B common stock by Malcolm S. Morris and the estate of Carloss Morris, collectively, and by Stewart Morris, Jr. and Stewart Morris, collectively. Such agreement also provides for rights of first refusal among themselves with respect to Class B common stock in the event of the death or voluntary or involuntary disposition of Class B common stock and upon certain other specified conditions.

The following table sets forth information as of February 27, 2007 with respect to each class of our voting shares beneficially owned by our executive officers, directors and nominees for director and by all our executive officers, directors and nominees for director as a group:

| Name | Title of Class | Amount and Nature of Beneficial Ownership(1) | Percent of Class |
|---|-----------------------|---|-------------------------|
| Malcolm S. Morris | Common Stock | 129,578(2) | * |
| | Class B Common Stock | 525,006 | 50.0 |
| Stewart Morris, Jr. | Common Stock | 194,000(3) | 1.1 |
| | Class B Common Stock | 525,006 | 50.0 |
| Matthew W. Morris | Common Stock | | * |
| E. Ashley Smith | Common Stock | | * |
| Robert L. Clarke | Common Stock | 3,023 | * |
| Max Crisp | Common Stock | 41,000(4) | * |
| Nita B. Hanks | Common Stock | 6,066(5) | * |
| Paul W. Hobby | Common Stock | 5,270 | * |
| Dr. E. Douglas Hodo | Common Stock | 6,270 | * |
| Laurie C. Moore | Common Stock | 1,864 | * |
| Dr. W. Arthur Porter | Common Stock | 3,270 | * |
| All executive officers, directors and nominees for director as a group (10 persons) | Common Stock | 390,341 | 2.3 |
| | Class B Common Stock | 1,050,012 | 100.0 |

* Less than 1%.

- (1) Unless otherwise indicated, the beneficial owner has sole voting and dispositive power with respect to all shares indicated.
- (2) Includes 119,156 shares subject to stock options (see Executive Compensation Plan-Based Awards) at page 13.

- (3) Consists of 194,000 shares subject to stock options (see Executive Compensation Plan-Based Awards) at page 13.
- (4) Includes 38,000 shares subject to stock options (see Executive Compensation Plan-Based Awards) at page 13.
- (5) Includes 5,700 shares subject to stock options.

Section 16(a) Beneficial Ownership Reporting Compliance

Each of our directors and certain officers are required to report to the Securities and Exchange Commission, by a specified date, his or her transactions related to common stock or Class B common stock. Based solely on a review of the copies of reports furnished to us or written representations that no other reports were required, we believe that all filing requirements applicable to our executive officers, directors and greater than 10% beneficial owners were met during the 2006 fiscal year.

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ELECTION OF DIRECTORS

At the meeting, our stockholders will elect nine directors, constituting the entire board of directors. Our common stockholders are entitled to elect five directors, and our Class B common stockholders are entitled to elect four directors.

Common Stock Nominees

The following persons have been nominated as directors to be elected by our common stockholders. Although we do not believe that any of these nominees will become unavailable, if one or more should become unavailable before the meeting, your proxy will be voted for another nominee, or other nominees, selected by our board of directors.

| Nominee, Age and Position with Stewart | Director Since |
|---|-----------------------|
| Robert L. Clarke, 64, Director | 2004 |
| Nita B. Hanks, 53, Director | 1990 |
| Dr. E. Douglas Hodo, 72, Director | 1988 |
| Laurie C. Moore, 61, Director | 2004 |
| Dr. W. Arthur Porter, 65, Director | 1993 |

Each of the five nominees up for election by our common stockholders was elected by the common stockholders at our 2006 annual meeting of stockholders. The persons named in your proxy intend to vote the proxy for the election of each of these nominees, unless you specify otherwise.

Mr. Clarke has been a partner of the law firm of Bracewell & Giuliani LLP for more than the past five years. Mr. Clarke also serves as director and chairman of the audit committees of the boards of Eagle Materials, Inc., a NYSE-listed manufacturer of building materials, and First Investors Financial Services Group, Inc., a consumer finance company. He served as U.S. Comptroller of the Currency from December 1985 through February 1992. Prior to his election as our director, Mr. Clarke had served as our advisory director since 2003.

For more than the past five years, Ms. Hanks has been a Senior Vice President of Stewart Title Guaranty Company, our largest subsidiary. Ms. Hanks is our Director of Employee Services and brings a key perspective from our employees to our board of directors. Employee costs represents one of our largest expenses.

