MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

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Please reply to: PO Box 40259
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OFFICE OF
INSURANCE COMMISSIONER

November 6, 2008

SAMUEL L. FITZPATRICK
ASSOCIATE GENERAL COUNSEL
UNITRIN, INC.
ONE EAST WACKER DRIVE
CHICAGO, IL 60601

THOMAS R. HRDLICK
FOLEY & LARDNER LLP
777 E WISCONSIN AVE
MILWAUKEE, WI 53202

Re: Form A Statement regarding the proposed acquisition of NATIONAL MERIT INSURANCE COMPANY ("Domestic Insurer") by TRINITY UNIVERSAL INSURANCE COMPANY ("Applicant")

Dear Messrs. Fitzpatrick and Hrdlick:

We received a UCAA from Unitrin Direct Insurance Company recently. Its business plan in Washington would use the Company as its direct response marketing and sales unit for the Unitrin Group.

Please provide an analysis how this Company would potentially affect Washington State business in concert with the Direct Response Group's current and future business.

We are continuing our analysis of the Form A and may have additional questions or comments resulting from our analysis. If you have any questions, please call me at 360-725-7211.

Sincerely,

Ronald J. Pastuch

RONALD J. PASTUCH, CPA
Holding Company Manager
Company Supervision Division
Fax: 360-586-2022

Cc: Jim Odiorne, CPA, JD, Deputy Insurance Commissioner
Marcia Stickler, Staff Attorney

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OFFICE OF
INSURANCE COMMISSIONER

October 15, 2008

SAMUEL L. FITZPATRICK
ASSOCIATE GENERAL COUNSEL
UNITRIN, INC.
ONE EAST WACKER DRIVE
CHICAGO, IL 60601

THOMAS R. HRDLICK
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777 E WISCONSIN AVE
MILWAUKEE, WI 53202

Re: Form A Statement regarding the proposed acquisition of NATIONAL MERIT INSURANCE COMPANY ("Domestic Insurer") by TRINITY UNIVERSAL INSURANCE COMPANY ("Applicant")

Dear Messrs. Fitzpatrick and Hrdlick:

We have performed our initial review of the above Form A Statement filed with Washington State on the Domestic Insurer.

This deficiency letter will outline the additional information required for our analysis of the proposed transaction. Please submit this information in the same order listed within this letter that will supplement that filed Form A Statement, and provide a revised table of contents or amendment to the Form A.

1. Form A – Item 2
   a. Provide a copy of the responsive letter from Texas DOI regarding the Singleton Group LLC disclaimer of control of Unitrin, Inc.
   b. Provide an update regarding the Hart Scott Rodino review by the federal DOJ and FTC.
   c. Provide a narrative how the Direct Response licensed affiliates compare and complement the Applicant and Unitrin licensed affiliates.
2. Form A – Item 3
   a. We have not received any reports from the third-party verification firm to date.
   b. Provide a listing of the proposed persons that will be assigned as director and/or officer of the Domestic Insurer.
   c. Provide an explanation why Messrs. Vie and Renwick are not included among the list of directors or officers of proposed persons.

3. Form A – Item 4
   a. Provide an explanation outlining the sources used for funding this transaction (i.e. internal sources, dividends from existing affiliates, intercompany cash transactions, etc).
4. Form A – Item 5
   a. Provide a listing of the proposed persons who will be assigned as director and/or officer of the Domestic Insurer.
   b. Though briefly mentioned, provide draft copies of proposed intercompany agreements between the Applicant's affiliates and the Domestic Insurer. These draft agreements should include but not be limited to QS reinsurance agreement with Trinity Universal and various service agreements with Unitrin Services. These draft agreements will be for review purposes only and not approved under this Form A. These draft agreements should be filed under Form D for approval after the transaction is consummated.
   c. Provide a general discussion about any integration, employment, service provider, or reorganization plans affecting the Domestic Insurer's current operations.
5. Form A – Item 8
   a. Provide a statement regarding the existing directors or officers' proposed remuneration they may receive as a result of the proposed transaction.
6. Form A – Item 9
   a. Provide a narrative on the status of any pending litigation between the Domestic Insurer, Direct Response Corporation, and any outside parties in reference to this proposed transaction.
   b. Provide a briefing on the status of JC Flowers litigation with one of Direct Response Corporation's owners.
7. Form A – Item 12
   a. Please provide the Applicant's Annual Statements for the preceding five-year period.
   b. Provide the Applicant's audited financial statements for the preceding five-year period.
   c. Provide a summary of the recent bank failures affect on the Applicant's capital and surplus or any of its affiliates licensed to do business in Washington State.
   d. Provide a list of dividend requests made by the Applicant and its affiliates to include the dates, amounts, type of dividend and regulatory status since the announcement of this proposed transaction.
   e. Provide a three-year projection of the Applicant's proforma balance sheet, income statement and cash flow statement that should include the Domestic Insurer and its affiliates' integration into the Applicant's business plan. Please include projected RBC ratios, dividends, and growth plans

during 2008, 2009 and 2010 for the Domestic Insurer, Direct Response affiliates, and the Applicant.

f. Provide policy in-force numbers of the Applicant and Unitrin affiliates, and the Domestic Insurer and Direct Response affiliates in Washington State by lines of business.
g. Provide an employee listing of the Domestic Insurer and the employees' work location.
h. Provide an executive summary letter that briefly explains about the Form A and proposed transaction. You may review other summary letters submitted with other Form A filings available on the Insurance Commissioner's website.

We noted your request for confidential treatment with respect to Schedule 3.13(e) of Annex D to Exhibit B in the Form A. Please provide the statutory provision in the Washington code that grants this confidential treatment.

We are continuing our analysis of the Form A and may have additional questions or comments resulting from our analysis. If you have any questions, please call me at 360-725-7211.

Sincerely,

Ronald J. Pastuch

RONALD J. PASTUCH, CPA
Holding Company Manager
Company Supervision Division
Fax: 360-586-2022

Cc: Jim Odiorne, CPA, JD, Deputy Insurance Commissioner
Marcia Stickler, Staff Attorney

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CLIENT/MATTER NUMBER
068003-0108

November 17, 2008

RECEIVED
NOV 18 2008
INSURANCE COMMISSIONER
COMPANY SUPERVISION

VIA FEDERAL EXPRESS

Mr. Ronald J. Pastuch, CPA
Holding Company Manager
Company Supervision Division
State of Washington
Office of Insurance Commissioner
5000 Capitol Blvd.
Tumwater, WA 98501

Re: Form A Statement regarding the proposed acquisition of NATIONAL MERIT INSURANCE COMPANY ("Domestic Insurer") by TRINITY UNIVERSAL INSURANCE COMPANY ("Applicant" or "Trinity")

Dear Mr. Pastuch:

On behalf of my client, Trinity Universal Insurance Company ("Trinity" or "Applicant"), I acknowledge receipt of your letters of October 15, 2008 and November 6, 2008, respectively, regarding the referenced acquisition and provide the following information to assist in your evaluation of Trinity's application. For your convenience, our responses are in the order of your inquiries.

1. **Form A - Item 2**

   a. **Provide a copy of the responsive letter from Texas DOI regarding the Singleton Group LLC disclaimer of control of Unitrin, Inc.**

   A disclaimer of control was not filed on behalf of the Singleton Group LLC with the Texas DOI regarding this transaction, inasmuch as the Domestic Insurer is not commercially domiciled in Texas.

   b. **Provide an update regarding the Hart Scott Rodino review by the federal DOJ and FTC.**

   The Federal Trade Commission (the "FTC") granted early termination of the waiting period under the Hart-Scott-Rodino Anti-Trust Improvements Act on September 26, 2008. A copy of the FTC's September 26 letter is enclosed as **Exhibit A** for your records.

c. Provide a narrative how the Direct Response licensed affiliates compare and complement the Applicant and Unitrin licensed affiliates.

In addition to responding to the foregoing question, this response is intended to serve as a response to the Department's query in its November 6, 2008 letter.

As stated in Trinity's Form A application, the Domestic Insurer and the other Direct Response licensed affiliates (collectively, "Direct Response") would operate as part of the Unitrin Direct business segment. Direct Response and Unitrin Direct have very similar business models. Adding Direct Response to the Unitrin Direct segment results in a combined segment with direct written premium of more than $400 million, providing potential for greater economies of scale within a business model that is already existing and well known within Unitrin Direct. Moreover, by joining the Unitrin family of companies, Direct Response gains the significant competitive and operational benefits of being part of a larger and financially stronger organization with more diversified business models and product offerings within the insurance marketplace, including a potentially higher A.M. Best rating.

The distribution methods, product offerings, service philosophies and claims administration techniques utilized by Direct Response and Unitrin Direct are similar in nature. However, there are notable aspects of each organization that are unique in these regards and thus the combination of these two direct market organizations should enhance the overall operational model for Unitrin Direct.

For example, Direct Response and Unitrin Direct both distribute products on a direct-to-consumer basis. Policies are bound via internet websites or through licensed call center agents. Both Direct Response and Unitrin Direct use various marketing techniques to attract consumers, such as: direct mail, internet portal sources, company owned websites, and affinity and employer sponsored marketing programs. However, Direct Response manages a unique program called the "Teachers Insurance Plan" which would complement and bolster Unitrin Direct's affinity program. The combined Unitrin Direct business segment would be able to market to a broad customer segment through multiple direct-to-consumer marketing channels.

Both Direct Response and Unitrin Direct offer various personal lines property and casualty products with a large emphasis on personal auto insurance. However, Direct Response also offers Umbrella (Liability) insurance and Unitrin Direct offers Homeowners insurance. The combined set of product offerings -- Auto, Homeowners, and Umbrella products -- would create a more diversified core product suite for the combined Unitrin Direct business segment than either Unitrin Direct or Direct Response currently provides.

Direct Response and Unitrin Direct also have similar service philosophies. For each organization, every contact with a customer is highly valued and it is each company's goal to exceed their respective customers' expectations. Both Direct Response and Unitrin Direct provide 800 numbers to customer service call centers to handle customer needs. In addition, Unitrin Direct also offers on-line service options for its customers. For example, if they choose, Unitrin Direct customers can make most changes to their insurance policy(ies) via the internet, an option Direct Response customers currently do not have. Unitrin Direct's on-line service capabilities should enhance Direct Response's service options and capabilities.

The general claims practices are similar between Direct Response and Unitrin Direct. For example, both entities use the same service providers for such things as glass repair, after-hours first notice of loss, salvage, and loss estimation tools. However, the claims organizations complement one another by providing a greater geographic reach than either organization currently has on their own. The size of the combined entities may also support more field staff appraisers, which should enhance service to Unitrin Direct's and Direct Response's respective customers or claimants. In addition, Unitrin Direct offers expanded business hours to customers for first notice of loss, which should also enhance the service options for Direct Response customers or claimants.

2. Form A - Item 3

a. We have not received any reports from the third-party verification firm to date.

On October 22, 2008, Owens OnLine mailed Business Character Reports to Ms. Gayle Pasero, CPCU of the Washington State Office of Insurance Commissioner (the "OIC"). Accordingly, those reports should be in-house of the OIC and under review.

b. Provide a listing of the proposed persons that will be assigned as director and/or officer of the Domestic Insurer.

As indicated in Item 5 of the Form A, the current directors of the Domestic Insurer will, at closing, resign from their director positions and will be replaced by the following individuals, biographical affidavits for whom were submitted with the Form A: David F. Bengston, John M. Boschelli, Eric J. Draut, Samuel L. Fitzpatrick, Edward J. Konar, Richard Roeske, James A. Schulte and Donald G. Southwell.

As also indicated in Item 5, no changes in executive officers are anticipated in connection with the closing of the Transaction. The current executive officers of the Domestic Insurer are as follows:

Chairman:	Mory Katz
President:	John Ammendola
Secretary:	Susan Claflin
Treasurer:	George Kowalsky
Controller:	Yvonne Mansfield
Vice Presidents:	Susan S. Claflin
	Danny A. Collins
	Steven Hancock
	George Kowalsky

Barbara A. Mahan
Frank M. Quido
Clifford Wess

c. **Provide an explanation why Messrs. Vie and Renwick are not included among the list of directors or officers of proposed persons.**

As indicated in subpart b above, Trinity does not anticipate changing the executive officers of the Domestic Insurer. The new directors for the Domestic Insurer set forth in subpart b above are the directors and one executive officer of Trinity. The directors of the Trinity subsidiaries vary by company, but generally include a selection of Trinity directors and executive officers. As Messrs. Vie and Renwick are not directors or executive officers of Trinity, they were not selected to serve on the board of the Domestic Insurer.

3. **Form A - Item 4**

a. **Provide an explanation outlining the sources used for funding this transaction (i.e. internal sources, dividends from existing affiliates, intercompany cash transactions, etc).**

Trinity sold equity securities generating cash proceeds of $11 million in the third quarter of 2008 and further sold equity securities generating cash proceeds of $343 million during the month of October, 2008. Trinity plans to use these proceeds to fund the acquisition.

4. **Form A - Item 5**

a. **Provide a listing of the proposed persons who will be assigned as director and/or officer of the Domestic Insurer.**

See response to Paragraph 2.b. above.

b. **Though briefly mentioned, provide draft copies of proposed intercompany agreements between the Applicant's affiliates and the Domestic Insurer. These draft agreements should include but not be limited to QS reinsurance agreement with Trinity Universal and various service agreements with Unitrin Services. These draft agreements will be for review purposes only and not approved under this Form A. These draft agreements should be filed under Form D for approval after the transaction is consummated.**

Specimen drafts of the quota share reinsurance agreement with Trinity Universal and the service agreements with Unitrin Services are enclosed as **Exhibits B**, **C** and **D**, respectively, for general information purposes only. Terms and conditions of such agreements filed pursuant to a Form D post-closing may differ from the specimens.

c. **Provide a general discussion about any integration, employment, service provider, or reorganization plans affecting the Domestic Insurer's current operations.**

Trinity's proposed acquisition of Direct Response would result in a combined direct to consumer business segment with direct written premium over $400 million, referred to as "Unitrin Direct", and potentially increase Direct Response's A.M. Best rating from B++ to A, which is the current rating of the Unitrin Property and Casualty Insurance Group.

Direct Response would immediately operate as part of the Unitrin Direct business segment. The plan is to focus primarily on stabilizing the business, maintaining needed human resources through the transition period, integrating systems and evaluating redundant staffing areas. After the close of the acquisition, the plan is for each functional department to initiate a 90-day post closing plan to begin the company integration process. Upon closing, the combined business segment would have over 1,000 employees operating in 10 different locations. While it is anticipated there would be staffing reductions from both the existing Unitrin Direct business segment and Direct Response, Trinity has contractually committed (pursuant to the terms and conditions of the Stock Purchase Agreement) to maintain at least 60% of Direct Response staffing levels for the 12 months that follow the closing date.

