

STATE OF WASHINGTON

Phone: (360) 725-7000
www.insurance.wa.gov

STATE OF WASHINGTON
DECLARATION OF MAILING

MIKE KREIDLER
I declare under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery of a true copy of this document to parties listed below
DATED this 19th day of Feb 2009 at Tumwater, Washington.

Signed: Wendy Galloway



OFFICE OF
INSURANCE COMMISSIONER
HEARINGS UNIT
Fax: (360) 664-2782

FILED

FEB 19 2009

Hearings Unit, OIC
Patricia D Petersen
Chief Hearing Officer

Patricia D. Petersen
Chief Hearing Officer
(360) 725-7105

Wendy Galloway
Paralegal
(360) 725-7002
Wendyg@oic.wa.gov

BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Proposed Acquisition of:)
)
NATIONAL MERIT INSURANCE)
COMPANY INCORPORATED,)
a Washington Domiciled Property and)
Casualty Insurer,)
)
by)
)
METALMARK CAPITAL LLC,)
METALMARK SUBADVISOR LLC,)
MORGAN STANLEY CAPITAL)
PARTNERS III, L.P., DR INVESTORS, L.P.,)
DR INVESTORS II, L.P., AND MSCP III)
892 INVESTORS, L.P.,)
)
Applicants.)

Docket No. G08-0145
ORDER DISMISSING
ADJUDICATIVE PROCEEDINGS

TO: Mr. John Dembeck, Counsel
Debevoise & Plimpton, LLP
919 Third Avenue
New York, NY 10022

Metalmark Capital, LLC
1177 Avenue of the Americas, Floor 40
New York, New York 10036

National Merit Insurance Company
3015 112th Avenue, NE, Suite 200
Bellevue, Washington 98004



ORDER DISMISSING ADJUDICATORY PROCEEDINGS

Docket No. G08-0145 - Page 2

COPY TO: Mike Kreidler, Insurance Commissioner
Vernon Stoner, Chief Deputy Insurance Commissioner
James T. Odiorne, Deputy Commissioner, Company Supervision Div.
Carol Sureau, Deputy Commissioner, Legal Affairs Division
Marcia Stickler, Staff Attorney, Legal Affairs Division
Ronald J. Pastuch, Holding Company Manager, Company Supervision Division
Office of the Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

On May 21, 2008, a request for approval of proposed acquisition of control (Form A) was received by the Insurance Commissioner (OIC). In said proposal, Metalmark Capital LLC, Metalmark Subadvisor LLC, Morgan Stanley Capital Partners III., L.P., DR Investors, L.P., DR Investors II, L.P., and MSCP III 892 Investors, L.P., (the Applicants), proposed to acquire control of National Merit Insurance Company, Inc., a Washington domiciled property and casualty insurer located in Bellevue, Washington. The Applicants proposed to acquire control of 100% of voting common shares of National Merit's holding company, Direct Response Corporation, of Meriden, Connecticut. On August 25, 2008, by letter dated August 22, 2008, Ronald Pastuch, Holding Company Manager of the OIC's Company Supervision Division, advised that the Form A was complete and requested that a hearing be scheduled in this matter.

Subsequently, by letters dated August 29, 2008, and September 2, 2008, John Dembeck, Esq. of Debevoise & Plimpton, LLP, 919 Third Avenue, New York, New York, counsel for the Applicants, requested a delay of commencement of the hearing in this matter, advising that a Stock Purchase Agreement was executed on Friday, August 29, 2008, under which Trinity Universal Insurance Company, a wholly-owned subsidiary of Unitrin, Inc., proposes to acquire all of the shares of Direct Response Corporation, the parent of National Merit Insurance Company, and therefore requested that time be allowed for the filing of the proposed acquisition by Unitrin and Trinity Universal Insurance Company prior to taking any further action in the instant matter.

On October 9, 2008, an Order on Status of Hearing was entered suspending the Applicants' and OIC's request for hearing under Docket Number G08-0145, as requested, until further written notification was received from the Applicants.