Dr. Hodo serves as Chairman of our Audit Committee. Dr. Hodo served as President of Houston Baptist University for more than 19 years and became President Emeritus of the University in 2006.

Ms. Moore is the President of Laurie Moore and Associates, a speaking and consulting practice. In 2003 she founded, and has since served as President of, The Institute for Luxury Home Marketing, LLC, an international membership organization targeting real estate agents who work in the upper-tier residential market. Prior to 2003, Ms. Moore co-founded and served as managing partner of REAL Trends, Inc., a publishing, communications and research company serving brokerage company owners and top management of franchise organizations in the residential real estate industry. Prior to her election as our director, Ms. Moore had served as our advisory director since 2002.

Dr. Porter currently serves as University Professor and Regents Chair of Engineering at the University of Oklahoma. From 1998 to 2006 he served as University Vice President for Technology Development and also served as Dean of the College of Engineering from 1998 to 2005. Prior to those appointments, he had served as President and Chief

Executive Officer of Houston Advanced Research Center, a nonprofit research consortium for more than five years. He also served as an Adjunct Professor of Electrical Engineering at Rice University for more than five years prior to his appointment with the University of Oklahoma. Dr. Porter is also a director of Electro Scientific Industries, Inc., in Portland, Oregon and Bookham Technologies in California.

Class B Common Stock Nominees

The following persons have been nominated as directors to be elected by our Class B common stockholders. The persons named in the Class B common stockholders proxies intend to vote the proxies for the election of the

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nominees named below, unless otherwise specified. Although we do not believe that any of these nominees will become unavailable, if one or more should become unavailable before the meeting, proxies will be voted for another nominee, or other nominees, selected by our board of directors.

| Nominee, Age and Position with Stewart | Director Since |
|--|-----------------------|
| Max Crisp, 72, Executive Vice President and Chief Financial Officer, Secretary, Treasurer and Director | 1970 |
| Paul W. Hobby, 46, Director | 1989 |
| Malcolm S. Morris, 60, Co-Chief Executive Officer and Chairman of the Board of Directors | 2000 |
| Stewart Morris, Jr., 58, Co-Chief Executive Officer, President and Director | 2000 |

Each of these nominees was elected by our Class B common stockholders at our 2006 annual meeting of stockholders.

Mr. Crisp has served as our Executive Vice President Finance, Treasurer and Secretary and as our Chief Financial Officer for more than the past five years. Mr. Crisp is also Executive Vice President and Chief Financial Officer of Stewart Title Guaranty Company and Stewart Title Company, its subsidiary.

Mr. Hobby is founding chairman of Genesis Park, L.P., a Houston-based private equity business specializing in technology and communications investments. He has served since 2004 as the CEO of Alpheus Communications, Inc., a Texas wholesale telecommunications provider, and, from 2002 to 2006, as Chairman of CapRock Services, Inc., the largest provider of satellite services to the global energy business. Mr. Hobby previously served on the boards of three publicly traded companies: Coastal Bancorp, Inc. and Aronex Pharmaceutical, Inc. from 1999 through 2001 and Amegy Bank of Texas, Inc. from 2002 through 2005. He currently serves on the boards of two other publicly traded companies: EGL, Inc., a transportation supply chain management and information services company, and NRG Energy, Inc., a nonutility power generation company.

Malcolm S. Morris has served as our Chairman of the Board and Co-Chief Executive Officer since 2000 and as our Senior Executive Vice President Assistant Chairman for more than five years prior to that time. Malcolm S. Morris has also served for more than the past five years as President and Chief Executive Officer of Stewart Title Guaranty Company and Chairman of the Board of Stewart Title Company.

Stewart Morris, Jr. has served as our President and Co-Chief Executive Officer since 2000 and as our Senior Executive Vice President Assistant President for more than five years prior to that time. Stewart Morris, Jr. has also served for more than the past five years as President and Chief Executive Officer of Stewart Title Company and Chairman of the Board of Stewart Title Guaranty Company.

Malcolm S. Morris and Stewart Morris, Jr. are cousins. Acting together they have the power to direct our management and policies. Accordingly, they may be deemed to be control persons as such term is used in regulations adopted under the Securities Exchange Act of 1934. Matthew W. Morris is the son of Malcolm S. Morris.

CORPORATE GOVERNANCE

Board of Directors

We are managed by a board of directors comprised of nine members, five of whom are elected by our common stockholders and four of whom are elected by our Class B common stockholders. A majority of the members of the board of directors are independent within the meaning of the listing standards of the New York Stock Exchange.