Direct Response would be added to the existing Unitrin Direct business segment. Direct Response would be managed from the Unitrin Direct Chicago, IL and Direct Response Meriden, CT offices. The Unitrin Direct business segment currently has two customer service call centers to support policyholders and Direct Response is currently supported by one of two additional call centers. The management team will evaluate the need for four service centers for the post-acquisition combined Unitrin Direct segment.

Ultimately Direct Response would be included in the Unitrin Direct business segment external reinsurance program. Currently, Unitrin Direct has three external reinsurance contracts in place: a property excess per risk program (with $0.5 million retention), a property catastrophe per occurrence program (with $2.0 million retention), and a casualty excess per occurrence program (with $1.25 million retention). All programs are reviewed annually. Unitrin Direct's 2009 programs have not been established at this point. It is anticipated that Direct Response will be included in the Unitrin Direct external reinsurance programs in 2010. In the interim, it is anticipated that Direct Response will continue to operate under Direct Response's existing external reinsurance structure.

Investment activities and other corporate services as set forth in **<u>Exhibit C</u>** would be performed by Unitrin Services Company ("Unitrin Services") in Chicago, IL following the filing and approval of a service agreement between the Direct Response entities and Unitrin Services. The servicing of policies, product offerings, claim adjusting, payments, advertising and compensation would all be managed under the Unitrin Direct business segment and subject to Unitrin, Inc. ("Unitrin") policies and procedures.

In the longer term, the objective for the combined Unitrin Direct business segment would be to compete effectively in the direct to consumer personal lines market and fully utilize the resources of a stable, publicly-traded multi-lines insurance company. The goal is to stabilize revenue and achieve profitability.

The plan of integration in the 2-3 year time period would likely include the following:

1) Continue to evaluate redundant staffing and managerial levels by department.
2) Utilize Unitrin's shared service resources to reduce costs.
3) Leverage systems resources for best-in-class solutions going forward.
4) Optimize marketing strategies, products and costs by channel in the following marketing channels and products:
    a. Broad market (direct mail)
    b. Company-owned website
    c. Internet portal sources
    d. Affinity and employer sponsored markets
    e. Auto and homeowners insurance products
5) Maintain product pricing that is consistent with risk exposures.

While the result of these actions would likely mean a smaller workforce, Trinity believes this would create a much stronger organization to compete in the market over the long term.

5. Form A - Item 8

a. Provide a statement regarding the existing directors or officers' proposed remuneration they may receive as a result of the proposed transaction.

The current directors and officers of the Domestic Insurer other than Ms. Mahan will receive payments in connection with the cancelation of the option agreements ("Option Agreements") between each such individual and Direct Response Corporation in accordance with Section 2.2(b) of the Stock Purchase Agreement. The payments will be based upon the difference between the value and the exercise price of a share of common stock of Direct Response Corporation determined in accordance with the respective Option Agreements. The amount of each such payment will be calculated by Direct Response Corporation and set forth in a schedule to be provided to Trinity no later than fifteen days prior to the closing. Ms. Mahan is not a party to an Option Agreement. Based on information from representatives of the sellers, the current directors and officers of the Domestic Insurer will receive no other remuneration as a result of the proposed transaction.

6. **Form A - Item 9**

a. **Provide a narrative on the status of any pending litigation between the Domestic Insurer, Direct Response Corporation, and any outside parties in reference to this proposed transaction.**

To Trinity's knowledge, there is no pending litigation among the Domestic Insurer, Direct Response Corporation and any outside parties with reference to the proposed transaction.

b. **Provide a briefing on the status of JC Flowers litigation with one of Direct Response Corporation's owners.**

Based on information from representatives of the sellers, discovery is proceeding in the case of Morgan Stanley Capital Partners III, L.P. et al. v. J.C. Flowers II L.P. et. al. The discovery phase of the case is expected to conclude in the first quarter of 2009.

7. **Form A - Item 12**

a. **Please provide the Applicant's Annual Statements for the preceding five-year period.**

Applicant's Annual Statements for the preceding five years are enclosed.

b. **Provide the Applicant's audited financial statements for the preceding five-year period.**

Applicant's audited financial statements for the preceding five years are enclosed.

c. **Provide a summary of the recent bank failures affect on the Applicant's capital and surplus or any of its affiliates licensed to do business in Washington State.**

Recent bank failures have had no affect on the Applicant's capital and surplus or of any of its affiliates licensed to do business in Washington State.

d. **Provide a list of dividend requests made by the Applicant and its affiliates to include the dates, amounts, type of dividend and regulatory status since the announcement of this proposed transaction.**

The following dividends were paid by the Applicant and its affiliates since September 2, 2008, the announcement date of the transaction, to their respective sole shareholders in the Unitrin affiliated group:

Company	Date Paid	Amount	Type
Trinity Universal	10/06/08	$26 Million	*
Union National Life Insurance Company	09/18/08	$6 Million	*

*The Trinity Universal dividend was an ordinary dividend paid to Unitrin, Inc. composed of 458,149 shares of Northrup Grumman Corporation Common Stock having a value of $25,999,956 and cash of $ 44.00. The Union National dividend was also an ordinary dividend paid to Unitrin, Inc. and was composed entirely of cash. The dividend payments followed any required waiting periods under applicable insurance holding company laws and regulations of Trinity Universal's and Union National's state of domicile for the payment of ordinary dividends, neither of which required prior approval.

e. **Provide a three-year projection of the Applicant's pro forma balance sheet, income statement and cash flow statement that should include the Domestic Insurer and its affiliates' integration into the Applicant's business plan. Please include projected RBC ratios, dividends, and growth plans during 2008, 2009 and 2010 for the Domestic Insurer, Direct Response affiliates, and the Applicant.**

The requested projection is included herein as **Exhibit E**.

f. **Provide policy in-force numbers of the Applicant and Unitrin affiliates, and the Domestic Insurer and Direct Response affiliates in Washington State by lines of business.**

The requested policy in-force numbers are included herein as **Exhibit F**.

g. **Provide an employee listing of the Domestic Insurer and the employees' work location.**

An employee listing and their work location is not provided, inasmuch as the Domestic Insurer has no employees.

h. **Provide an executive summary letter that briefly explains about the Form A and proposed transaction. You may review other summary letters submitted with other Form A filings available on the Insurance Commissioner's website.**

An executive summary letter explaining the Form A and proposed transaction is enclosed as **Exhibit G**.

The Department also requested that Trinity provide statutory support for its request for confidential treatment of the salary information for certain current officers and/or employees of the DRC Group that is contained within Schedule 3.13(e) of Annex D to Exhibit B of the Form A.

Trinity acknowledges that there is no express statutory requirement under Washington law mandating that the foregoing personal financial information be kept confidential by the Department should it become part of the record of the Department's proceedings. However, there is also no requirement under Washington law that such information be provided in support of a Form A application or otherwise be made a formal part of the record of these proceedings. Rather, the information at issue was simply part of a disclosure schedule underlying the Stock Purchase Agreement, and as such was only intended to ensure and document the exchange of such information between the parties to the agreement. Given the highly sensitive nature of such information to the individuals involved, and the fact that there is no statutory requirement obligating the Department to obtain and retain such information as part of the formal record of these proceedings, we ask that the Department not affirmatively require Trinity to disclose this information. In our interpretation of applicable Washington law, unless the Department affirmatively requires that such information be disclosed and provided herein it never becomes part of the record of the proceedings and thus need not be held open to public inspection under WASH. REV. CODE § 48.02.120.

We appreciate the opportunity to provide the foregoing responses.

Very truly yours,

Thomas R. Hrdlick

Enclosures

cc: Jim Odiorne, CPA, JD, Deputy Insurance Commissioner
Marcia Stickler, Staff Attorney
Samuel L. Fitzpatrick

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CLIENT/MATTER NUMBER
068003-0108

RECEIVED
NOV 18 2008
INSURANCE COMMISSIONER
COMPANY SUPERVISION

November 17, 2008

VIA OVERNIGHT DELIVERY

Washington State Office of the Insurance Commissioner
ATTN: Mr. Ronald J. Pastuch, CPA
Holding Company Manager
Company Supervision Division
Insurance 5000 Building
5000 Capitol Blvd.
Tumwater, WA 98501

Re: Form A Statement regarding the proposed acquisition of NATIONAL MERIT INSURANCE COMPANY ("Domestic Insurer") by TRINITY UNIVERSAL INSURANCE COMPANY ("Applicant" or "Trinity")

Dear Mr. Pastuch:

As requested in your letter dated October 15, 2008 (a copy of which is enclosed), this letter provides an executive summary of the Form A and proposed acquisition of the Domestic Insurer.

Introduction

Subject to required regulatory approvals, Trinity intends to acquire all of the issued and outstanding common stock of Direct Response Corporation ("DRC"), a Delaware general business corporation from the following selling shareholders (the "Transaction"): Morgan Stanley Capital Partners III, L.P., MSCP III 892 Investors, L.P., Morgan Stanley Capital Investors, L.P., DR Investors, L.P., DR Investors II, L.P., James M. Stone, The Plymouth Rock Company Incorporated, and Mory Katz (collectively, the "Selling Shareholders"). As a result of the Transaction, Trinity will acquire control of the Domestic Insurer – *i.e.*, the Domestic Insurer is an indirect wholly-owned subsidiary of DRC.

Upon completion of the Transaction, DRC will continue to indirectly own 100% of the issued and outstanding shares of stock of the Domestic Insurer, and Trinity will own 100% of the issued and outstanding shares of stock of DRC. Thus, Trinity will indirectly own and control the Domestic Insurer by virtue of its ownership of 100% of DRC's stock. Following the consummation of the Transaction, Unitrin, Inc. ("Unitrin") will be the ultimate controlling person of, and will thus indirectly control, the Domestic Insurer by virtue of its ownership and control of Trinity. Unitrin is a diversified financial services company with subsidiaries engaged in the property and casualty insurance, life and health insurance and automobile finance businesses. The only business of Unitrin is holding, directly or indirectly, the issued and outstanding common stock of its subsidiaries and marketable securities.

The Stock Purchase Agreement

The specific terms and conditions governing the Transaction are set forth in that certain Stock Purchase Agreement dated as of August 29, 2008 between Trinity, on the one hand, and the Selling Shareholders, on the other hand (the "Agreement"). The material terms are summarized as follows:

- At the closing of the Transaction, Trinity will acquire 266,460.58350 shares of common stock of DRC, representing all of the issued and outstanding stock of DRC (collectively, the "Shares"), and thereby acquire control of the Domestic Insurer.

- As consideration for the Shares, Trinity will pay to the Selling Shareholders an aggregate cash purchase price of Two Hundred Twenty Million Dollars ($220,000,000) (the "Base Price"), plus or minus, as the case may be, certain adjustments relating to (i) the after-tax appreciation/depreciation of the securities portfolio owned by DRC and its subsidiaries, and (ii) the consolidated GAAP net after-tax income or loss of DRC and its subsidiaries for the period from January 1, 2008 through the Base Date (as that term is defined in the Agreement) (collectively, and as adjusted, the "Purchase Price").

- At closing, Trinity will pay the Purchase Price to the Selling Shareholders less (i) a Fifteen Million Dollar ($15,000,000) holdback which will be deposited into an escrow account as security for the Selling Shareholders' post-closing indemnification obligations, as well as Trinity's rights under the Agreement to be compensated for potential adverse reserve development (see the next bullet point below), and (ii) the consideration required for cancellation and termination of certain individual stock option agreements and the stock options granted thereunder pursuant to DRC's 2004 Management Equity Plan.

- To the extent there is favorable or adverse development reflected in the Closing Date Reserves (as that term is defined in Annex G of the Agreement) that exceeds One Million Dollars ($1,000,000), Trinity agrees to pay the Selling Shareholders 75% of any such favorable development, and the Selling Shareholders agree to pay Trinity 75% of any such adverse development out of the escrow account, as the case may be, and in each case up to a maximum payment of Fifteen Million Dollars ($15,000,000).

- Trinity agrees to retain as employees for a period of at least twelve (12) months following the closing no less than 60% of the individuals who are employed by DRC and its subsidiaries as of the closing date.
- The Agreement contains representations and warranties by the parties, and imposes certain other pre-closing covenants and post-closing indemnification obligations on the parties, in each case that are either customary for acquisitions of this nature or otherwise suitable for this particular Transaction.
- The closing of the Transaction is subject to closing conditions that are either customary for acquisitions of this nature or otherwise suitable for this particular Transaction, including, without limitation, conditions relating to the receipt of regulatory approvals, accuracy at the closing date of representations and warranties made in the Agreement, compliance with pre-closing covenants and delivery of closing documentation.
- The closing of the Transaction will take place on a date (as agreed by the parties or determined under the Agreement) following the date on which all closing conditions have been satisfied or waived.

Nature, Source and Amount of Consideration

As mentioned above, as consideration for the Shares, Trinity will pay to the Selling Shareholders an aggregate Base Price of Two Hundred Twenty Million Dollars ($220,000,000) in cash, plus or minus, as the case may be, certain adjustments relating to (i) the after-tax appreciation/depreciation of the securities portfolio owned by DRC and its subsidiaries, and (ii) the consolidated GAAP net after-tax income or loss of DRC and its subsidiaries for the period from January 1, 2008 through the Base Date. This Purchase Price will be paid from Trinity's internal resources. Trinity does not anticipate borrowing any funds to pay the Purchase Price.

The nature and amount of the Purchase Price for the Shares was determined by arm's length negotiations between the respective parties and their financial and/or legal advisors. In determining the amount of cash to be paid for the Shares, Trinity considered the business that DRC and its subsidiaries are authorized to transact, their past and current business operations, historical and potential earnings, financial condition and prospects, assets and liabilities, and such other factors and information as Trinity considered relevant under the circumstances.

Business Operations of the Applicant and Future Plans for the Domestic Insurer

Trinity is a wholly-owned subsidiary of Unitrin and is a member of Unitrin's Property and Casualty Insurance Group (the "Group"). The Group currently consists, for A.M. Best rating purposes, of nineteen (19) property and casualty insurance companies and is ranked as the forty-second (42nd) largest property and casualty group and the twenty-second (22nd) largest automobile insurance writer in the United States when measured using 2007 net premiums written. Trinity is the lead company in the Group. For 2008, A.M. Best has assigned the Group a Financial Strength Rating ("FSR") of A (*Excellent*) and an Issuer Credit Rating of a *(Investment Grade – Strong)*, both of which are stable. Standard & Poor has assigned the Group a FSR of A and a Counterparty Credit Rating of A, both of which are on a negative watch. The Moody's Investors Service rating assigned to Trinity Universal Insurance Company consists of a FSR of A2, which is stable.