On February 18, 2009, a letter was faxed to the undersigned from Mr. Dembeck, advising that the acquisition of Direct Response Corporation by Unitrin, Inc. and Trinity Universal Insurance Company closed on February 13, 2009 and that therefore Applicants herein wished to withdraw their application for approval to acquire control of National Merit Insurance Company (Form A) in this instant matter. A copy of said letter is by this reference incorporated herein and is included in the hearing file.

ORDER DISMISSING ADJUDICATORY PROCEEDINGS

Docket No. G08-0145 - Page 3

Based upon the above activity:

IT IS HEREBY ORDERED that this adjudicative proceeding, Docket No. G08-0145, along with the Form A request for approval of the proposed acquisition of National Merit Insurance Company by Applicants named above, is no longer necessary and is hereby dismissed.

ENTERED at Tumwater, Washington, this 19th day of February, 2009, pursuant to Title 48 RCW, and specifically RCW 48.04 and 48.31B.015, Title 34 RCW, and regulations applicable thereto.



PATRICIA D. PETERSEN

Presiding Officer
Chief Hearing Officer

DEBEVOISE & PLIMPTON LLP

919 Third Avenue
New York, NY 10022
Tel 212 909 6000
www.debevoise.com

John Dembeck
Counsel
Tel 212 909 6158
Fax 212 909 6836
jdembeck@debevoise.com

February 17, 2009

FILED

BY FACSIMILE (360-664-2782) AND REGULAR MAIL

FEB 18 2009

Hearings Unit
Office of the Insurance Commissioner
P.O. Box 40255
Olympia, Washington 98504-0255

Hearings Unit, OIC
Patricia D. Petersen
Chief Hearing Officer

**Form A Application to Acquire Control of National Merit Insurance Company
Under Revised Code of Washington § 48.31B.015 – Docket No. G08-0145**

Dear Sir or Madam:

I am informed that the acquisition of Direct Response Corporation by Trinity Universal Insurance Company, a wholly-owned subsidiary of Unitrin, Inc., closed on February 13, 2009. Therefore, there is no need for you to take any further action on the Form A submitted by Metalmark Capital LLC, Metalmark Subadvisor LLC, Morgan Stanley Capital Partners III, L.P., DR Investors, L.P., DR Investors II, L.P. and MSCP III 892 Investors dated May 16, 2008. Consequently, we formally withdraw that Form A.

Sincerely,



John Dembeck

cc:

(via email and regular mail)
Mr. Ronald J. Pastuch
Holding Company Manager
Company Supervision Division
Office of the Insurance Commissioner
Insurance 5000 Building
5000 Capital Boulevard
Tumwater, Washington 98501

(via email and regular mail)
Marcia Stickler, Esq.
Legal Division
Office of the Insurance Commissioner
Insurance 5000 Building
5000 Capital Boulevard
Tumwater, Washington 98501

22865938v1

STATE OF WASHINGTON

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www.insurance.wa.gov



OFFICE OF
INSURANCE COMMISSIONER
HEARINGS UNIT

Fax: (360) 664-2782

FILED

2009 OCT -9 A 11:44

Hearings Unit, DIC
Patricia D. Petersen
Chief Hearing Officer
Wendy Galloway
Paralegal
(360) 725-7002
Wendyg@oic.wa.gov

MIKE KREIBLER
STATE INSURANCE COMMISSIONER

I, the undersigned, do hereby certify under the laws of the State of Washington that on the date listed below, I mailed or caused the delivery of a true copy of this document to parties listed below
DATED this 9 day of Oct 2009
at Tumwater, Washington.

Signed: Wendy Galloway

Patricia D. Petersen
Chief Hearing Officer
(360) 725-7105

BEFORE THE STATE OF WASHINGTON
OFFICE OF INSURANCE COMMISSIONER

In the Proposed Acquisition of:)
)
NATIONAL MERIT INSURANCE)
COMPANY INCORPORATED,)
a Washington Domiciled Property and)
Casualty Insurer,)
)
by)
)
METALMARK CAPITAL LLC,)
METALMARK SUBADVISOR LLC,)
MORGAN STANLEY CAPITAL)
PARTNERS III, L.P., DR INVESTORS, L.P.,)
DR INVESTORS II, L.P., AND MSCP III)
892 INVESTORS, L.P.,)
)
The Applicants.)