These directors are: Paul W. Hobby, E. Douglas Hodo, W. Arthur Porter, Robert L. Clarke and Laurie C. Moore. The board of directors has determined that none of these directors has any material relationship with us or our management that would impair the independence of their judgment in carrying out their responsibilities to us. In making this determination, the board of directors considers any transaction, or series of similar transactions, or any currently proposed transaction, or series of similar transactions, between us or any of our subsidiaries and a director

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to be material if the amount involved exceeds \$60,000, exclusive of directors' fees, in any of our last three fiscal years.

All of our directors hold office until the next annual meeting of stockholders or until their respective successors are duly elected and qualified. All of our officers hold office until the regular meeting of directors following the annual meeting of stockholders or until their respective successors are duly elected and qualified. Any action by the board of directors requires the affirmative vote of at least six members.

During 2006, the board of directors held four meetings and one retreat and executed one consent in lieu of a meeting. Each director attended each of such meetings, except that two directors did not attend one meeting each. The board of directors has an Executive Committee, an Audit Committee, a Nominating and Corporate Governance Committee and a Compensation Committee. See *Committees of the Board of Directors* below.

The board of directors has adopted the *Stewart Code of Business Conduct and Ethics, Guidelines on Corporate Governance* and a *Code of Ethics for Chief Executive Officers, Principal Financial Officers and Principal Accounting Officer*, each of which is available on our website at www.stewart.com and available in print to any stockholder who requests it. Our Guidelines on Corporate Governance and the charters of the Audit Committee, the Nominating and Corporate Governance Committee and the Compensation Committee require an annual self-evaluation of the performance of the board of directors and of such committees, including the adequacy of such guidelines and charters. The charters of the Audit Committee, the Nominating and Corporate Governance Committee and the Compensation Committee are available on our website at www.stewart.com and available in print to any stockholder who requests them.

Our Guidelines on Corporate Governance strongly encourage attendance in person by our directors at our annual meetings of stockholders. All of our incumbent directors attended our 2006 annual meeting of stockholders except for Dr. Hodo and Mr. Hobby.

Advisory Directors

In addition to the directors elected by our common stockholders and Class B common stockholders, our board of directors appoints advisory directors to supplement the experience and expertise of the elected directors. Our advisory directors receive notice of and regularly attend meetings of our board of directors and committees on which they serve as non-voting members. They provide valuable insights and advice to us and participate fully in all deliberations of our board of directors but are not included in quorum and voting determinations. Advisory directors receive the same compensation for their services as our elected directors receive.

Committees of the Board of Directors

Executive Committee. The Executive Committee may exercise all of the powers of the our directors, except those specifically reserved to the board of directors by law or resolution of the board of directors. Malcolm S. Morris, Stewart Morris, Jr. and Max Crisp serve as the members of the Executive Committee. During 2006, the Executive Committee held four meetings at which all members were present, and executed 29 consents in lieu of meetings.

Audit Committee. It is the Audit Committee's duty to (i) review with our independent auditors the scope of the annual audit, (ii) review the independent auditors' management letter and (iii) meet with our internal auditors. The Audit Committee has sole authority to appoint or replace our independent auditors. The Audit Committee operates under a written charter adopted by our board of directors, a copy of which is available on our website at www.stewart.com. The Audit Committee is comprised of Dr. E. Douglas Hodo (Chair), Robert L. Clarke and Laurie C. Moore. During 2006, the Audit Committee held nine meetings, at which all members then serving were present, except that one director did not attend one meeting. Each of the members of the Audit Committee is independent as defined under the

listing standards of the New York Stock Exchange and the Securities Exchange Act of 1934, and the board of directors has determined that Dr. Hodo is an audit committee financial expert as defined in the rules of the Securities and Exchange Commission. No member of our Audit Committee serves on the audit committees of more than three public companies. The Audit Committee has the authority to engage independent counsel and other advisers, as it determines necessary to carry out its duties.

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The Audit Committee has established procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls and auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters. Persons wishing to communicate with the Audit Committee may do so by writing in care of Chairman, Audit Committee, Stewart Information Services Corporation, 1980 Post Oak Boulevard, Suite 800, Houston, Texas 77056.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee is comprised of Dr. W. Arthur Porter (Chair), Robert L. Clarke and Laurie C. Moore, each of whom is independent as defined in the listing standards of the New York Stock Exchange. It is the Nominating and Corporate Governance Committee's duty to (i) recommend to our board of directors nominations of persons for election to our board of directors by our common stockholders, (ii) create procedures for identification of nominees, (iii) consider and recommend to the board of directors criteria for nomination to our board of directors and (iv) receive and consider nominations submitted by our stockholders.