From a public reporting, branding and management standpoint Unitrin has organized its property and casualty insurance operations into four (4) distinct segments. Those segments consist of Kemper, Unitrin Specialty, Unitrin Direct and the property insurance business of Unitrin's Life and Health Insurance segment. Trinity and the subsidiaries which comprise the Kemper business segment provide personal automobile, homeowners, inland marine, boat owners, dwelling fire and personal umbrella insurance to preferred and standard risk customers. Trinity's subsidiaries which comprise the Unitrin Specialty business segment provide nonstandard personal and commercial automobile insurance. The Kemper and Unitrin Specialty products are distributed through independent insurance agents. Certain of Trinity's subsidiaries provide property products which are sold and serviced by a career agency force in the homes of customers. Such products primarily include basic fire and extended coverages. Trinity's subsidiaries which comprise the Unitrin Direct business segment write a broad spectrum of automobile insurance risks, ranging from preferred to nonstandard private passenger automobile customers and, most recently, personal homeowners, renters and condo insurance in selected markets. Such writings are primarily through direct mail, Web insurance portals, its Web site and other various forms of advertising. In addition, one subsidiary in this segment specializes in the sale of personal automobile and homeowners insurance through employer-sponsored voluntary benefit programs and affinity relationships.

Trinity intends for the Domestic Insurer to become part of the Unitrin Direct segment following the change of control of the Domestic Insurer. The Domestic Insurer is licensed in Idaho, New York, Oregon, Pennsylvania and Washington and provides automobile liability and physical damage insurance on a direct basis to consumers where it is licensed. Trinity's acquisition of the Domestic Insurer underscores Unitrin's commitment to personal lines insurance sold directly to customers. The Domestic Insurer's distribution channels will complement the Unitrin Direct segment's existing direct-to-consumer and affinity distribution channels. At present there are no plans to change the business focus of the Domestic Insurer following the change of control, nor are there any plans to change the business focus of the Kemper, Unitrin Specialty or Unitrin Direct business segments.

Except as otherwise provided herein, Trinity has no plans or proposals to declare an extraordinary dividend or make other distributions, liquidate, sell the assets of (other than such sales of assets as may be contemplated in the ordinary course of business), merge or consolidate or make any other material change in the business operations, corporate structure or management of the Domestic Insurer. In addition, Trinity and its affiliates have no plans or proposals that would have a material effect on the Domestic Insurer. Trinity contemplates that the Domestic Insurer may enter into a number of affiliated transactions with Unitrin's wholly-owned subsidiaries, including Unitrin Services Company, an Illinois general business corporation ("Unitrin Services"), following the

Closing Date. While the specifics and timing of each and every one of these various transactions have not been formulated, it is anticipated that the Domestic Insurer will enter into various service agreements with Unitrin Services and a 100% quota share reinsurance arrangement with Trinity effective as of or sometime after the closing of the Transaction. In connection with any such service or reinsurance arrangements, and any other affiliated transactions involving the Domestic Insurer as a party, once the specifics and timing of such transactions have been formulated and the parties thereto agree to proceed with such transactions, Trinity will cause the Domestic Insurer to provide formal notice to, and/or request the approval of, the Commissioner to the extent required by Washington Laws.

Trinity does not anticipate making any changes to the present executive officers of the Domestic Insurer in connection with the closing of the Transaction. Trinity has not, however, made any formal commitments of any nature to any present officers of the Domestic Insurer. Moreover, in connection with the closing of the Transaction, the current directors of the Domestic Insurer will resign from their current board positions and will be replaced by the following Unitrin/Trinity personnel: David F. Bengston, John M. Boschelli, Eric J. Draut, Samuel L. Fitzpatrick, Edward J. Konar, Richard Roeske, James A. Schulte and Donald G. Southwell. Biographical affidavits for each of the foregoing individuals were provided with the Form A.

Transaction's Effect on Competition in Washington

The proposed Transaction will not substantially lessen competition in insurance in Washington or create a monopoly therein. The only potentially overlapping lines of business between Unitrin entities and the Domestic Insurer are Other Liability, Private Passenger Auto Liability, and Private Passenger Auto Physical Damage. Based on 2007 direct written premium figures, the two groups' combined market share in Washington in these lines of business are less than 1%, 1.7%, and 1.7%, respectively (based on data from the A.M. Best State/Line Financial database version 2008.7).

If you should have any additional questions in connection with the proposed acquisition, please do not hesitate to contact me.

Very truly yours,

Thomas R. Hrdlick

Enclosure
cc: Samuel L. Fitzpatrick

FOLEY
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CLIENT/MATTER NUMBER
068003-0108

November 17, 2008

VIA FEDERAL EXPRESS

Mr. Ronald J. Pastuch, CPA
Holding Company Manager
Company Supervision Division
State of Washington
Office of Insurance Commissioner
5000 Capitol Blvd.
Tumwater, WA 98501

Re: Form A Statement regarding the proposed acquisition of NATIONAL MERIT INSURANCE COMPANY ("Domestic Insurer") by TRINITY UNIVERSAL INSURANCE COMPANY ("Applicant" or "Trinity")

Dear Mr. Pastuch:

On behalf of my client, Trinity Universal Insurance Company ("Trinity" or "Applicant"), I acknowledge receipt of your letters of October 15, 2008 and November 6, 2008, respectively, regarding the referenced acquisition and provide the following information to assist in your evaluation of Trinity's application. For your convenience, our responses are in the order of your inquiries.

1. **Form A - Item 2**

a. **Provide a copy of the responsive letter from Texas DOI regarding the Singleton Group LLC disclaimer of control of Unitrin, Inc.**

A disclaimer of control was not filed on behalf of the Singleton Group LLC with the Texas DOI regarding this transaction, inasmuch as the Domestic Insurer is not commercially domiciled in Texas.

b. **Provide an update regarding the Hart Scott Rodino review by the federal DOJ and FTC.**

The Federal Trade Commission (the "FTC") granted early termination of the waiting period under the Hart-Scott-Rodino Anti-Trust Improvements Act on September 26, 2008. A copy of the FTC's September 26 letter is enclosed as **Exhibit A** for your records.

c. **Provide a narrative how the Direct Response licensed affiliates compare and complement the Applicant and Unitrin licensed affiliates.**

In addition to responding to the foregoing question, this response is intended to serve as a response to the Department's query in its November 6, 2008 letter.

As stated in Trinity's Form A application, the Domestic Insurer and the other Direct Response licensed affiliates (collectively, "Direct Response") would operate as part of the Unitrin Direct business segment. Direct Response and Unitrin Direct have very similar business models. Adding Direct Response to the Unitrin Direct segment results in a combined segment with direct written premium of more than $400 million, providing potential for greater economies of scale within a business model that is already existing and well known within Unitrin Direct. Moreover, by joining the Unitrin family of companies, Direct Response gains the significant competitive and operational benefits of being part of a larger and financially stronger organization with more diversified business models and product offerings within the insurance marketplace, including a potentially higher A.M. Best rating.

The distribution methods, product offerings, service philosophies and claims administration techniques utilized by Direct Response and Unitrin Direct are similar in nature. However, there are notable aspects of each organization that are unique in these regards and thus the combination of these two direct market organizations should enhance the overall operational model for Unitrin Direct.

For example, Direct Response and Unitrin Direct both distribute products on a direct-to-consumer basis. Policies are bound via internet websites or through licensed call center agents. Both Direct Response and Unitrin Direct use various marketing techniques to attract consumers, such as: direct mail, internet portal sources, company owned websites, and affinity and employer sponsored marketing programs. However, Direct Response manages a unique program called the "Teachers Insurance Plan" which would complement and bolster Unitrin Direct's affinity program. The combined Unitrin Direct business segment would be able to market to a broad customer segment through multiple direct-to-consumer marketing channels.

Both Direct Response and Unitrin Direct offer various personal lines property and casualty products with a large emphasis on personal auto insurance. However, Direct Response also offers Umbrella (Liability) insurance and Unitrin Direct offers Homeowners insurance. The combined set of product offerings -- Auto, Homeowners, and Umbrella products -- would create a more diversified core product suite for the combined Unitrin Direct business segment than either Unitrin Direct or Direct Response currently provides.

Direct Response and Unitrin Direct also have similar service philosophies. For each organization, every contact with a customer is highly valued and it is each company's goal to exceed their respective customers' expectations. Both Direct Response and Unitrin Direct provide 800 numbers to customer service call centers to handle customer needs. In addition, Unitrin Direct also offers on-line service options for its customers. For example, if they choose, Unitrin Direct customers can make most changes to their insurance policy(ies) via the internet, an option Direct Response customers currently do not have. Unitrin Direct's on-line service capabilities should enhance Direct Response's service options and capabilities.

The general claims practices are similar between Direct Response and Unitrin Direct. For example, both entities use the same service providers for such things as glass repair, after-hours first notice of loss, salvage, and loss estimation tools. However, the claims organizations complement one another by providing a greater geographic reach than either organization currently has on their own. The size of the combined entities may also support more field staff appraisers, which should enhance service to Unitrin Direct's and Direct Response's respective customers or claimants. In addition, Unitrin Direct offers expanded business hours to customers for first notice of loss, which should also enhance the service options for Direct Response customers or claimants.

2. **Form A - Item 3**

a. **We have not received any reports from the third-party verification firm to date.**

On October 22, 2008, Owens OnLine mailed Business Character Reports to Ms. Gayle Pasero, CPCU of the Washington State Office of Insurance Commissioner (the "OIC"). Accordingly, those reports should be in-house of the OIC and under review.

b. **Provide a listing of the proposed persons that will be assigned as director and/or officer of the Domestic Insurer.**

As indicated in Item 5 of the Form A, the current directors of the Domestic Insurer will, at closing, resign from their director positions and will be replaced by the following individuals, biographical affidavits for whom were submitted with the Form A: David F. Bengston, John M. Boschelli, Eric J. Draut, Samuel L. Fitzpatrick, Edward J. Konar, Richard Roeske, James A. Schulte and Donald G. Southwell.

As also indicated in Item 5, no changes in executive officers are anticipated in connection with the closing of the Transaction. The current executive officers of the Domestic Insurer are as follows:

Chairman:	Mory Katz
President:	John Ammendola
Secretary:	Susan Claflin
Treasurer:	George Kowalsky
Controller:	Yvonne Mansfield
Vice Presidents:	Susan S. Claflin
	Danny A. Collins
	Steven Hancock
	George Kowalsky

Barbara A. Mahan
Frank M. Quido
Clifford Wess

c. **Provide an explanation why Messrs. Vie and Renwick are not included among the list of directors or officers of proposed persons.**

As indicated in subpart b above, Trinity does not anticipate changing the executive officers of the Domestic Insurer. The new directors for the Domestic Insurer set forth in subpart b above are the directors and one executive officer of Trinity. The directors of the Trinity subsidiaries vary by company, but generally include a selection of Trinity directors and executive officers. As Messrs. Vie and Renwick are not directors or executive officers of Trinity, they were not selected to serve on the board of the Domestic Insurer.

3. **Form A - Item 4**

a. **Provide an explanation outlining the sources used for funding this transaction (i.e. internal sources, dividends from existing affiliates, intercompany cash transactions, etc).**

Trinity sold equity securities generating cash proceeds of $11 million in the third quarter of 2008 and further sold equity securities generating cash proceeds of $343 million during the month of October, 2008. Trinity plans to use these proceeds to fund the acquisition.

4. **Form A - Item 5**

a. **Provide a listing of the proposed persons who will be assigned as director and/or officer of the Domestic Insurer.**

See response to Paragraph 2.b. above.

b. **Though briefly mentioned, provide draft copies of proposed intercompany agreements between the Applicant's affiliates and the Domestic Insurer. These draft agreements should include but not be limited to QS reinsurance agreement with Trinity Universal and various service agreements with Unitrin Services. These draft agreements will be for review purposes only and not approved under this Form A. These draft agreements should be filed under Form D for approval after the transaction is consummated.**

Specimen drafts of the quota share reinsurance agreement with Trinity Universal and the service agreements with Unitrin Services are enclosed as **Exhibits B**, **C** and **D**, respectively, for general information purposes only. Terms and conditions of such agreements filed pursuant to a Form D post-closing may differ from the specimens.

c. **Provide a general discussion about any integration, employment, service provider, or reorganization plans affecting the Domestic Insurer's current operations.**

Trinity's proposed acquisition of Direct Response would result in a combined direct to consumer business segment with direct written premium over $400 million, referred to as "Unitrin Direct", and potentially increase Direct Response's A.M. Best rating from B++ to A, which is the current rating of the Unitrin Property and Casualty Insurance Group.

Direct Response would immediately operate as part of the Unitrin Direct business segment. The plan is to focus primarily on stabilizing the business, maintaining needed human resources through the transition period, integrating systems and evaluating redundant staffing areas. After the close of the acquisition, the plan is for each functional department to initiate a 90-day post closing plan to begin the company integration process. Upon closing, the combined business segment would have over 1,000 employees operating in 10 different locations. While it is anticipated there would be staffing reductions from both the existing Unitrin Direct business segment and Direct Response, Trinity has contractually committed (pursuant to the terms and conditions of the Stock Purchase Agreement) to maintain at least 60% of Direct Response staffing levels for the 12 months that follow the closing date.

Direct Response would be added to the existing Unitrin Direct business segment. Direct Response would be managed from the Unitrin Direct Chicago, IL and Direct Response Meriden, CT offices. The Unitrin Direct business segment currently has two customer service call centers to support policyholders and Direct Response is currently supported by one of two additional call centers. The management team will evaluate the need for four service centers for the post-acquisition combined Unitrin Direct segment.

Ultimately Direct Response would be included in the Unitrin Direct business segment external reinsurance program. Currently, Unitrin Direct has three external reinsurance contracts in place: a property excess per risk program (with $0.5 million retention), a property catastrophe per occurrence program (with $2.0 million retention), and a casualty excess per occurrence program (with $1.25 million retention). All programs are reviewed annually. Unitrin Direct's 2009 programs have not been established at this point. It is anticipated that Direct Response will be included in the Unitrin Direct external reinsurance programs in 2010. In the interim, it is anticipated that Direct Response will continue to operate under Direct Response's existing external reinsurance structure.

Investment activities and other corporate services as set forth in **Exhibit C** would be performed by Unitrin Services Company ("Unitrin Services") in Chicago, IL following the filing and approval of a service agreement between the Direct Response entities and Unitrin Services. The servicing of policies, product offerings, claim adjusting, payments, advertising and compensation would all be managed under the Unitrin Direct business segment and subject to Unitrin, Inc. ("Unitrin") policies and procedures.

In the longer term, the objective for the combined Unitrin Direct business segment would be to compete effectively in the direct to consumer personal lines market and fully utilize the resources of a stable, publicly-traded multi-lines insurance company. The goal is to stabilize revenue and achieve profitability.