Docket No. G08-0145

ORDER ON STATUS
OF HEARING

TO: Mr. John Dembeck, Counsel
Debevoise & Plimpton, LLP
919 Third Avenue
New York, NY 10022

Metalmark Capital, LLC
1177 Avenue of the Americas, Floor 40
New York, New York 10036

National Merit Insurance Company
3015 112th Avenue, NE, Suite 200
Bellevue, Washington 98004



ORDER ON STATUS OF HEARING

Docket No. G08-0145 - Page 2

COPY TO: Mike Kreidler, Insurance Commissioner
Vernon Stoner, Chief Deputy Insurance Commissioner
James T. Odiorne, Deputy Commissioner, Company Supervision Div.
Carol Sureau, Deputy Commissioner, Legal Affairs Division
Marcia Stickler, Staff Attorney, Legal Affairs Division
Office of the Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255

NATURE OF PROCEEDING

On August 25, 2008, a proposed acquisition of control by Metalmark Capital LLC, Metalmark Subadvisor LLC, Morgan Stanley Capital Partners III., L.P., DR Investors, L.P., DR Investors II, L.P., and MSCP III 892 Investors, L.P., (the Applicants), of National Merit Insurance Company, Incorporated, a Washington domiciled property and casualty Insurer located in Bellevue, Washington was filed with the Hearings Unit. The Applicants propose to acquire control of voting common shares of National Merit's holding company, Direct Response Corporation of Meriden, Connecticut. Along with the filing of the Form A, by letter dated August 22, 2008, Ronald Pastuch, Holding Company Manager of the OIC's Company Supervision Division, stated the completion of the proposed acquisition and Form A and requested that a hearing be scheduled in this matter.

By letters dated August 29, 2008, and September 2, 2008, John Dembeck, counsel for the Applicants, asked to delay the request for public hearing advising the Hearings Unit that a Stock Purchase Agreement was executed on Friday, August 29, 2008, under which Trinity Universal Insurance Company, a wholly-owned subsidiary of Unitrin, Inc., will acquire all the shares of Direct Response Corporation, the parent of National Merit Insurance Company. With the recent proposed acquisition and Stock Purchase Agreement between Trinity Universal Insurance Company and Direct Response Corporation, Mr. Dembeck requested allowing time for the filing of the proposed acquisition by Unitrin and if approval is obtained and the acquisition completed by Unitrin, the Applicant's can formally withdraw their Form A.

Unless the Hearings Unit receives an objection from the Commissioner's staff within 10 days of the mailing of this letter, the request for hearing under Docket Number G08-0145, will be suspended until further written notification is received from the Applicants to either proceed to hearing in this matter or upon receipt of their withdrawal of the proposed acquisition.

ORDER

Based upon the above activity:

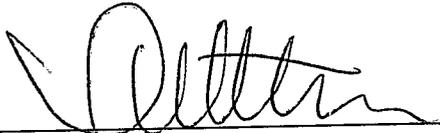
IT IS HEREBY ORDERED that unless the Hearings Unit receives an objection from the Commissioner's staff within 10 days of the mailing of this letter, the request for hearing under

ORDER ON STATUS OF HEARING

Docket No. G08-0145 - Page 3

Docket Number G08-0145, will be suspended until further written notification is received from the Applicant's to either proceed to hearing in this matter or upon receipt of their withdrawal of the proposed acquisition.

ENTERED at Tumwater, Washington, this 9th day of October, 2008, pursuant to Title 48 RCW, and specifically RCW 48.04 and 48.31B.015, Title 34 RCW, and regulations applicable thereto.