Our Guidelines on Corporate Governance require that a majority of the nine members of our board of directors be independent as defined in the rules of the New York Stock Exchange. As described above, a majority of our current board of directors are independent under the filing standards of the New York Stock Exchange. Those Guidelines also provide that the Nominating and Corporate Governance Committee shall be guided by the following principles:

Each director should be an individual of the highest character and integrity and have an inquiring mind, experience at a strategy or policy-setting level, or otherwise possess a high level of specialized expertise, and the ability to work well with others. Special expertise or experience that will augment the board of directors expertise is particularly desirable.

Each director should have sufficient time available to devote to our affairs to carry out the responsibilities of a director and, absent special circumstances, no director should simultaneously serve on the boards of directors of more than three public companies. Directors are qualified for service on the board of directors only if they are able to make a commitment to prepare for and attend meetings of the board of directors and its committees on a regular basis.

Each independent director should be free of any significant conflict of interest that would interfere with the independence and proper performance of the responsibilities of a director.

Directors to be nominated for election by our common stockholders should not be chosen as representatives of a constituent group or organization. Each should utilize his or her unique experience and background to represent and act in the best interests of all stockholders as a group.

In recent years, vacancies occurring in our board of directors have been filled by advisory directors whose experience and expertise have contributed significantly to the deliberations of the board of directors and who meet the criteria set forth above.

Directors should have an equity ownership in us. Toward that end, each non-employee director shall be paid a portion of his or her director's fees in our common stock pursuant to our 2005 Long-Term Incentive Plan, or any successor plan, but only to the extent permitted by law and the Corporate Governance Standards of the New York Stock Exchange.

Pursuant to our By-Laws, the Nominating and Corporate Governance Committee will accept and consider nominations by stockholders of persons for election by our common stockholders to our board of directors. To be

considered for nomination at our 2008 annual meeting of stockholders, stockholder nominations must be received by us no later than February 15, 2008. Persons wishing to submit the names of candidates for consideration by the Nominating and Corporate Governance Committee may write to the Nominating and Corporate Governance Committee in care of Corporate Secretary, Stewart Information Services Corporation, 1980 Post Oak Boulevard, Suite 800, Houston, Texas 77056. Any such submission should include the candidate's name, credentials, contact information and consent to be considered as a candidate. The person proposing the candidate should include his or

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her contact information and a statement of his or her share ownership, including the number of shares and the period of time the shares have been held.

The Nominating and Corporate Governance Committee held five meetings during 2006, at which all members were present. Our Nominating and Corporate Governance Committee's charter is available on our website at www.stewart.com.

Compensation Committee. It is the duty of the Compensation Committee to approve the compensation of the executive officers. The Compensation Committee is comprised of Paul W. Hobby (Chair), Robert L. Clarke and Dr. W. Arthur Porter. During 2006, the Compensation Committee held one meeting, at which all members then serving were present, and executed one consent in lieu of a meeting.

Our board of directors has determined that each member of our Compensation Committee is independent as that term is defined in the rules of the New York Stock Exchange.

Executive Sessions of Non-Management Directors

Our non-management directors, all of whom are independent, meet at regularly scheduled executive sessions without management. Our Audit Committee's Chairman serves as the presiding director at those executive sessions. Persons wishing to communicate with our non-management directors may do so by writing in care of Chairman, Audit Committee, Stewart Information Services Corporation, 1980 Post Oak Boulevard, Suite 800, Houston, Texas 77056. Persons wishing to communicate with our other directors may do so by writing in care of Corporate Secretary, Stewart Information Services Corporation, at the same address.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

The Compensation Committee is comprised of Paul W. Hobby (Chair), Robert L. Clarke and Dr. W. Arthur Porter, each of whom is an independent director under the standards of the New York Stock Exchange. The Compensation Committee functions pursuant to its charter, which is available on our web site at www.stewart.com. Under its charter, the Compensation Committee is charged with establishing and monitoring the basic philosophy and policies governing the compensation of our executive officers and senior managers. The Committee makes recommendations to the board of directors with respect to compensation, incentive compensation plans and equity-based plans.

The Compensation Committee's specific duties and responsibilities include, but are not limited to, the following:

Review and approve our goals and objectives relevant to the compensation of the Co-Chief Executive Officers, evaluate the Co-Chief Executive Officers' performance in light of those goals and objectives, and recommend to the board of directors the Co-Chief Executive Officers' compensation levels based on this evaluation.