The plan of integration in the 2-3 year time period would likely include the following:

1) Continue to evaluate redundant staffing and managerial levels by department.
2) Utilize Unitrin's shared service resources to reduce costs.
3) Leverage systems resources for best-in-class solutions going forward.
4) Optimize marketing strategies, products and costs by channel in the following marketing channels and products:
    a. Broad market (direct mail)
    b. Company-owned website
    c. Internet portal sources
    d. Affinity and employer sponsored markets
    e. Auto and homeowners insurance products
5) Maintain product pricing that is consistent with risk exposures.

While the result of these actions would likely mean a smaller workforce, Trinity believes this would create a much stronger organization to compete in the market over the long term.

5. Form A - Item 8

a. Provide a statement regarding the existing directors or officers' proposed remuneration they may receive as a result of the proposed transaction.

The current directors and officers of the Domestic Insurer other than Ms. Mahan will receive payments in connection with the cancelation of the option agreements ("Option Agreements") between each such individual and Direct Response Corporation in accordance with Section 2.2(b) of the Stock Purchase Agreement. The payments will be based upon the difference between the value and the exercise price of a share of common stock of Direct Response Corporation determined in accordance with the respective Option Agreements. The amount of each such payment will be calculated by Direct Response Corporation and set forth in a schedule to be provided to Trinity no later than fifteen days prior to the closing. Ms. Mahan is not a party to an Option Agreement. Based on information from representatives of the sellers, the current directors and officers of the Domestic Insurer will receive no other remuneration as a result of the proposed transaction.

6. **Form A - Item 9**

a. **Provide a narrative on the status of any pending litigation between the Domestic Insurer, Direct Response Corporation, and any outside parties in reference to this proposed transaction.**

To Trinity's knowledge, there is no pending litigation among the Domestic Insurer, Direct Response Corporation and any outside parties with reference to the proposed transaction.

b. **Provide a briefing on the status of JC Flowers litigation with one of Direct Response Corporation's owners.**

Based on information from representatives of the sellers, discovery is proceeding in the case of Morgan Stanley Capital Partners III, L.P. et al. v. J.C. Flowers II L.P. et. al. The discovery phase of the case is expected to conclude in the first quarter of 2009.

7. **Form A - Item 12**

a. **Please provide the Applicant's Annual Statements for the preceding five-year period.**

Applicant's Annual Statements for the preceding five years are enclosed.

b. **Provide the Applicant's audited financial statements for the preceding five-year period.**

Applicant's audited financial statements for the preceding five years are enclosed.

c. **Provide a summary of the recent bank failures affect on the Applicant's capital and surplus or any of its affiliates licensed to do business in Washington State.**

Recent bank failures have had no affect on the Applicant's capital and surplus or of any of its affiliates licensed to do business in Washington State.

d. **Provide a list of dividend requests made by the Applicant and its affiliates to include the dates, amounts, type of dividend and regulatory status since the announcement of this proposed transaction.**

The following dividends were paid by the Applicant and its affiliates since September 2, 2008, the announcement date of the transaction, to their respective sole shareholders in the Unitrin affiliated group:

Company	Date Paid	Amount	Type
Trinity Universal	10/06/08	$26 Million	*
Union National Life Insurance Company	09/18/08	$6 Million	*

*The Trinity Universal dividend was an ordinary dividend paid to Unitrin, Inc. composed of 458,149 shares of Northrup Grumman Corporation Common Stock having a value of $25,999,956 and cash of $ 44.00. The Union National dividend was also an ordinary dividend paid to Unitrin, Inc. and was composed entirely of cash. The dividend payments followed any required waiting periods under applicable insurance holding company laws and regulations of Trinity Universal's and Union National's state of domicile for the payment of ordinary dividends, neither of which required prior approval.

e. **Provide a three-year projection of the Applicant's pro forma balance sheet, income statement and cash flow statement that should include the Domestic Insurer and its affiliates' integration into the Applicant's business plan. Please include projected RBC ratios, dividends, and growth plans during 2008, 2009 and 2010 for the Domestic Insurer, Direct Response affiliates, and the Applicant.**

The requested projection is included herein as Exhibit E.

f. **Provide policy in-force numbers of the Applicant and Unitrin affiliates, and the Domestic Insurer and Direct Response affiliates in Washington State by lines of business.**

The requested policy in-force numbers are included herein as Exhibit F.

g. **Provide an employee listing of the Domestic Insurer and the employees' work location.**

An employee listing and their work location is not provided, inasmuch as the Domestic Insurer has no employees.

h. **Provide an executive summary letter that briefly explains about the Form A and proposed transaction. You may review other summary letters submitted with other Form A filings available on the Insurance Commissioner's website.**

An executive summary letter explaining the Form A and proposed transaction is enclosed as Exhibit G.

The Department also requested that Trinity provide statutory support for its request for confidential treatment of the salary information for certain current officers and/or employees of the DRC Group that is contained within Schedule 3.13(e) of Annex D to Exhibit B of the Form A.

Trinity acknowledges that there is no express statutory requirement under Washington law mandating that the foregoing personal financial information be kept confidential by the Department should it become part of the record of the Department's proceedings. However, there is also no requirement under Washington law that such information be provided in support of a Form A application or otherwise be made a formal part of the record of these proceedings. Rather, the information at issue was simply part of a disclosure schedule underlying the Stock Purchase Agreement, and as such was only intended to ensure and document the exchange of such information between the parties to the agreement. Given the highly sensitive nature of such information to the individuals involved, and the fact that there is no statutory requirement obligating the Department to obtain and retain such information as part of the formal record of these proceedings, we ask that the Department not affirmatively require Trinity to disclose this information. In our interpretation of applicable Washington law, unless the Department affirmatively requires that such information be disclosed and provided herein it never becomes part of the record of the proceedings and thus need not be held open to public inspection under WASH. REV. CODE § 48.02.120.

We appreciate the opportunity to provide the foregoing responses.

Very truly yours,

Thomas R. Hrdlick

Enclosures

cc: Jim Odiorne, CPA, JD, Deputy Insurance Commissioner
Marcia Stickler, Staff Attorney
Samuel L. Fitzpatrick

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
Washington, D.C. 20580

Bureau of Competition
Premerger Notification Office

September 26, 2008

Gregory E Neppl, Esq.
Foley & Lardner LLP
3000 K Street, NW Suite 500
Washington, DC 20007-5109 USA

Re: EARLY TERMINATION GRANTED
Transaction Identification Number 20081784
Unitrin, Inc. / Direct Response Corporation

Dear Mr. Neppl :

The request for early termination of the waiting period is granted effective September 26, 2008 10:12 AM with respect to the proposed acquisition by Unitrin, Inc. of certain voting securities of Direct Response Corporation. Early termination of the waiting period is provided by Section 7A(b)(2) of the Clayton Act and Sections 803.10(b) and 803.11(c) of the Premerger Notification Rules.

Notice of this termination will be published in the Federal Register in accordance with Section 7a(b)(2) of the Clayton Act and Section 803.11(c) of the Premerger Notification Rules and on the Federal Trade Commission's internet site [http://www.ftc.gov/bc/earlyterm/index.html].

If you have any questions concerning this matter, please contact me at 202-326-3589.

Sincerely,

Renee A. Hallman
Contact Representative
Premerger Notification Office
Bureau of Competition

SPECIMEN

100% QUOTA SHARE REINSURANCE AGREEMENT

This 100% Quota Share Reinsurance Agreement (the "Agreement") is made and entered into by and between ______________________________________, a __________ insurance company ("Company"), and TRINITY UNIVERSAL INSURANCE COMPANY, a Texas insurance company ("TRINITY").

WHEREAS, the Company and TRINITY desire to enter into a 100% Quota Share Reinsurance Agreement effective the later of _________, 200_ or the date the approvals of such Agreement are secured from both the _________ and Texas Insurance Departments (the "Effective Date"), and

WHEREAS, the Agreement would allow the Company to enjoy the Unitrin, Inc. Property and Casualty Group rating assigned by A.M. Best.

NOW THEREFORE, for and in consideration of the foregoing premises and the mutual covenants and agreements hereinafter set forth, it is agreed by TRINITY and the Company as follows:

ARTICLE I

BUSINESS REINSURED

A. The Company hereby cedes, and TRINITY hereby assumes, a 100% quota share participation in the Ultimate Net Loss (as hereinafter defined) of the Company in respect of (i) all losses incurred prior to the Effective Date under policies, binders, contracts, certificates, agreements or renewals of insurance and reinsurance issued or entered into by the Company (the Company's coverage of such losses sometimes hereinafter referred to as the "Existing Business"), and (ii) all losses incurred on or after the Effective Date under policies, binders, contracts, certificates, agreements or renewals of insurance and reinsurance issued or entered into by the Company (the Company's coverage of such losses sometimes hereinafter referred to as the "New Business"). Reinsured policies and contracts, whether part of the Existing Business, the New Business or both, are hereinafter referred to collectively as the "Policies."

B. "Ultimate Net Loss" shall be that portion of the Company's gross liability on the Policies paid or to be paid after the Effective Date in settlement of losses for which the Company is liable in accordance with Section I.C. below after making deductions for all recoveries for salvage and subrogation received or to be received after the Effective Date, and shall include payments for loss adjustment expenses.

C. TRINITY's liability under this Agreement shall be subject in all respects (a) to the same terms, conditions and waivers, and to the same modifications, alterations and cancellations as the Policies; and (b) to the Company's liability in respect of the Policies, whether or not incurred within the terms of such Policies. TRINITY's liability in respect of reinsured Policies incepting on or after the Effective Date of this Agreement shall commence simultaneously and automatically with the liability of the Company. The Company's and TRINITY's liability on the business reinsured hereunder shall terminate simultaneously.

D. The reserves ceded by the Company to TRINITY shall be based upon the gross reserves established by the Company for the business reinsured hereunder in accordance with statutory accounting practices, making adequate provision for losses reported and outstanding, losses incurred but not reported, allocated and unallocated loss expenses and unearned premiums. TRINITY shall establish insurance reserves for the Policies assumed hereunder equal to those required of the Company on such Policies.

ARTICLE II

DURATION OF AGREEMENT

A. The Effective Date of this Agreement shall be the later of _________, 200_ or the date approvals of this Agreement are secured from both the ______________________ and Texas Departments of Insurance.

B. This Agreement shall continue in force until terminated by either party by written notice given to the other party twelve (12) months in advance of the termination date. If this Agreement is terminated, the reinsurance hereunder shall continue to apply to claims incurred under reinsured Policies cancelled or non-renewed prior to the termination of this Agreement and incurred under the Policies in force at the time and date of termination until expiration or cancellation of all of the Policies and incurred under Policies that must be issued or renewed as a matter of state law or regulation, until the expiration date of such Policies. The parties hereto expressly covenant and agree that, in the event of termination of this Agreement, they will cooperate with each other in the handling of all such run-off insurance business until all Policies reinsured hereunder have expired or have been cancelled or non-renewed. All costs and expenses associated with handling of such run-off business shall be borne solely by TRINITY.

C. Unless terminated by means of the foregoing paragraph, this Agreement shall continue in force for so long as the Company shall remain liable on the Policies.

ARTICLE III

CONSIDERATION

A. As premium for the reinsurance of the Policies provided under this Agreement, TRINITY shall be entitled to receive: (i) with respect to Existing Business, cash or securities acceptable to TRINITY equal to the gross reserves assumed by TRINITY on the Existing Business, subject to adjustment of unearned premium reserves for cancellations occurring subsequent to the Effective Date, less a holdback equal to the uncollected recoveries from Third Party Reinsurance (as hereinafter defined) and uncollected premium receivables on the Existing Business (the "Existing Business Holdback") and (ii) with respect to New Business, the full net premiums on the Policies written on or after the Effective Date ("net premiums" being defined as gross premiums, installment fees and policy fees charged minus return premiums on cancellations or other returns. TRINITY shall be entitled to all subrogation, salvage and other recoveries and all premiums collected on the Policies hereunder, including the Existing Business Holdback, whenever realized.

B. Notwithstanding the foregoing, the Company shall have no obligation to TRINITY for uncollected or uncollectible premium, whether uncollected from the original policyholder or any other party. If the Company is bound on any Policy for which all or any premium is uncollected, TRINITY shall be liable to the Company for losses, if any, arising thereunder in accordance with all other terms of this Agreement.

C. TRINITY is authorized to collect premiums directly from policyholders of the Company and to deposit such premium funds in one or more of TRINITY'S depository bank accounts. The Company and TRINITY agree to maintain accounting and operational records and books in adequate detail so as to identify the specific insurance policies and policyholders of the Company with respect to which such funds are deposited in a TRINITY bank account. TRINITY shall remit the Company's proportionate share of such premium deposits in accordance with Paragraph A of Article V of this Agreement.

ARTICLE IV

PREMIUM TAXES, ASSESSMENTS AND OTHER REINSURANCE

A. TRINITY shall reimburse the Company for its proportionate share of (1) all premium taxes on the Policies and on policy fees, if any; and (2) fees and assessments levied against the Company by any state insurance guaranty or insolvency pool, guaranty fund, assigned risk plan, board or bureau, joint underwriting association, FAIR plan and similar plans.

B. The Company shall return to TRINITY any amount of premium taxes or other fees and assessments refunded to or credited to the Company for Policies reinsured under this Agreement.

C. TRINITY shall be entitled to all proceeds from all reinsurance, other than this Agreement, inuring to the benefit of the Company ("Third Party Reinsurance") when and if received by the Company.

D. Notwithstanding the foregoing, the Company shall have no obligation to TRINITY for any uncollected or uncollectible reinsurance recovery from Third Party Reinsurance.

E. TRINITY hereby assumes 100% of the Company's liability for premiums due to other parties for Third Party Reinsurance and further agrees to pay such amounts from TRINITY's own funds to such parties when due. In consideration of TRINITY's assumption of the Company's liability for premiums due to other parties for Third Party Reinsurance, the Company shall pay to TRINITY cash equal to the amount of such liability computed as of the Effective Date of this Agreement.

ARTICLE V

ADMINISTRATION, LOSSES AND SETTLEMENTS

A. Subject to the additional terms and conditions of the Service Schedule attached hereto (Schedule V.A.), from and after the Effective Date, TRINITY, on behalf of the Company and in the Company's name, shall be responsible for the administration of all aspects of the Policies, subject to the general supervision of the Company's Board of Directors, including, but not limited to, handling of all regulatory filings; underwriting, accepting risks and issuing the Policies; billing and collecting all premiums; paying all agents' and brokers' commissions; defending, adjusting, settling and paying all claims arising under the Policies; reporting to the Company; compiling statistical data necessary for the Company to comply with all financial reporting and regulatory reporting requirements; and providing such other services as are required by the Service Schedule.

B. The Company will use its best efforts to forward promptly to TRINITY any notices, correspondence or communications received by the Company with regard to the Policies. TRINITY shall assume the defense of the Company in any actions with regard to the Policies, subject to the terms of Article VIII below.

ARTICLE VI

REPORTS

TRINITY shall furnish the Company such information and details in a format and time frame as may be necessary for the Company to prepare its financial statements and to comply with the requirements of the regulatory authorities having jurisdiction over the Company.