PATRICIA D. PETERSEN
Chief Hearing Officer

DEBEVOISE & PLIMPTON LLP

919 Third Avenue
New York, NY 10022
Tel 212 909 6000
www.debevoise.com

John Dembeck
Counsel
Tel 212 909 6158
Fax 212 909 6836
jdembeck@debevoise.com

September 2, 2008

FILED

SEP 02 2008

Hearings Unit, OIC
Patricia D. Petersen
Chief Hearing Officer

BY FACSIMILE (360-664-2782) AND REGULAR MAIL

Hearings Unit
Office of the Insurance Commissioner
P.O. Box 40255
Olympia, Washington 98504-0255

**Form A Application to Acquire Control of National Merit Insurance Company
Under Revised Code of Washington § 48.31B.015**

Dear Sir or Madam:

This is further to my letter dated August 29, 2008 regarding the above mentioned Form A Application. Please be advised that a Stock Purchase Agreement was executed on Friday, August 29, 2008, under which Trinity Universal Insurance Company, a wholly-owned subsidiary of Unitrin, Inc., will acquire all the shares of Direct Response Corporation, the parent of National Merit Insurance Company. A copy of Unitrin's press release dated today is attached.

As stated in our August 29, 2008 letter, we would prefer to keep the pending Form A on file but ask that you not proceed to a public hearing at this time. Unitrin will have to file a Form A seeking the approval of the Office of the Insurance Commissioner for it to acquire control of Direct Response Corporation. Once that approval is obtained and the acquisition by Unitrin is completed, we can formally withdraw our Form A. If, by chance, the Unitrin acquisition is not completed, we can update our Form A and you can then proceed to a public hearing on our Form A.

If this procedure is not possible for any reason, we also have the option to withdraw our Form A now and refile it again later if necessary (*i.e.* if the Unitrin acquisition is not completed).

Please let me know how you prefer to handle our pending Form A.

* * * * *

If you have any comments or questions, please contact me by e-mail at jdembeck@debevoise.com or by telephone at 212-909-6158.

Sincerely,



John Dembeck

cc: (via email and regular mail)
Mr. Ronald J. Pastuch
Holding Company Manager
Company Supervision Division
Office of the Insurance Commissioner
Insurance 5000 Building
5000 Capital Boulevard
Tumwater, Washington 98501

(via email and regular mail)
Marcia Stickler, Esq.
Legal Division
Office of the Insurance Commissioner
Insurance 5000 Building
5000 Capital Boulevard
Tumwater, Washington 98501

Unitrin Announces Agreement to Acquire Direct Response Corporation

Chicago, IL – September 2, 2008 – (BusinessWire) – Unitrin, Inc. (NYSE:UTR) announced today that its subsidiary, Trinity Universal Insurance Company (“Trinity”), has entered into a definitive agreement to acquire Direct Response Corporation and its subsidiaries (“Direct Response”). Trinity will acquire Direct Response in a cash transaction valued at approximately \$220 million, subject to certain purchase price adjustments. The parties expect to close the transaction in the fourth quarter of 2008, subject to timely approvals by insurance regulators and the satisfaction of other customary closing conditions.

Direct Response is based in Meriden, Connecticut and specializes in the sale of personal automobile insurance directly to consumers under both the Response Insurance and Teachers Insurance Plan brand names. For the year ended December 31, 2007, Direct Response recorded direct written premiums of approximately \$147 million.

Donald G. Southwell, Unitrin’s Chief Executive Officer, said: “We are extremely pleased at the prospect of Direct Response joining the Unitrin family of companies. This acquisition underscores our commitment to grow our direct to consumer personal lines distribution channel. Direct Response will continue to market its products under the Response Insurance and Teachers Insurance Plan brand names and will be reported as part of the Unitrin Direct business segment.”

Unitrin is a financial services company focused on creating shareholder value by providing a diverse array of insurance and automobile finance products and services for individuals, families and small businesses.

Among the brands in Unitrin’s Property and Casualty Insurance businesses are Kemper®¹ and Unitrin Specialty, which sell automobile, homeowners and other personal insurance and commercial automobile insurance through networks of independent agents, and Unitrin Direct, which sells automobile and homeowners insurance directly to consumers or through employer-sponsored voluntary benefit programs. Unitrin’s Life and Health Insurance businesses bring a high-level of personalized service to their customers. Unitrin’s automobile finance subsidiary, Fireside Bank, specializes in automobile loans for the purchase of pre-owned vehicles. Additional information about Unitrin is available by visiting its website (www.unitrin.com).