Administer the stock-based compensation plans that we have adopted (or may adopt).

Review and approve employment, severance and change in control agreements with our executive officers.

Review the overall compensation structure for all employees and make recommendations to the board of directors with respect to non-Chief Executive Officer compensation, incentive compensation plans and equity-based plans.

Retain in its discretion and on our behalf one or more firms that specialize in officer and director compensation to (i) compare compensation we pay to our officers and directors with comparable compensation paid by competitors, (ii) compute the value of stock options and (iii) issue a fairness letter upon completion of the firm's study.

Produce an annual report on executive compensation for inclusion in the proxy statement as the Compensation Committee Report.

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Annually review and reassess the adequacy of its charter and recommend any proposed changes to the board of directors for approval.

Annually perform an evaluation of its performance to determine whether it is functioning effectively and report its conclusions to the board of directors.

The Compensation Committee currently engages a compensation consultant in odd-numbered years to gather and present to the Committee data available publicly with respect to the compensation of executive officers serving with other title insurance companies and other financial services companies deemed comparable by the Compensation Committee. This information is supplemented by similar data developed internally by us. The Compensation Committee considers many factors, including the information on comparable compensation at other companies, in its evaluation of the fairness of our compensation program, as discussed below. For the reasons discussed below, the compensation of our Co-Chief Executive Officers has historically been set at levels below those of executives at comparable companies. The Compensation Committee consults with the Co-Chief Executive Officers for the purposes of assuring them that executive compensation programs do not distort our overall compensation structure, resulting in discontent among our Region Managers and other Associates. The Compensation Committee also works with the Co-Chief Executive Officers to structure their compensation programs and those of our other executive officers to make the compensation programs tax efficient and accommodate their estate planning.

The Compensation Committee met once in 2006, with all members participating.

Objectives of the Compensation Programs

We were founded in 1893 by the sons of Judge William H. Stewart, and have been managed by his lineal descendants since that time. At the time of our initial public offering in 1972, our capital stock was divided into two classes, with the Stewart family owning all of the outstanding shares of Class B common stock, which entitles them to elect a certain number of directors depending on the number of shares of this class that they hold. Currently, Malcolm S. Morris and Stewart Morris, Jr. own a sufficient number of shares of Class B common stock to enable them to elect four of our nine directors. Because the vote of six directors is required to take action, at least one of the four directors elected by the Morrises must vote with the directors elected by our common stockholders for our board of directors to take action.

The Compensation Committee believes that our century-long management by members of the Stewart/Morris family has created a climate of long-term stability that is attractive to the kind of Associates that we wish to hire and retain, as well as to our customers. We are managed with a view to maximizing intermediate and long-term shareholder values.

In light of the Company's history as a family-controlled company, the Compensation Committee has adopted a compensation philosophy of fairness, rather than focusing on attracting and retaining its chief executive officers. The Compensation Committee's compensation philosophy also includes maintaining Associate satisfaction and morale by assuring that the compensation of executive officers, particularly the Co-Chief Executive Officers, is not out of line with that of Region Managers and other Associates. The Compensation Committee believes that our compensation programs have in the past achieved these goals. The Compensation Committee notes that it is not uncommon for the compensation of one or more Region Managers to exceed that of the Co-Chief Executive Officers in some years.

The Compensation Committee also follows a policy, begun in 1985 when the respective fathers of the current Co-Chief Executive Officers served in such capacities, of equalizing the compensation packages of the Co-Chief Executive Officers. The Compensation Committee believes that this policy has served us well by eliminating a source

of possible friction.

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Finally, the Compensation Committee's compensation philosophy considers the cyclical nature of our business, which is strongly influenced by prevailing mortgage interest rates. Because this factor is beyond the control of the executive officers, we do not attempt to closely link year to year operating results with their compensation. The Compensation Committee nevertheless tends to focus on tangible book value along with earnings per share and accretion of stockholder value over time, among other measures, in evaluating our executive officers' performance.

Elements of In-Service Compensation

The principal elements of in-service compensation for our executive officers are salary, an annual bonus based on Stewart Title Guaranty Company's financial performance and equity awards, which have historically taken the form of 10-year stock options at an exercise price equal to the market price of our stock on the grant date. As disclosed under Summary Compensation Table , our executive officers also receive certain perquisites, which we consider reasonable in type and amounts.