ARTICLE VII

RECORDS AND INSPECTION

All records pertaining to the Policies, including claims arising under the Policies, shall be deemed to be jointly owned records of the Company and TRINITY, and shall be made available to the Company and TRINITY or its representatives or any duly appointed examiner for any State within the United States. Each party shall have the right at any reasonable time to inspect, through its duly authorized representatives, and make copies of all books, records, and papers pertaining to any matter under this Agreement or any claims or losses incurred under the Policies.

ARTICLE VIII

DEFENSE AND INDEMNIFICATION

TRINITY shall assume the defense of the Company in any actions arising out of producing, underwriting, servicing or performing any other function concerning the Policies, in any actions arising out of defending, adjusting, settling or paying claims arising under the Policies and in any other civil or governmental actions against the Company in respect of the

Policies. TRINITY shall keep the Company fully informed of the progress of all litigation handled by TRINITY in which the Company is a named party. The Company shall have the right but not the duty to associate, at its sole expense, in the defense of any action in which it is a named party. TRINITY shall indemnify the Company against, and hold it harmless from, all costs, expenses, and attorneys fees incurred in connection with such defense or in connection in any way with the Policies, including, but not limited to, any disputes with brokers and agents, and all damages, settlements, judgments, awards, fines or penalties of any kind whatsoever agreed to or assessed against the Company in connection therewith, including, without limitation, punitive or exemplary damages or other "extra-contractual" losses or any damages, settlements, judgments, awards, fines or penalties of any kind whatsoever, except to the extent such action, damage, settlement, judgment, award, fine or penalty is a result of any negligent or fraudulent and/or criminal act by an employee, officer or director of the Company acting on behalf of the Company individually or collectively or in collusion with any individual or corporation or any other organization or party.

ARTICLE IX

COOPERATION

The Company agrees to cooperate fully with TRINITY with respect to claims or other disputes arising out of or in connection with the Policies, including, but not limited to, making its employees and agents, if still associated with the Company, available to testify in court or elsewhere, and providing relevant information to regulatory authorities.

ARTICLE X

OFFSET CLAUSE

Each party hereto shall have, and may exercise at any time and from time to time, the right to offset any balance or balances, whether on account of premiums or on account of losses or otherwise, due from such party to the other party hereto under this Agreement or under any other reinsurance agreement heretofore or hereafter entered into by and between them, and may offset the same against any balance or balances due to the former from the latter under the same or any other reinsurance agreement between them; and the party asserting the right of offset shall have and may exercise such right whether the balance or balances due or to become due to such party from the other are on account of premiums or on account of losses or otherwise and regardless of the capacity, whether as assuming insurer or as ceding insurer, in which each party acted under the agreement or, if more than one, the different agreements involved, provided, however, that, in the event of the insolvency of a party hereto, offsets shall only be allowed in accordance with the provisions of applicable law.

ARTICLE XI

INSOLVENCY

In the event of the insolvency of the Company, this reinsurance shall be payable directly to the Company, or to its receiver, on the basis of the liability of the Company without diminution because of the insolvency of the Company or because the receiver of the Company has failed to pay all or a portion of any claim. It is agreed, however, that the receiver of the Company shall give written notice to TRINITY of the pendency of a claim against the Company, indicating the Policy reinsured, which claim would involve a possible liability on the part of TRINITY within a reasonable time after such claim is filed in the conservation or liquidation proceeding or in the receivership, and that during the pendency of such claim, TRINITY may investigate and interpose, at its own expense, in the proceeding where such claim is to be adjudicated any defense or defenses that it may deem available to the Company or its receiver. The expense thus incurred by TRINITY shall be chargeable subject to the approval of the court against the Company as part of the expense of conservation or liquidation to the extent of a pro-rata share of the benefit which may accrue to the Company solely as a result of the defense undertaken by TRINITY. As used in this Article, the word "receiver" means liquidator, receiver, conservator or statutory successor.

ARTICLE XII

CREDIT FOR REINSURANCE

A. TRINITY agrees that so long as this Agreement shall be in force, it will have statutory capital and surplus (consisting of cash and securities valued as determined under NAIC Valuation Standards) of not less than the amount necessary to comply with the law of all applicable jurisdictions regarding minimum capital and surplus of an insurance company writing the Policies.

B. TRINITY agrees to maintain reserves consistent with the laws of any jurisdiction having regulatory authority with respect to the Policies.

C. TRINITY agrees, at its own expense, to take all steps necessary to ensure that the Company obtains full financial statement credit in all applicable jurisdictions for the Policies ceded hereunder, including the posting of letters of credit and other acceptable securities, if required.

ARTICLE XIII

ERRORS AND OMISSIONS

Inadvertent delays, errors, or omissions made in connection with this Agreement or any transactions hereunder, whether in respect to cessions, or claims, or otherwise, shall not invalidate this Agreement and shall not relieve either party from any liability under this Agreement which would have attached had such delay, error, or omission not occurred, provided always that such error or omission be rectified as soon as possible after discovery.

ARTICLE XIV

ARBITRATION

A. Any dispute arising out of this Agreement shall be submitted to the decision of a board of arbitration composed of two arbitrators and an umpire, meeting in Dallas, Texas, unless otherwise agreed. The laws of the State of Texas shall govern the interpretation and application of this Agreement and the enforcement of the arbitration award.

B. The members of the board of arbitration shall be active or retired disinterested officials of insurance or reinsurance companies, other than the parties or their affiliates. Each party shall appoint its arbitrator, and the two arbitrators shall choose an umpire before instituting the hearing. If the respondent fails to appoint its arbitrator within twenty (20) days after being requested to do so by the claimant, the latter shall also appoint the second arbitrator within ten (10) days after the expiration of the twenty (20) days for respondent to appoint its arbitrator. If the two arbitrators fail to agree upon the appointment of an umpire at the end of twenty (20) days following the last date of the appointment of the arbitrators, each of them shall name three candidates within ten (10) days, of whom the other shall decline two within ten (10) days after the three are named and the decision shall be made of the remaining two by drawing lots within five (5) days after the last declination of a candidate.

C. The claimant shall submit its initial statement within twenty (20) days from appointment of the umpire. The respondent shall submit its statement within twenty (20) days after receipt of the claimant's statement, and the claimant may submit a reply statement within ten (10) days after receipt of the respondent's statement. No other statement shall be submitted by either party.

D. The board shall consider this Agreement an honorable engagement rather than merely a legal obligation and shall make its decision with regard to the custom and usage of the insurance and reinsurance business. The board shall have injunctive powers, including but not limited to the power to cause a party to deposit any monies in dispute into an interest-bearing escrow account. The board shall issue its decision in writing upon evidence introduced at a hearing or by other means of submitting evidence in which strict rules of evidence need not be followed, but in which cross examination and rebuttal shall be allowed if requested. Any hearing shall commence within thirty (30) days of claimant's reply statement, or of respondent's statement if claimant does not submit a reply statement. The board shall make its decision within forty-five (45) days following the termination of the hearing unless the parties consent to an extension. The majority decision of the board shall be final and binding upon all parties to the proceeding. As soon as practical after the board renders an award, judgment shall be entered upon the award of the board in any court having jurisdiction thereof. Post-award interest shall accrue on any award from the time the board renders the award until the award is paid in full. The amount of post-award interest shall be the amount specified under Texas law. The board shall have the authority to award pre-award interest, attorneys' fees and any interim relief the board may deem appropriate.

E. Each party shall bear the expense of its own arbitrator and shall jointly and equally bear with the other party the expense of the umpire. The remaining costs of the arbitration proceedings shall be allocated by the board.

F. In the event of subsequent actions or proceedings to enforce any rights hereunder, the prevailing party shall be entitled to recover its reasonable attorneys fees.

ARTICLE XV

NOTICES

A. Any notice or other communication required or permitted under this Agreement shall be in writing and shall be (i) personally delivered; (ii) sent by telecopy, facsimile transmission or other electronic means; or (iii) sent by certified, registered or express mail, return receipt requested and postage prepaid, or by private overnight mail courier service. The respective addresses to be used for all such notices or other communications are as follows:

1. if to the Company to:

    ____
    [Current address]
    Attention: President
    with copy to: Treasurer of Company

2. if to TRINITY to:

    Trinity Universal Insurance Company
    [Current address]
    Attention: President
    with copy to: Treasurer of TRINITY

If personally delivered, such communication shall be deemed delivered upon actual receipt; if electronically transmitted, such communication shall be deemed delivered the next business day after transmission (and the sender shall bear the burden of proof of delivery); if sent by overnight courier, such communication shall be deemed delivered upon receipt; and if sent by U.S. mail, such communication shall be deemed delivered as of the date of delivery indicated on the receipt issued by the relevant postal service, or, if the addressee fails or refuses to accept delivery, as of the date of such failure or refusal.

B. By notice given in accordance with this Article to the other party, any party may designate another address or person for receipt of notice hereunder.

ARTICLE XVI

MISCELLANEOUS

A. This Agreement and any exhibits, schedules and appendices attached hereto together constitute the entire agreement between the parties with respect to the business reinsured hereunder, and there are no understandings between the parties other than as expressed in this Agreement. Any changes or modifications to this Agreement shall be null and void unless made by amendment to the Agreement signed by both parties. Any such amendment shall not become effective unless and until any required insurance regulatory approvals have been obtained.

B. This Agreement shall be construed and interpreted according to the internal laws of the State of Texas, excluding any choice of law rules that may direct the application of the laws of another jurisdiction.

C. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

D. This Agreement shall inure to the benefit of the parties and be binding upon their successors and assigns.

E. All exhibits, schedules and appendices are incorporated by reference into this Agreement as if they were set forth at length in the text of this Agreement.

F. The headings in this Agreement are inserted for convenience only and shall not constitute a part hereof.

G. If any part of this Agreement is contrary to, prohibited by, or deemed invalid under applicable law or regulations, that provision shall not apply and shall be omitted to the extent so contrary, prohibited or invalid; but the remainder of this Agreement shall not be invalidated and shall be given full force and effect insofar as possible.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be duly executed by their respective corporate officers on the _____ day of __________________, 200_.

Attest:	______________________________ INSURANCE COMPANY
______________________________ Assistant Secretary	By: ______________________
	Title: ______________________
Attest:	TRINITY UNIVERSAL INSURANCE COMPANY
______________________________ Assistant Secretary	By: ______________________
	Title: ______________________

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SCHEDULE V.A.

Service Schedule

TRINITY shall administer the business of the Company ceded to TRINITY in accordance with this Schedule and subject to the general supervision of the Company's Board of Directors.

A. Marketing. TRINITY shall have the authority to appoint and terminate producers on behalf of the Company for the production of new Policies, to develop marketing plans and advertising material, to negotiate commission levels and other terms and conditions of producer contracts and administer the operation of the Company's marketing programs. TRINITY shall provide policy owner servicing for Policies on behalf of the Company.

B. Underwriting Authority. Subject to the limitations and conditions herein, TRINITY shall have authority to issue, amend by endorsement and cancel contracts of insurance and reinsurance; to accept and decline risks with full underwriting authority; to collect premiums; to reject, adjust, compromise and pay losses; to negotiate, subject to the Company's acceptance, reinsurance agreements with reputable reinsurers ceding all or part of the liability under policies written for the Company hereunder; to collect commissions due to the Company for reinsurance ceded in connection with policies written hereunder; to recover from reinsurers return premiums, losses and expenses; to pay return premiums and reinsurance premiums; to pay for surveys; to pay all taxes and fees imposed by authorities; and generally to do everything necessary for the administration of the insurance business conducted pursuant to the Agreement.

C. Losses, Claim Expenses, Attorney Appointments and Loss Reporting.

1. TRINITY shall on behalf of the Company and in satisfaction of TRINITY's obligations as reinsurer receive, supervise the adjustment of, settle and compromise and pay all claims for losses under the Policies, and shall pay all survey, investigating, legal and other costs thereof. TRINITY shall administer any Third Party Reinsurance agreements maintained by the Company and timely submit reinsurance claims for reimbursement. TRINITY shall pay in the name of the Company losses and claims expenses out of funds held by TRINITY or received from Third Party Reinsurers. The Company shall have full access to TRINITY's claim files and other claims records.

2. TRINITY shall on behalf of the Company (and at TRINITY's expense) appoint claims, defense and loss control attorneys.

3. TRINITY shall report all losses to the Company and any third party reinsurers.

D. Other Duties of TRINITY. TRINITY agrees to perform the following additional services:

1. Underwrite each risk, and issue and service the policy therefor; handle and pay accounts in connection therewith.

2. Collect premiums on all Policies.

3. Credit to the Company amounts due within 30 days after the close of the quarter in which the business was written and accounted for.

4. Administer any third party reinsurance maintained by the Company.

5. Keep all necessary records to account for transactions, which records shall be open for inspection at all times by the Company.

6. Provide all data processing and accounting services as necessary to service the Policies.

7. Cancel Policies for nonpayment of premiums.

8. In all respects see that the operations hereunder conducted by TRINITY are in compliance with applicable laws and regulations.

9. Issue statements to the Company as follows:

   (a) No later than 30 days after the close of each calendar quarter a statement of accounts shall be given to the Company in such form and in such detail as may be required by the Company, and the balance due as shown in such statement shall be remitted not later than 45 days after the close of the quarter. Accounts shall be rendered and all payments made in United States currency.

   (b) TRINITY shall also furnish the Company as soon as practicable after the end of each calendar quarter, statements reflecting all necessary figures for any statement, annual report or otherwise, required by insurance departments or other authorities, including a report of premiums and losses and payment of losses.

10. TRINITY will permit the Company and any authorized representative of any governmental authority having jurisdiction to examine its books and records, and when required by the Company or any governmental authority, TRINITY will furnish audits, and other records or reports which may be required, pertaining to the business conducted by TRINITY hereunder.

E. Payment of Expenses. TRINITY shall bear and pay all charges and expenses incurred in connection with this Agreement, including but not limited to: compensation of TRINITY's employees; costs, including printing of policies and policy forms; all brokerages, commissions or discounts allowable to other brokers or agents producing business which is written hereunder; assessments, fees or other charges in connection with the Company's or TRINITY's membership or subscribership in any bureau or association; fees and other costs of compliance with laws and regulations, both in respect to TRINITY's corporate existence and the insurance business written hereunder.

F. Assignment of Administrative Services. Subject to any required insurance regulatory approvals, TRINITY may assign some or all of its of its responsibility and obligations to provide administrative services pursuant to Article V of this Agreement and this Service Schedule to any one or more of its affiliates who agree to be bound by the terms hereof without the consent of the Company, provided that TRINITY shall notify the Company of such assignment thirty (30) days prior to the commencement of such assigned services , and further provided that TRINITY shall reimburse such affiliate or affiliates, as the case may be, for the costs in providing such services.