CONTACT:

Unitrin, Inc.

David F. Bengston at (312) 661-4930 or
via e-mail at investor.relations@unitrin.com

¹ Unitrin uses the registered trademark “Kemper” under license, for personal lines insurance only, from Lumbermens Mutual Casualty Company, which is not affiliated with Unitrin.

DEBEVOISE & PLIMPTON LLP

919 Third Avenue
New York, NY 10022
Tel 212 909 6000
www.debevoise.com

John Dembeck
Counsel
Tel 212 909 6158
Fax 212 909 6836
jdembeck@debevoise.com

August 29, 2008

FILED

BY FACSIMILE (360-664-2782) AND REGULAR MAIL

AUG 29 2008

Hearings Unit
Office of the Insurance Commissioner
P.O. Box 40255
Olympia, Washington 98504-0255

Hearings Unit, OIC
Patricia D. Petersen
Chief Hearing Officer

**Form A Application to Acquire Control of National Merit Insurance Company
Under Revised Code of Washington § 48.31B.015**

Dear Sir or Madam:

On May 20, 2008, we submitted a Form A application for approval to acquire control of National Merit Insurance Company by Metalmark Capital LLC, Metalmark Subadvisor LLC, Morgan Stanley Capital Partners III, L.P., DR Investors, L.P., DR Investors II, L.P. and MSCP III 892 Investors, L.P. (the "Statement") as required by RCW § 48.31B.015 and Washington Administrative Code Chapter 284-18. I spoke today with Wendy Galloway of the Hearings Unit. Ms. Galloway stated that the Statement had been referred to the Hearings Unit and inquired about scheduling a pre-hearing conference on the Statement. Ms. Galloway also stated that we would need to submit a motion regarding protecting certain confidential information included with the Statement from public disclosure.

As stated in the Statement, Morgan Stanley Capital Partners III, L.P., DR Investors, L.P., DR Investors II, L.P. and MSCP III 892 Investors, L.P. (the "Funds") already own a substantial majority of the voting securities of Direct Response Corporation, the parent of National Merit Insurance Company. However, the Funds do not control Direct Response Corporation on the basis of previously filed disclaimers of affiliation. Since the basis for the disclaimers expires September 30, 2008, the Statement was filed seeking approval to control Direct Response Corporation and its subsidiary, National Merit Insurance Company.

When the Statement was originally filed, it was hoped that approval of the Statement, following a hearing, would be completed by September 30, 2008, the date the basis for the previously filed disclaimers currently expires. However, by email dated August 18, 2008, we informed Ronald Pastuch, the Holding Company Manager, that all

of the existing shareholders of Direct Response Corporation, the parent of National Merit Insurance Company (and not just the Funds) had been engaged in discussions to sell 100% of the shares of Direct Response Corporation to a large publicly traded insurance group that has "A" rated insurer subsidiaries. This transaction is expected to be signed soon (perhaps as early as today) and, subject to approval by the applicable state insurance regulators, closed by the end of 2008.

In light of the fact that the Funds, which are included as Applicants to the pending Statement, are on the verge of agreeing to sell all their shares of Direct Response Corporation to a new buyer, we see no need for the Office of the Insurance Commissioner to schedule and conduct a public hearing on the pending Statement as well as review and hold a public hearing on the new Form A that the new buyer will have to submit. Ms Galloway advised me that, since the Statement had been referred to the Hearings Unit, it cannot be returned to the Holding Company Manager. Therefore, if possible, our preference would be to have the Hearings Unit proceed as follows:

1. Keep the pending Statement open but dormant and do not proceed to a public hearing at this time.
2. Process the Form A to be filed by the new buyer in the ordinary course, including the required public hearing on that Form A in Washington.
3. Once the new buyer's Form A is approved and the acquisition is completed, we can formally withdraw the pending Statement.