The salaries of our executive officers are kept relatively stable, with the base salaries of our Co-Chief Executive Officers having increased annually by an average of 5% since 2001. Bonuses for our executive officers are calculated as a percentage of the consolidated pretax income (after deducting minority interests) of Stewart Title Guaranty Company for the fiscal year. Performance targets for earning bonuses are established by the Compensation Committee in its first meeting of each year. For example, in 2006 our Co-Chief Executive Officers were each entitled to a bonus equal to 1% of the first \$20 million of Stewart Title Guaranty Company's consolidated pretax income for 2006, 0.75% of the next \$20 million of pretax income, 0.50% of the next \$20 million of pretax income and 0.35% of pretax income over \$60 million. The Compensation Committee attempts to set performance targets that will result in an aggregate compensation package that meets its standard of fairness. We report minimum bonuses as salary, and the variable components of bonuses as non-equity incentive plan compensation, in our Summary Compensation Table. Our executive officers may receive discretionary cash bonuses from time to time upon approval by our board of directors.

Under our 2005 Long-Term Incentive Plan, which was approved by our stockholders at our 2005 annual meeting of stockholders, executive officers are eligible to receive stock options and stock appreciation rights but not stock grants or restricted shares. In February 2006, the Compensation Committee approved the award to each of our Co-Chief Executive Officers of a 10-year option to purchase 25,000 shares of our common stock at a price of \$51.91 per share, which was the market value of a share of our stock on the grant date. However, in light of the charge to pretax earnings of approximately \$1.1 million that would have been required under FAS 123(R), and the decline in the market value of our stock subsequent to the grant date, our Co-Chief Executive Officers declined their stock option awards and requested that the Compensation Committee explore the possible future use of restricted stock grants instead of stock options. We believe that stock options may not be a cost-effective incentive when they result in charges to our earnings that are greater than the perceived value of the options to the holders. Accordingly, we have recommended to the Board of Directors that the 2005 Long-Term Incentive Plan be amended so that the shares currently reserved for executive options under that plan are also available for stock awards, including awards of restricted stock. We have historically granted stock options to our executive officers at the first meeting of the Compensation Committee held each year. However, in light of our proposal to amend our 2005 Long-Term Incentive Plan to permit us to make stock and restricted stock awards, the Compensation Committee has determined to defer the grant of equity-based awards for 2007 until the stockholders of the Company have voted on the amendment. If the amendment is approved, the Compensation Committee expects to make awards of stock for 2007 to the executive officers after the annual meeting of stockholders.

As disclosed in our Summary Compensation Table under All Other Compensation , and the accompanying footnotes, we provide certain perquisites to our executive officers, including home security, tax and financial planning, country club dues, and company cars or car allowances. These perquisites have been provided for many years, and we believe

them to be reasonable as to type and amounts.

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Elements of Post-Termination Compensation and Benefits

In 1986, we entered into an agreement with each of Malcolm S. Morris, Stewart Morris, Jr. and Max Crisp. Pursuant to such agreements, as amended, the executive officer or his designee is entitled to receive, commencing upon his death or attainment of the age of 65 years, 15 annual payments in amounts that will, after payment of federal income taxes thereon, result in a net annual payment of \$66,667 to Max Crisp and \$133,333 to each of Malcolm S. Morris and Stewart Morris, Jr. For purposes of such agreements, each beneficiary is deemed to be subject to federal income taxes at the highest marginal rate applicable to individuals. Such benefits are fully vested and are forfeited only if a beneficiary's employment with us is terminated by reason of fraud, dishonesty, embezzlement or theft. Any death or income benefits provided to a beneficiary under certain insurance policies we currently maintain will reduce payments due to such beneficiary or his designee under his deferred compensation agreement. The Compensation Committee has no plans to propose any additional defined benefit plans for its executive officers.

Our executive officers are also entitled to participate in our defined contribution (401(k)) plan on the same terms as our other Associates.

We have no change of control agreements that would provide additional post-termination compensation to any of our executive officers upon a change of control of the Company.

Limitation on the deductibility of executive compensation imposed by Section 162(m) of the Internal Revenue Code has had no effect on our compensation program for executive officers because we have never exceeded those limits.

Conclusion

In summary, the Compensation Committee strives to focus on the principles of fairness, stability and correlation between the duties and compensation of our senior corporate officers and our operational managers. Compensation of executive officers who are not members of the Morris family is intended to balance the market opportunities of those individuals and the deliberate modesty of the compensation packages provided to members of the Morris family.