SPECIMEN

COMPUTER SERVICES AGREEMENT

This Agreement is made and entered into as of ______, 200_ between Unitrin Services Company, an Illinois corporation with offices at One East Wacker Drive, Chicago, Illinois ("Unitrin Services"), and ______________________________, a _______ corporation with offices at ______________________________ ("Client").

A. COMPUTER SERVICES.

1. Unitrin Services will provide computer data processing services to Client under the terms of this Agreement. Unitrin Services shall provide these services using such of the following components (the "Systems") as Unitrin Services may from time to time maintain at any of its data center facilities or, at Unitrin Services' discretion, at any of its Client's facilities: (i) mainframe, midrange and minicomputer and other central processors and controllers, (ii) data storage devices, cartridge and tape drives, (iii) MVS, UNIX and other operating system software, (iv) Database management software (exclusive of applications running under such software), (v) CICS and other transaction processing software, (vi) groupware, middleware, and network software, (vii) routers and other network and telecommunications equipment and lines located at its data center facilities, and (viii) Internet and intranet access software and systems. Unless otherwise agreed by Unitrin Services, Client shall supply its own terminals, personal computers, workstations, monitors, modems, printers and other equipment necessary to use the Systems ("Client Equipment").

2. To the extent technically possible, Client may run batch processing jobs on the Systems, as well as real time operations. Unitrin Services will supply personnel for computer operations, network operations, network security, consulting services, general Systems support and consultation, and any other services deemed necessary for the efficient operation of Unitrin Services' computing services. However, Client shall otherwise be responsible for performing its own operations with and on the Systems. Client may access the Systems during hours published by Unitrin Services, which hours may be changed by Unitrin Services from time to time at its discretion. Unitrin Services will cooperate to the extent reasonably practicable in requests for use of the Systems outside of such hours.

3. Unitrin Services shall have sole responsibility for maintaining the Systems. Client shall have sole responsibility for maintaining its Client Equipment. Client shall also have sole responsibility for selecting its applications software (provided that it first consults with Unitrin Services to determine

the compatibility of such software with the Systems), and for loading it on the Systems, maintaining, debugging, modifying and otherwise using such software.

4. Client shall access the Systems using policies and procedures created by Unitrin Services. Client is responsible for conforming to each of Unitrin Services' published policies.

5. Unitrin Services will perform regular backups of the Systems. Client shall be solely responsible for backing up whatever applications software and data it may have on the Systems from time to time.

6. Unitrin Services will project its expected costs for maintaining and operating the Systems semi-annually (or such other frequency as it may from time to time determine) using generally accepted accounting principles. Unitrin Services will invoice Client monthly for its proportionate share of the budgeted cost of the Systems based on Client's projected usage of the Systems for such period, plus any direct expenses incurred on behalf of Client (e.g., communication lines). Client shall also be invoiced for all taxes, if any, that are levied on Unitrin Services with respect to Client's usage of the Systems. At the end of each such semi-annual (or other) period, Unitrin Services shall reconcile its budgeted cost and Client's projected usage with Unitrin Services' actual cost and Client's actual usage of the Systems for such period, and to the extent the actual costs allocated to Client were less than Client's budgeted costs for the Systems, Unitrin Services shall reimburse Client in the amount of the excess or apply such excess to the Client's expense for the use of the Systems in the following period, if applicable. To the extent Client's share of actual costs or actual usage was greater than Client's budgeted costs or usage for the Systems, Unitrin Services shall bill Client for its proportionate share of the costs in excess of the budget.

B. ACQUISITIONS.

1. EQUIPMENT ACQUISITIONS.

Unitrin Services may from time to time at Client's request purchase, lease, license or otherwise acquire computer hardware and equipment ("Equipment") on behalf of Client. Such Equipment may be installed at a Unitrin Services data center, at a Client office or at any other location within the United States that Client may request. For purposes of this Agreement, "Equipment" shall include, but not be limited to, mainframe computers, midrange computers, minicomputers, personal computers, computer workstations, data storage devices, drives, tapes, cartridges, laser disk devices, "juke boxes," monitors, printers, plotters, modems, multiplexers, telecommunications devices, scanners, imaging systems, local and wide area network equipment, as well as cables, connectors, chips, cards, boards and any operating system software or utilities relating to any of the foregoing.

2. SOFTWARE ACQUISITIONS.

Unitrin Services may, from time to time at Client's request, license or otherwise acquire computer software ("Software"). The license for such Software and any ancillary agreements thereto may contain such terms and conditions as may be satisfactory to Unitrin Services and Client including, without limitation, terms and conditions relating to: (i) the cost, duration and type of license, (ii) transferability of the license, (iii) vendor warranties and indemnities, (iv) maintenance and support obligations of the vendor, (v) options, discounts or credits on future licenses by Client, Unitrin Services or any of their affiliates, (vi) acquisition of Software on an evaluation or "beta test" basis, or (vii) the right of the licensee to obtain source code upon events of default by the vendor (commonly known as "source code escrows.") The licensee under any such license may, at Unitrin Services' discretion, be Unitrin Services, Client, or an affiliate, provided that Client acquires usage rights acceptable to it. The license of any such Software may provide for the use of such Software by any affiliate of Unitrin Services or Client or the right of any such entities to license or acquire additional copies of such Software so long as Client's usage rights are not impeded. For purposes hereof, an "affiliate" of Unitrin Services or Client shall mean any corporation or other person or entity controlling, controlled by or under common control with, either of them.

3. ACQUISITION COSTS.

At Unitrin Services' discretion, Unitrin Services may either: (i) bill Client for its proportionate amount of the cost of such Equipment or Software, including shipping charges, sales and similar taxes, (ii) bill Client for its proportionate share of Unitrin Services lease or license cost for Equipment or Software, or (iii) bill Client a reasonable depreciation charge for Equipment or Software. In no event shall the cost to Client for any acquisition by Unitrin Services of Equipment or Software on its behalf be at prices or on terms less favorable than Client could reasonably be expected to receive if it were to acquire such Equipment or Software directly.

C. CONSULTING AND OTHER SERVICES.

Unitrin Services' Data Center shall provide consulting and related services to Client from time to time at Client's request, subject in all cases to the availability of personnel. Such services shall include, but not be limited to: (i) pre-acquisition evaluation of Equipment or Software, (ii) negotiation or advice concerning the terms and conditions of proposed acquisitions of Equipment or Software, (iii) implementation and/or installation of Equipment or Software, (iv) advice or assistance in the use, maintenance, enhancement, reconfiguration or replacement of Equipment or Software, (v) advice and assistance relative to network, data and systems security issues, and (vi) advice and assistance with disaster recovery capabilities. Unitrin Services may assess reasonable charges for any services rendered pursuant to this paragraph, which charges shall be a blended hourly rate based on the average salary and employee benefits cost of Unitrin Services' Data Center employees, plus any other applicable overhead costs, not to exceed a total hourly rate of $200 per hour. Unitrin Services may also charge Client for all out-of-pocket expenses (including travel) incurred in rendering services contemplated by this paragraph, so long as such charges are in accordance with Client's policy on expense reimbursement.

D. INDEMNIFICATION

Unitrin Services shall indemnify and hold Client harmless from and against all damages, judgments, settlements, costs and expenses that arise out of or result from Unitrin Services' negligence or intentional misconduct in providing any of the services contemplated by this Agreement.

E. MISCELLANEOUS.

1. Subject to the approval of any regulatory authorities, as may be required, this Agreement (a) shall become effective as of the date first specified above and shall be unlimited as to duration unless terminated by either Unitrin Services or Client upon not less than sixty (60) days prior written notice to the other, and (b) may be amended from time to time by a written instrument executed by the parties hereto.

2. Invoices for services provided and out-of-pocket expenses incurred hereunder shall be prepared by Unitrin Services and forwarded to Client monthly. Such invoices shall state the services provided and the charges attributable thereto, as well as the amount and description of any out-of-pocket expenses incurred. Payments for services and expenses hereunder shall be made by Client to Unitrin Services within 30 days after the end of the month in which such invoices are received.

3. Detailed books, accounts and records ("Records") related to this Agreement shall be maintained by each of Unitrin Services and the Client. The Records of Unitrin Services shall be owned and remain the separate property of Unitrin Services, and the Records of the Client shall be owned and remain the separate property of the Client. Under no circumstances shall the Records of Unitrin Services and the Client be deemed to be

jointly-owned property. Such Records shall clearly and accurately disclose the precise nature and details of the transactions contemplated by this Agreement, including such accounting information as is necessary to support the reasonableness of the charges and expenses to the Client. Charges and expenses shall be allocated fairly and equitably in conformity with customary insurance accounting practices consistently applied. The Records of the Client, and any data associated with such Records, will be maintained and made available to the _______ Commissioner of Insurance, or the Commissioner's designees, upon request.

4. If any part of this Agreement is contrary to, prohibited by, or deemed invalid under applicable law or regulations, that provision shall not apply and shall be omitted to the extent so contrary, prohibited or invalid, but the remainder of this Agreement shall not be invalidated and shall be given full force and effect insofar as possible.

5. This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of _______, excluding any choice of law rules that may direct the application of the laws of another jurisdiction.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their duly authorized representatives.

UNITRIN SERVICES COMPANY

By:______________________________
Name
Title

ATTEST:

____
Name
Title

____
INSURANCE COMPANY

By:______________________________
Name
Title

ATTEST:

____
Name
Title

SPECIMEN

GENERAL SERVICE AGREEMENT

This Agreement is made and entered into as of ______, 200_ between Unitrin Services Company, an Illinois corporation with offices at One East Wacker Drive, Chicago, Illinois ("Unitrin Services"), and ____________________________________, a _______ corporation with offices at ________________________________ ("Company").

WHEREAS, Unitrin Services and the Company are affiliates; and

WHEREAS, Company desires to contract for certain services from Unitrin Services and Unitrin Services desires to provide such services to Company; and

WHEREAS, in providing such services all corporate expenses incurred ("Corporate Expenses") and payments received shall be allocated to the Company in conformity with customary insurance accounting practices consistently applied; and

WHEREAS, in connection with providing such services Unitrin Services may incur out-of-pocket expenses directly attributable to its affiliates; and

WHEREAS, in recording such corporate and out-of-pocket expenses no element of profit or markup is added thereto, all such expenses being charged on an actually incurred or closely estimated basis;

NOW, THEREFORE, in consideration of the premises and the promises contained herein, Unitrin Services and Company agree as follows:

1. The Company agrees to pay Unitrin Services its share of the Corporate Expenses (as determined in accordance with paragraph 2 below) in consideration of receiving the following services from Unitrin Services: trade execution and investment analysis, financial accounting and reporting, purchasing and accounts payable, investment accounting, tax return preparation, tax accounting and tax advice, maintenance of benefit plans (such as life, health, disability, pension and savings benefit plans), administration of post-retirement medical benefits (if applicable), benefit plan regulatory reporting and support, risk management (including corporate insurance), automobile fleet management, internal audit including field audit, cash management and bank relations, financial planning and analysis of results of operations, capital project review and evaluation, real estate management, corporate secretarial functions, and legal support and advice.

2. (a) For all services provided to the Company other than legal support, field audit, maintenance of benefit plans, administration of post-retirement medical benefits, and benefit plan regulatory reporting and support, the Corporate Expenses associated with such services shall be allocated pro rata based on revenues of the Company as a percentage of the revenues of all affiliates of Unitrin Services (including the Company) to which Unitrin Services renders services under a written general service agreement. For purposes of this Agreement, "revenues" means premium revenues plus net investment income.

(b) For legal support services, the Corporate Expenses associated with such services shall be allocated to the Company in the manner described in paragraph 2(a) above, except for litigation case management and support services provided by staff attorneys and legal assistants of Unitrin Services, the cost of which shall be allocated to the Company based on the number of hours actually devoted to litigation matters for the Company by such attorneys and legal assistants plus actual travel costs incurred, if any. Hourly rates for each attorney and legal assistant shall be computed by (i) totaling his or her annual cash compensation (including bonuses) plus related payroll taxes and benefits costs borne by Unitrin Services, and (ii) dividing such total by 1,875. Such hourly rates shall be adjusted as and when changes occur in the cash compensation, payroll taxes or benefits costs of such attorneys and legal assistants. No element of profit or markup shall be added to such compensation.

(c) For field audit services, the Corporate Expenses associated with such services shall be allocated to the Company based on the number of hours actually devoted to providing such services plus actual travel costs incurred, if any. Hourly rates for each field auditor shall be computed by (i) totaling his or her annual cash compensation (including bonuses) plus related payroll taxes and benefits costs borne by Unitrin Services, and (ii) dividing such total by 1,875. Such hourly rates shall be adjusted as and when changes occur in the cash compensation, payroll taxes or benefits costs of such field auditors. No element of profit or markup shall be added to such compensation.

(d) For maintenance of benefit plans, administration of post-retirement medical benefits, and benefit plan regulatory reporting and support, the Corporate Expense associated with such services shall be allocated to the Company based on either (i) the Company's total full-time equivalent employees in relation to total full-time equivalent employees of Unitrin, Inc. and its subsidiaries, or (ii) the Company's total participants, including retirees, in a particular benefits plan to the total number of participants, including retirees, in such plan.

In addition, the Company shall reimburse Unitrin Services for all out-of-pocket expenses directly attributable to Company.

3. Invoices for services provided and out-of-pocket expenses incurred hereunder shall be prepared by Unitrin Services and forwarded to Company monthly. Such invoices shall state the services provided and the charges attributable thereto, as well as the amount and description of any out-of-pocket expenses incurred. Payments for services and

expenses hereunder shall be made by Company to Unitrin Services within 30 days after the end of the month in which such invoices are received.

4. Subject to approval by the appropriate regulatory authorities, this Agreement (a) shall become effective as of the date first specified above and shall be unlimited as to duration unless terminated by either Unitrin Services or Company upon not less than sixty (60) days prior written notice to the other, and (b) may be amended from time to time by a written instrument executed by the parties hereto.

5. If any part of this Agreement is contrary to, prohibited by, or deemed invalid under applicable law or regulations, that provision shall not apply and shall be omitted to the extent so contrary, prohibited or invalid, but the remainder of this Agreement shall not be invalidated and shall be given full force and effect insofar as possible.

6. Detailed books, accounts and records ("Records") related to this Agreement shall be maintained by each of Unitrin Services and the Company. The Records of Unitrin Services shall be owned and remain the separate property of Unitrin Services, and the Records of the Company shall be owned and remain the separate property of the Company. Under no circumstances shall the Records of Unitrin Services and the Company be deemed to be jointly-owned property. Such Records shall clearly and accurately disclose the precise nature and details of the transactions contemplated by this Agreement, including such accounting information as is necessary to support the reasonableness of the charges and expenses to the Company. Charges and expenses shall be allocated fairly and equitably in conformity with customary insurance accounting practices consistently applied. The Records of the Company, and any data associated with such Records, will be maintained and made available to the _______ Commissioner of Insurance, or the Commissioner's designees, upon request.