Direct Response Corporation also owns five domestic insurer subsidiaries domiciled in Connecticut, a state that also mandates a Form A public hearing. The Connecticut Insurance Department has agreed to this approach to handling the current Statement and the expected Form A from the new buyer.

The basis for the disclaimers that are set to expire September 30, 2008 are the existence of certain corporate governance provisions of an Amended and Restated Shareholders Agreement dated as of February 27, 2004. These are described in the Statement. Please be advised that, once the new buyer signs a stock purchase agreement, the parties to the Amended and Restated Shareholders Agreement expect to extend these corporate governance provisions so that they will expire on the closing of the acquisition of Direct Response Corporation by the new buyer. A copy of the extension agreement will be filed with the Office of the Insurance Commissioner. Hence, the basis for the existing disclaimers will be extended and the need to process the pending Statement deferred..

Please let me know whether this proposed approach to handling the pending Statement is acceptable to you. We will address the confidentiality of filed documents with a motion to be filed separately.

* * * * *

If you have any comments or questions, please contact me by e-mail at jdembeck@debevoise.com or by telephone at 212-909-6158.

Sincerely,



John Dembeck

cc: (via email and regular mail)
Mr. Ronald J. Pastuch
Holding Company Manager
Company Supervision Division
Office of the Insurance Commissioner
Insurance 5000 Building
5000 Capital Boulevard
Tumwater, Washington 98501

(via email and regular mail)
Marcia Stickler, Esq.
Legal Division
Office of the Insurance Commissioner
Insurance 5000 Building
5000 Capital Boulevard
Tumwater, Washington 98501

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON



Phone: (360) 725-7000
www.insurance.wa.gov

Please reply to: PO Box 40259
Olympia, WA 98504-0259
FAX: (360) 586-2022

August 22, 2008

OFFICE OF
INSURANCE COMMISSIONER

FILED

AUG 25 2008

Hearings Unit, OIC
Patricia D. Petersen
Chief Hearing Officer

Patricia Petersen, Chief Hearing Officer
Office of the Insurance Commissioner, Hearings Unit
PO Box 40255
Olympia, WA 98504-0255
5000 Capitol Blvd.
Tumwater, WA 98501

Re: Form A – Metalmark Capital LLC, et.al. - Proposed Acquisition of Control of
National Merit Insurance Company

Dear Ms. Petersen:

Attached please find the Form A Statement Regarding the Acquisition of Control of a Domestic Insurer and associated supplementary information. The Form A relates to the proposed acquisition of control by Metalmark Capital LLC, et.al. ("Applicants") of National Merit Insurance Company, Incorporated, a Washington domiciled property and casualty insurer located in Bellevue, WA. The Applicants propose to acquire control of the voting common shares of National Merit's holding company, Direct Response Corporation ("DRC"), of Meriden, CT.

You may recall hearing this matter under recent cases (Case No. G08-0016 and G2003-104) which the Applicants disclaimed control of Direct Response Corporation ("DRC") under a shareholders agreement. That agreement is set to expire on September 30, 2008 which will make the Applicants have an 88.3 percent controlling interest of the voting common shares of DRC.

The Company Supervision division is satisfied that the Form A is complete, and requests that a hearing be scheduled in this matter. Because of the shareholders agreement expiration quickly approaching, Company Supervision requests a hearing during September prior to the September 30th expiration date. Ms. Marcia Stickler is the OIC staff attorney assigned to this case.

Thank you for assistance. If you have any questions, please call me at 360-725-7211 or Ms. Stickler at 360-725-7048.

Sincerely,


RONALD J. PASTUCH, CPA
Holding Company Manager
Company Supervision Division

E-Mail: RonP@oic.wa.gov
Address: P. O. Box 40255 • Olympia, WA 98504-0255
Street Address: 5000 Capitol Blvd. • Tumwater, WA 98501



Nº 1278

Certificate of Authority

STATE OF WASHINGTON
INSURANCE COMMISSIONER
OLYMPIA

THIS IS TO CERTIFY, That, pursuant to the Insurance Code of the State of Washington,