7. Notwithstanding any other provision in the Agreement, it is understood that the business and affairs of the Company shall be managed by its Board of Directors and, to the extent delegated by such board, by its appropriately designated officers. The Board of Directors and officers of Unitrin Services shall not have any management prerogatives with respect to the affairs and operations of the Company.

8. Unitrin Services shall indemnify and hold the Company harmless from and against all damages, judgments, settlements, costs and expenses that arise out of or result from Unitrin Services' negligence or intentional misconduct in providing any of the services contemplated by this Agreement.

9. This Agreement shall be construed, interpreted and enforced in accordance with the laws of the State of _______, excluding any choice of law rules that may direct the application of the laws of another jurisdiction.

IN WITNESS WHEREOF, Unitrin Services and Company have caused this Agreement to be executed by their duly authorized representatives.

UNITRIN SERVICES COMPANY

By:____________________
Name
Title

ATTEST:

____
Name
Title

____
INSURANCE COMPANY

By:____________________
Name
Title

ATTEST:

____
Name
Title

Trinity Universal Insurance Company
Financial Statement Projections
($ in 000s)

Balance Sheet

	2008E	2009E	2010E
Admitted Assets			
Bonds	1,200,433	1,337,528	1,443,724
Preferred stocks	67,455	67,455	67,455
Common stocks (unaffiliated)	210,167	210,167	210,167
Common stocks (affiliated)	259,322	440,308	442,999
Cash and short-term investments	247,457	27,457	27,457
Other invested assets	285,627	310,627	310,627
Subtotal Cash and invested assets	2,270,461	2,393,542	2,502,429
Premium receivables	426,521	485,796	509,851
Other assets	103,905	111,396	112,313
Net Admitted Assets	2,800,887	2,990,734	3,124,593
Liabilities			
Loss and loss adjustment expense reserves	1,122,441	1,158,227	1,114,230
Unearned & advance premium reserves	711,811	804,688	839,868
Other liabilities	120,367	101,848	122,216
Total Liabilities	1,954,619	2,064,763	2,076,314
Surplus and Other Funds			
Common stock	3,250	3,250	3,250
Gross paid in surplus	457,698	477,698	477,698
Unassigned surplus	385,323	445,026	567,334
Treasury stock	3	3	3
Total Surplus and Other Funds	846,268	925,971	1,048,279
Total Liabilities, Surplus and Other Funds	2,800,887	2,990,734	3,124,593
	-	-	-

Trinity Universal Insurance Company
Financial Statement Projections
($ in 000s)

Income Statement

	2008E	2009E	2010E
Underwriting Income			
Net premiums earned	1,760,199	1,938,877	2,019,194
Net losses incurred	1,150,290	1,177,594	1,208,599
Net loss adjustment expenses incurred	205,670	210,552	216,095
Other underwriting expenses incurred	536,057	556,365	561,182
Total underwriting deductions	1,892,017	1,944,511	1,985,876
Net underwriting gain or (loss)	(131,818)	(5,634)	33,318
Investment Income			
Net investment income earned	80,853	113,690	115,483
Net realized capital gains (losses) (net of tax)	(83,126)	-	-
Net investment gain (loss)	(2,273)	113,690	115,483
Other Income			
Net gain or (loss) from balances charged off	(18,451)	(21,015)	(22,056)
Finance and services charges	46,139	50,823	52,928
Gain on sale of operating division	32,778	-	-
Agent policy processing income	2,411	2,446	2,482
Total other income	62,877	32,254	33,354
Net income before dividends to policyholders, after capital gains tax and before all other income tax	(71,214)	140,310	182,155
Dividends to policyholders	397	-	-
Net income after capital gains tax and before all other income tax	(71,611)	140,310	182,155
Income taxes incurred	(19,104)	49,109	63,754
Net income	(52,507)	91,201	118,401

Trinity Universal Insurance Company
Financial Statement Projections
($ in 000s)

Capital and Surplus

	2008E	2009E	2010E
Surplus as regards policyholders, beginning of period	1,145,422	846,268	925,971
Net Income	(52,507)	91,201	118,401
Change in net unrealized capital gains	(288,347)	(15,549)	(11,232)
Change in net deferred income taxes	49,570	7,516	1,216
Change in nonadmitted assets	10,126	(23,465)	13,923
Change in provision for reinsurance	4	-	-
Capital Contribution	65,000	20,000	-
Dividends to stockholder	(83,000)	-	-
Change in surplus as regards policyholders	(299,154)	79,703	122,308
Surplus as regards policyholders, end of period	846,268	925,971	1,048,279

Trinity Universal Insurance Company
Financial Statement Projections
($ in 000s)

Cash Flow

	2008E	2009E	2010E
Premiums collected net of reinsurance	1,781,720	1,972,433	2,030,319
Net investment income	86,155	113,221	115,782
Miscellaneous income	37,759	32,254	33,354
Benefits and loss related payments	1,166,858	1,158,429	1,244,317
Commissions and expenses paid	773,303	549,061	567,616
Dividends paid to policyholders	397	-	-
Federal income taxes paid	20,573	18,184	49,109
Net Cash from Operations	(55,497)	392,234	318,413
Net Cash from Investments	294,932	(593,301)	(324,136)
Capital and surplus paid in	65,000	20,000	-
Dividends to stockholder	58,000	-	-
Other cash provided (applied)	(2,320)	(38,933)	5,723
Net Cash from Financing	4,680	(18,933)	5,723
Net change in cash and short-term investments	244,115	(220,000)	-
Cash and short-term investments:			
Beginning of year	3,342	247,457	27,457
End of year	247,457	27,457	27,457
	-	-	-

Trinity Universal Insurance Company
Financial Statement Projections
($ in 000s)

Risk Based Capital

	2008E	2009E	2010E
Total Adjusted Capital	846,268	925,971	1,048,279
Total RBC after covariance	424,791	457,224	463,202
Authorized Control Level RBC	212,396	228,612	231,601
Company Action Level RBC	424,791	457,224	463,202
Regulatory Action Level RBC	318,594	342,918	347,402
Mandatory Control Level RBC	148,677	160,028	162,121

Response Insurance - Active Companies - Combined
Balance Sheet
December 31,

	2008E	2009E	2010E
Admitted Assets			
Cash and Short Term Investments	10,574,042	5,340,787	6,159,794
Bonds and Other Investments	183,620,688	84,019,366	87,919,366
Common Stocks - Subs and Affiliates	49,445,942	49,445,942	49,445,942
1. Invested Assets	243,640,672	138,806,095	143,525,102
Investment Income Due and Accrued	895,083	411,061	418,686
Uncollected premiums & agents balance course of coll.	9,188,815	9,516,178	9,516,178
Deferred premiums (earned but unbilled premiums)	13,922,709	14,529,530	14,529,530
Reinsurance (Amounts recoverable from reinsurers)	7,400,000	-	-
FIT Recoverable	4,469,254	2,998,385	1,537,506
Net Deferred Tax Asset	483,848	-	-
EDP and Software	-	-	-
Aggregate write-ins for other than invested assests	1,000,000	-	-
3. All assets other than investments	37,359,709	27,455,154	26,001,900
4. Total Admitted Assets(1+3)	281,000,381	166,261,249	169,527,002
Liabilities			
5. Losses (Case & IBNR)	57,916,087	-	-
6. Loss Adjustment Expenses	16,082,121	-	-
7. Unearned Premiums	55,503,851	-	-
8. Ceded Reinsurance Payable	99,129	24,045,708	24,045,708
9. Payable to PS&A	7,168,008	-	-
10. All Other Liabilities	4,583,982	-	-
11. Total Liabilities(5+6+7+8+9+10)	141,353,178	24,045,708	24,045,708
Capital and Surplus			
12. Common Stock	32,225,000	32,225,000	32,225,000
13. Preferred Stock	-	-	-
14. Gross Paid In and Contributed Surplus	201,501,597	201,501,597	201,501,597
15. Surplus Notes	-	-	-
16. Unassigned Surplus	(94,079,395)	(91,511,058)	(88,245,305)
17. Other Items(elaborate)	-	-	-
18. Total Capital and Surplus(12+13+14+15+16+17)	139,647,202	142,215,540	145,481,293
19. Total Liabilities, Capital and Surplus(11+18)	281,000,381	166,261,249	169,527,002
	-	-	-
Risk Based Capital			
20. Total Adjusted Capital	139,647,202	142,215,540	145,481,293
21. Authorized Control Level Risk-Based Capital	18,943,108	291,583	305,974
22. Calculated Risk-Based Capital (20/21)	737%	48774%	47547%

Response Insurance - Active Companies - Combined
Income Statement
For the Year Ended December 31,

	2008E	2009E	2010E
1. Net Premiums Earned	150,945,144	-	-
2. Net Losses Incurred (Case & IBNR)	98,383,502	-	-
3. Net Loss Adjustment Expenses Incurred	18,077,530	-	-
8. Other Underwriting Expenses Incurred	53,792,329	-	-
9. Underwriting Gain (Loss) (1-(2+3+8))	(19,308,217)	-	-
10. Net Investment Income	10,741,000	4,932,733	5,024,235
Net realized capital gains	608,500	-	-
11. Other Income	1,455,000	-	-
12. Net Operating Income (Loss) Before Taxes (9+10+11)	(6,503,717)	4,932,733	5,024,235
13. Income Taxes Incurred	(2,708,241)	1,726,456	1,758,482
14. Net Operating Income (Loss) After Taxes (12-13)	(3,795,476)	3,206,276	3,265,753
15. Stockholder Dividends	4,750,000	-	-
Operating Percentages:			
Net Premiums Earned	100.00%	100.00%	100.00%
16. Net Losses Incurred to Net Premiums Earned(2/1)	65.18%	0.00%	0.00%
17. Net Loss Adjustment Expenses Incurred to Net Premiums Earned(3/1)	11.98%	0.00%	0.00%
18. Other Underwriting Expenses to Net Premiums Earned ((6+7+8)/1)	35.64%	0.00%	0.00%
19. Net Underwriting Gain Or (Loss) (9/1)	-12.79%	0.00%	0.00%
Other Percentages:			
20. Other Underwriting Expenses to Net Premiums Written ((6+7+8)/Total Net Premiums Written))	34.59%	0.00%	0.00%
21. Net Loss and Loss Adjustment Expenses Incurred to Net Premiums Earned ((2+3)/1)	77.15%	0.00%	0.00%

Response Insurance - Active Companies - Combined
Statement of Cash Flows
For the Year Ended December 31,

	2008E	2009E	2010E
Cash From Operations			
1. Premiums Collected Net of Reinsurance	156,256,615	30,511,524	-
2. Loss and Loss Adjustments Expenses Paid (Net of S&S)	126,403,647	-	-
3. Underwriting Expenses Paid	61,127,344	7,168,008	-
4. Other Underwriting Income(expenses)	3,056,226	1,000,000	-
5. Total Cash From Underwriting(1-2-3+4)	(28,218,150)	24,343,516	-
6. Net Investment Income	11,829,116	4,778,817	5,016,610
7. Other Income	2,063,500	-	-
8. Dividends to Policyholders	-	-	-
9. Federal and Foreign Income Taxes (Paid) Recovered	(977,976)	(255,588)	(297,603)
10. Net Cash From Operations(5+6+7-8+9)	(15,303,509)	28,866,745	4,719,007
Cash From Investments			
11. Net Cash from Investments	17,480,962	(34,100,000)	(3,900,000)
Cash From Financing and Misc Sources			
12. Total Other Cash Provided	7,581,958	-	-
13. Total Other Cash Applied	4,750,000	-	-
14. Net Cash from Financing and Misc Sources(12-13)	2,831,958	-	-
15. Net Change in Cash and Short Term Investments(10+11+14)	5,009,411	(5,233,255)	819,007
Cash and Investments - Beginning of Year	5,564,631	10,574,042	5,340,787
Cash and Investments - End of Year	10,574,042	5,340,787	6,159,794

National Merit Insurance Company
Balance Sheet
December 31,

	2008E	2009E	2010E
Admitted Assets			
Cash and Short Term Investments	1,017,178	826,575	512,454
Bonds and Other Investments	27,243,035	13,893,453	15,143,453
Common Stocks - Subs and Affiliates	-	-	-
1. Invested Assets	28,260,213	14,720,028	15,655,907
Investment Income Due and Accrued	93,833	71,101	78,616
Uncollected premiums & agents balance course of coll.	1,005,678	876,712	876,712
Deferred premiums (earned but unbilled premiums)	1,485,812	1,295,274	1,295,274
Reinsurance (Amounts recoverable from reinsurers)	-	-	-
FIT Recoverable	1,299,762	1,001,139	670,951
Net Deferred Tax Asset	230,539	-	-
EDP and Software	-	-	-
Aggregate write-ins for other than invested assests	-	-	-
3. All assets other than investments	4,115,624	3,244,225	2,921,552
4. Total Admitted Assets(1+3)	32,375,837	17,964,253	18,577,459
Liabilities			
5. Losses (Case & IBNR)	7,157,534	-	-
6. Loss Adjustment Expenses	2,024,441	-	-
7. Unearned Premiums	7,283,922	-	-
8. Ceded Reinsurance Payable	9,869	2,171,985	2,171,985
9. Payable to PS&A	-	-	-
10. All Other Liabilities	604,355	-	-
11. Total Liabilities(5+6+7+8+9+10)	17,080,121	2,171,985	2,171,985
Capital and Surplus			
12. Common Stock	3,000,000	3,000,000	3,000,000
13. Preferred Stock	-	-	-
14. Gross Paid In and Contributed Surplus	7,032,360	7,032,360	7,032,360
15. Surplus Notes	-	-	-
16. Unassigned Surplus	5,263,355	5,759,906	6,373,113
17. Other Items(elaborate)	-	-	-
18. Total Capital and Surplus(12+13+14+15+16+17)	15,295,715	15,792,266	16,405,473
19. Total Liabilities, Capital and Surplus(11+18)	32,375,837	17,964,253	18,577,459
	-	-	-
Risk Based Capital			
20. Total Adjusted Capital	15,295,715	15,792,266	16,405,473
21. Authorized Control Level Risk-Based Capital	2,563,286	48,132	51,879
22. Calculated Risk-Based Capital (20/21)	597%	32810%	31623%

National Merit Insurance Company
Income Statement
For the Year Ended December 31,

	2008E	2009E	2010E
1. Net Premiums Earned	19,390,472	-	-
2. Net Losses Incurred (Case & IBNR)	12,603,807	-	-
3. Net Loss Adjustment Expenses Incurred	2,326,857	-	-
8. Other Underwriting Expenses Incurred	7,155,749	-	-
9. Underwriting Gain (Loss) (1-(2+3+8))	(2,695,941)	-	-
10. Net Investment Income	1,126,000	853,209	943,394
Net realized capital gains	120,000	-	-
11. Other Income	110,000	-	-
12. Net Operating Income (Loss) Before Taxes (9+10+11)	(1,339,941)	853,209	943,394
13. Income Taxes Incurred	(557,076)	298,623	330,188
14. Net Operating Income (Loss) After Taxes (12-13)	(782,865)	554,586	613,206
15. Stockholder Dividends	-	-	-
Operating Percentages:			
Net Premiums Earned	100.00%	100.00%	100.00%
16. Net Losses Incurred to Net Premiums Earned(2/1)	65.00%	0.00%	0.00%
17. Net Loss Adjustment Expenses Incurred to Net Premiun	12.00%	0.00%	0.00%
18. Other Underwriting Expenses to Net Premiums Earned (	36.90%	0.00%	0.00%
19. Net Underwriting Gain Or (Loss) (9/1)	-13.90%	0.00%	0.00%
Other Percentages:			
20. Other Underwriting Expenses to Net Premiums Written ((6+7+8)/Total Net Premiums Written))	38.27%	0.00%	0.00%
21. Net Loss and Loss Adjustment Expenses Incurred to Net Premiums Earned ((2+3)/1)	77.00%	0.00%	0.00%

National Merit Insurance Company
Statement of Cash Flows
For the Year Ended December 31,

	2008E	2009E	2010E
Cash From Operations			
1. Premiums Collected Net of Reinsurance	20,605,009	2,491,490	-
2. Loss and Loss Adjustments Expenses Paid (Net of S&S)	16,565,920	-	-
3. Underwriting Expenses Paid	7,994,867	-	-
4. Other Underwriting Income(expenses)	-	-	-
5. Total Cash From Underwriting(1-2-3+4)	(3,955,778)	2,491,490	-
6. Net Investment Income	1,363,839	817,907	935,879
7. Other Income	230,000	-	-
8. Dividends to Policyholders	-	-	-
9. Federal and Foreign Income Taxes (Paid) Recovered	-	(0)	-
10. Net Cash From Operations(5+6+7-8+9)	(2,361,938)	3,309,397	935,879
Cash From Investments			
11. Net Cash from Investments	3,026,556	(3,500,000)	(1,250,000)
Cash From Financing and Misc Sources			
12. Total Other Cash Provided	(107,665)	-	-
13. Total Other Cash Applied	-	-	-
14. Net Cash from Financing and Misc Sources(12-13)	(107,665)	-	-
15. Net Change in Cash and Short Term Investments(10+11+14)	556,953	(190,603)	(314,121)
Cash and Investments - Beginning of Year	460,225	1,017,178	826,575
Cash and Investments - End of Year	1,017,178	826,575	512,454

Policies inforce in the State of Washington
As of September 30, 2008

	Personal Auto	Commercial Auto	Homeowners	Boat	Umbrella	Total
Trinity Companies:						
Merastar Insurance Company	153		71	1	5	230
Unitrin Direct Property & Casualty Company	2,986					2,986
Financial Indemnity Company	13,796	348				14,144
Alpha Property & Casualty Insurance Company	5,092	844				5,936
Unitrin Auto and Home Insurance Company	14,056		12,635	284	2,639	29,614
Valley Property & Casualty Insurance Company			1,352		969	2,321
Total	36,083	1,192	14,058	285	3,613	55,231
						-
Direct Response Companies:						-
National Merit Insurance Company	6,800				190	6,990
Response Worldwide Insurance Company	1,442					1,442
Warner Insurance Company	846					846
Response Insurance Company	438					438
Total	9,526	-	-	-	190	9,716

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CLIENT/MATTER NUMBER
068003-0108

November 17, 2008

<u>VIA OVERNIGHT DELIVERY</u>

Washington State Office of the Insurance Commissioner
ATTN: Mr. Ronald J. Pastuch, CPA
Holding Company Manager
Company Supervision Division
Insurance 5000 Building
5000 Capitol Blvd.
Tumwater, WA 98501

Re: Form A Statement regarding the proposed acquisition of NATIONAL MERIT INSURANCE COMPANY ("Domestic Insurer") by TRINITY UNIVERSAL INSURANCE COMPANY ("Applicant" or "Trinity")

Dear Mr. Pastuch:

As requested in your letter dated October 15, 2008 (a copy of which is enclosed), this letter provides an executive summary of the Form A and proposed acquisition of the Domestic Insurer.

Introduction

Subject to required regulatory approvals, Trinity intends to acquire all of the issued and outstanding common stock of Direct Response Corporation ("DRC"), a Delaware general business corporation from the following selling shareholders (the "Transaction"): Morgan Stanley Capital Partners III, L.P., MSCP III 892 Investors, L.P., Morgan Stanley Capital Investors, L.P., DR Investors, L.P., DR Investors II, L.P., James M. Stone, The Plymouth Rock Company Incorporated, and Mory Katz (collectively, the "Selling Shareholders"). As a result of the Transaction, Trinity will acquire control of the Domestic Insurer – *i.e.*, the Domestic Insurer is an indirect wholly-owned subsidiary of DRC.

Upon completion of the Transaction, DRC will continue to indirectly own 100% of the issued and outstanding shares of stock of the Domestic Insurer, and Trinity will own 100% of the issued and outstanding shares of stock of DRC. Thus, Trinity will indirectly own and control the Domestic Insurer by virtue of its ownership of 100% of DRC's stock. Following the consummation of the Transaction, Unitrin, Inc. ("Unitrin") will be the ultimate controlling person of, and will thus indirectly control, the Domestic Insurer by virtue of its ownership and control of Trinity. Unitrin is a diversified financial services company with subsidiaries engaged in the property and casualty insurance, life and health insurance and automobile finance businesses. The only business of Unitrin is holding, directly or indirectly, the issued and outstanding common stock of its subsidiaries and marketable securities.

The Stock Purchase Agreement

The specific terms and conditions governing the Transaction are set forth in that certain Stock Purchase Agreement dated as of August 29, 2008 between Trinity, on the one hand, and the Selling Shareholders, on the other hand (the "Agreement"). The material terms are summarized as follows:

- At the closing of the Transaction, Trinity will acquire 266,460.58350 shares of common stock of DRC, representing all of the issued and outstanding stock of DRC (collectively, the "Shares"), and thereby acquire control of the Domestic Insurer.

- As consideration for the Shares, Trinity will pay to the Selling Shareholders an aggregate cash purchase price of Two Hundred Twenty Million Dollars ($220,000,000) (the "Base Price"), plus or minus, as the case may be, certain adjustments relating to (i) the after-tax appreciation/depreciation of the securities portfolio owned by DRC and its subsidiaries, and (ii) the consolidated GAAP net after-tax income or loss of DRC and its subsidiaries for the period from January 1, 2008 through the Base Date (as that term is defined in the Agreement) (collectively, and as adjusted, the "Purchase Price").

- At closing, Trinity will pay the Purchase Price to the Selling Shareholders less (i) a Fifteen Million Dollar ($15,000,000) holdback which will be deposited into an escrow account as security for the Selling Shareholders' post-closing indemnification obligations, as well as Trinity's rights under the Agreement to be compensated for potential adverse reserve development (see the next bullet point below), and (ii) the consideration required for cancellation and termination of certain individual stock option agreements and the stock options granted thereunder pursuant to DRC's 2004 Management Equity Plan.

- To the extent there is favorable or adverse development reflected in the Closing Date Reserves (as that term is defined in Annex G of the Agreement) that exceeds One Million Dollars ($1,000,000), Trinity agrees to pay the Selling Shareholders 75% of any such favorable development, and the Selling Shareholders agree to pay Trinity 75% of any such adverse development out of the escrow account, as the case may be, and in each case up to a maximum payment of Fifteen Million Dollars ($15,000,000).

- Trinity agrees to retain as employees for a period of at least twelve (12) months following the closing no less than 60% of the individuals who are employed by DRC and its subsidiaries as of the closing date.
- The Agreement contains representations and warranties by the parties, and imposes certain other pre-closing covenants and post-closing indemnification obligations on the parties, in each case that are either customary for acquisitions of this nature or otherwise suitable for this particular Transaction.
- The closing of the Transaction is subject to closing conditions that are either customary for acquisitions of this nature or otherwise suitable for this particular Transaction, including, without limitation, conditions relating to the receipt of regulatory approvals, accuracy at the closing date of representations and warranties made in the Agreement, compliance with pre-closing covenants and delivery of closing documentation.
- The closing of the Transaction will take place on a date (as agreed by the parties or determined under the Agreement) following the date on which all closing conditions have been satisfied or waived.

Nature, Source and Amount of Consideration

As mentioned above, as consideration for the Shares, Trinity will pay to the Selling Shareholders an aggregate Base Price of Two Hundred Twenty Million Dollars ($220,000,000) in cash, plus or minus, as the case may be, certain adjustments relating to (i) the after-tax appreciation/depreciation of the securities portfolio owned by DRC and its subsidiaries, and (ii) the consolidated GAAP net after-tax income or loss of DRC and its subsidiaries for the period from January 1, 2008 through the Base Date. This Purchase Price will be paid from Trinity's internal resources. Trinity does not anticipate borrowing any funds to pay the Purchase Price.

The nature and amount of the Purchase Price for the Shares was determined by arm's length negotiations between the respective parties and their financial and/or legal advisors. In determining the amount of cash to be paid for the Shares, Trinity considered the business that DRC and its subsidiaries are authorized to transact, their past and current business operations, historical and potential earnings, financial condition and prospects, assets and liabilities, and such other factors and information as Trinity considered relevant under the circumstances.

Business Operations of the Applicant and Future Plans for the Domestic Insurer

Trinity is a wholly-owned subsidiary of Unitrin and is a member of Unitrin's Property and Casualty Insurance Group (the "Group"). The Group currently consists, for A.M. Best rating purposes, of nineteen (19) property and casualty insurance companies and is ranked as the forty-second (42nd) largest property and casualty group and the twenty-second (22nd) largest automobile insurance writer in the United States when measured using 2007 net premiums written. Trinity is the lead company in the Group. For 2008, A.M. Best has assigned the Group a Financial Strength Rating ("FSR") of A (*Excellent*) and an Issuer Credit Rating of a *(Investment Grade – Strong)*, both of which are stable. Standard & Poor has assigned the Group a FSR of A and a Counterparty Credit Rating of A, both of which are on a negative watch. The Moody's Investors Service rating assigned to Trinity Universal Insurance Company consists of a FSR of A2, which is stable.

From a public reporting, branding and management standpoint Unitrin has organized its property and casualty insurance operations into four (4) distinct segments. Those segments consist of Kemper, Unitrin Specialty, Unitrin Direct and the property insurance business of Unitrin's Life and Health Insurance segment. Trinity and the subsidiaries which comprise the Kemper business segment provide personal automobile, homeowners, inland marine, boat owners, dwelling fire and personal umbrella insurance to preferred and standard risk customers. Trinity's subsidiaries which comprise the Unitrin Specialty business segment provide nonstandard personal and commercial automobile insurance. The Kemper and Unitrin Specialty products are distributed through independent insurance agents. Certain of Trinity's subsidiaries provide property products which are sold and serviced by a career agency force in the homes of customers. Such products primarily include basic fire and extended coverages. Trinity's subsidiaries which comprise the Unitrin Direct business segment write a broad spectrum of automobile insurance risks, ranging from preferred to nonstandard private passenger automobile customers and, most recently, personal homeowners, renters and condo insurance in selected markets. Such writings are primarily through direct mail, Web insurance portals, its Web site and other various forms of advertising. In addition, one subsidiary in this segment specializes in the sale of personal automobile and homeowners insurance through employer-sponsored voluntary benefit programs and affinity relationships.

Trinity intends for the Domestic Insurer to become part of the Unitrin Direct segment following the change of control of the Domestic Insurer. The Domestic Insurer is licensed in Idaho, New York, Oregon, Pennsylvania and Washington and provides automobile liability and physical damage insurance on a direct basis to consumers where it is licensed. Trinity's acquisition of the Domestic Insurer underscores Unitrin's commitment to personal lines insurance sold directly to customers. The Domestic Insurer's distribution channels will complement the Unitrin Direct segment's existing direct-to-consumer and affinity distribution channels. At present there are no plans to change the business focus of the Domestic Insurer following the change of control, nor are there any plans to change the business focus of the Kemper, Unitrin Specialty or Unitrin Direct business segments.

Except as otherwise provided herein, Trinity has no plans or proposals to declare an extraordinary dividend or make other distributions, liquidate, sell the assets of (other than such sales of assets as may be contemplated in the ordinary course of business), merge or consolidate or make any other material change in the business operations, corporate structure or management of the Domestic Insurer. In addition, Trinity and its affiliates have no plans or proposals that would have a material effect on the Domestic Insurer. Trinity contemplates that the Domestic Insurer may enter into a number of affiliated transactions with Unitrin's wholly-owned subsidiaries, including Unitrin Services Company, an Illinois general business corporation ("Unitrin Services"), following the

Closing Date. While the specifics and timing of each and every one of these various transactions have not been formulated, it is anticipated that the Domestic Insurer will enter into various service agreements with Unitrin Services and a 100% quota share reinsurance arrangement with Trinity effective as of or sometime after the closing of the Transaction. In connection with any such service or reinsurance arrangements, and any other affiliated transactions involving the Domestic Insurer as a party, once the specifics and timing of such transactions have been formulated and the parties thereto agree to proceed with such transactions, Trinity will cause the Domestic Insurer to provide formal notice to, and/or request the approval of, the Commissioner to the extent required by Washington Laws.

Trinity does not anticipate making any changes to the present executive officers of the Domestic Insurer in connection with the closing of the Transaction. Trinity has not, however, made any formal commitments of any nature to any present officers of the Domestic Insurer. Moreover, in connection with the closing of the Transaction, the current directors of the Domestic Insurer will resign from their current board positions and will be replaced by the following Unitrin/Trinity personnel: David F. Bengston, John M. Boschelli, Eric J. Draut, Samuel L. Fitzpatrick, Edward J. Konar, Richard Roeske, James A. Schulte and Donald G. Southwell. Biographical affidavits for each of the foregoing individuals were provided with the Form A.

Transaction's Effect on Competition in Washington

The proposed Transaction will not substantially lessen competition in insurance in Washington or create a monopoly therein. The only potentially overlapping lines of business between Unitrin entities and the Domestic Insurer are Other Liability, Private Passenger Auto Liability, and Private Passenger Auto Physical Damage. Based on 2007 direct written premium figures, the two groups' combined market share in Washington in these lines of business are less than 1%, 1.7%, and 1.7%, respectively (based on data from the A.M. Best State/Line Financial database version 2008.7).

If you should have any additional questions in connection with the proposed acquisition, please do not hesitate to contact me.

Very truly yours,

Thomas R. Hrdlick

Enclosure
cc: Samuel L. Fitzpatrick