NATIONAL MERIT INSURANCE COMPANY effective 3/16/84
~~NATIONAL MERIT INSURANCE COMPANY~~

of Seattle, Washington, organized under the laws of Washington, having presented satisfactory evidence of compliance, this Certificate of Authority is hereby granted, authorizing the company to transact the following classes of insurance:

- ~~Disability (RCW 48.11.030)~~ deleted 8/19/87.
- Property (RCW 48.11.040)
- Marine & Transportation (RCW 48.11.050)
- Vehicle (RCW 48.11.060)
- Casualty, General (RCW 48.11.070)
- Surety (RCW 48.11.080)

subject to all provisions of this Certificate as such classes are now or may hereafter be defined in the Insurance Laws of the State of Washington.

THIS CERTIFICATE is expressly conditioned upon the holder hereof now and hereafter being in full compliance with all, and not in violation of any, of the applicable laws and lawful requirements made under authority of the laws of the State of Washington as long as such laws or requirements are in effect and applicable, and as such laws and requirements now are, or may hereafter be changed or amended.

IN WITNESS WHEREOF, effective as of the 31st day of December, 1980, I have hereunto set my hand and caused my official seal to be affixed this 31st day of December, 1980.



[Signature]
Insurance Commissioner
By *[Signature]*
Chief Deputy

DEBEVOISE & PLIMPTON LLP

919 Third Avenue
New York, NY 10022
Tel 212 909 6000
www.debevoise.com

John Dembeck
Counsel
Tel 212 909 6158
Fax 212 909 6836
jdembeck@debevoise.com

May 20, 2008

RECEIVED

MAY 21 2008

BY FEDERAL EXPRESS

Mr. Ronald J. Pastuch, Holding Company Manager
Company Supervision Division
Office of the Insurance Commissioner
Insurance 5000 Building
5000 Capital Boulevard
Tumwater, Washington 98501

INSURANCE COMMISSIONER
COMPANY SUPERVISION

**Form A Application to Acquire Control of National Merit Insurance Company
Under Revised Code of Washington § 48.31B.015**

Dear Mr. Pastuch:

Enclosed please find a Form A application for approval to acquire control of National Merit Insurance Company by Metalmark Capital LLC, Metalmark Subadvisor LLC, Morgan Stanley Capital Partners III, L.P., DR Investors, L.P., DR Investors II, L.P. and MSCP III 892 Investors, L.P. (the "Statement") filed as required by RCW § 48.31B.015 and Washington Administrative Code Chapter 284-18. One original and two copies of the Statement are enclosed pursuant to Washington Administrative Code § 284-18-300.

Fingerprints for the individuals named in Item 3(a) of the Statement were submitted to you on March 23, 2007 in connection with a prior Form A application that was withdrawn on April 3, 2007, except for M. Fazle Husain. Based on our discussions, we are not resubmitting fingerprint cards for these individuals. A fingerprint card for Mr. Husain (who was not included in the prior Form A application) is enclosed together with our check in the amount of \$49.75 payable to the Washington State Patrol.

Since the parent of National Merit Insurance Company, Direct Response Corporation, has property/casualty insurer subsidiaries in the States of California, Connecticut and New York, similar Form A statements are expected to be submitted to these other three states.

May 20, 2008

Confidentiality Request

We request that all the Exhibits to the Statement be kept confidential and not disclosed pursuant to the Washington Public Records Act, RCW § 42.56.001 et. seq., pursuant to the following authorities: (i) the "other statute" exemption under RCW § 42.56.070(1), relying on the Washington Uniform Trade Secrets Act, RCW § 19.108.010 et. seq., which prohibits disclosure of trade secrets, (ii) *Boeing v. Sierracin Corp.*, 108 Wash.2d 38, 738 P.2d 665 (Wash. 1987) in which the Supreme Court of Washington held that a trade secret does not lose its confidential status when submitted to a public agency, and (iii) the exemption for valuable formulae exemption under the Washington Public Records Act set forth in RCW § 42.56.270(1).

* * * * *

If you have any comments or questions, please contact me by e-mail at jdembeck@debevoise.com or by telephone at 212-909-6158.

Sincerely,



John Dembeck

Enclosures