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Margaret L. O'Hara
Vice President &
Corporate Counsel

Hearings Unit, DIC
Patricia D. Petersen
Chief Hearing Officer

February 23, 2011

Via Federal Express – Overnight Delivery

Patricia D. Petersen
Chief Hearing Officer
State of Washington Office of Insurance Commissioner
5000 Capitol Blvd.
Tumwater, WA 98501

RE: **Redomestication of National Merit Insurance Company**
Docket No. 10-0235

Dear Ms. Petersen:

Pursuant to your *Notice of Hearing on Application for Redomestication* filed February 10, 2011, enclosed herein please find one (1) executed original for each of (a) the Articles of Reorganization and (b) the Amended and Restated By-Laws of National Merit Insurance Company. A signed original of each document was retained for our files.

Please contact me if you have any questions or need anything further. Thank you for your assistance in this matter.

Very truly yours,

NATIONAL MERIT INSURANCE COMPANY



Margaret L. O'Hara
Vice President and Corporate Counsel

MLO/klh
Enclosures
cc: Jeffrey L. Gingold, Esq. (w/enclosures)

Unitrin Direct

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ARTICLES OF REORGANIZATION FILED

OF

2011 FEB 25 A 8:40

NATIONAL MERIT INSURANCE COMPANY

Hearings Unit, DIC
Patricia D. Petersen
Chief Hearing Officer
The undersigned, being the President and Secretary of National Merit Insurance Company, for the purpose of re-domesticating National Merit Insurance Company from the State of Washington to the State of Illinois pursuant to the provisions of Article XII of the Illinois Insurance Code, hereby execute the following Articles of Reorganization:

ARTICLE 1

The name of the Company shall be National Merit Insurance Company.

ARTICLE 2

The Company was originally incorporated as Rainier Insurance Company in the State of Washington on June 20, 1980. The Company changed its name to National Merit Insurance Company on March 16, 1984.

ARTICLE 3

The principal office of the Company shall be located in the City of Chicago, County of Cook, and State of Illinois.

ARTICLE 4

The duration of the Company shall be perpetual.

ARTICLE 5

The purpose of the Company is to transact the kinds of insurance business as enumerated in the paragraphs of Class 2 and Class 3 of Section 4 of the Illinois Insurance Code specified below:

Class 2. Casualty, Fidelity and Surety.

- (a) Accident and Health. Insurance against bodily injury, disablement or death by accident and against disablement resulting from sickness or old age and every insurance appertaining thereto, including stop-loss insurance. Stop-loss insurance is insurance against the risk of economic loss issued to a single employer self-funded employee disability benefit plan or an employee welfare benefit plan as described in 29 U.S.C. 1001 et seq.
- (b) Vehicle. Insurance against any loss or liability resulting from or incident to the ownership, maintenance or use of any vehicle (motor or otherwise), draft animal

or aircraft. Any policy insuring against any loss or liability on account of the bodily injury or death of any person may contain a provision for payment of disability benefits to injured persons and death benefits to dependents, beneficiaries or personal representatives of persons who are killed, including the named insured, irrespective of legal liability of the insured, if the injury or death for which benefits are provided is caused by accident and sustained while in or upon or while entering into or alighting from or through being struck by a vehicle (motor or otherwise), draft animal or aircraft, and such provision shall not be deemed to be accident insurance.

- (c) Liability. Insurance against the liability of the insured for the death, injury or disability of an employee or other person; and insurance against the liability of the insured for damage to or destruction of another person's property.
- (d) Workers' Compensation. Insurance of the obligations accepted by or imposed upon employers under laws for workers' compensation.
- (e) Burglary and Forgery. Insurance against loss or damage by burglary, theft, larceny, robbery, forgery, fraud or otherwise; including all householders' personal property floater risks.
- (f) Glass. Insurance against loss or damage to glass including lettering, ornamentation and fittings from any cause.
- (g) Fidelity and surety. Become surety or guarantor for any person, copartnership or corporation in any position or place of trust or as custodian of money or property, public or private; or, becoming a surety or guarantor for the performance of any person, copartnership or corporation of any lawful obligation, undertaking, agreement or contract of any kind, except contracts or policies of insurance; and underwriting blanket bonds. Such obligations shall be known and treated as suretyship obligations and such business shall be known as surety business.
- (h) Miscellaneous. Insurance against loss or damage to property and any liability of the insured caused by accidents to boilers, pipes, pressure containers, machinery and apparatus of any kind and any apparatus connected thereto, or used for creating, transmitting or applying power, light, heat, steam or refrigeration, making inspection of and issuing certificates of inspection upon elevators, boilers, machinery and apparatus of any kind and all mechanical apparatus and appliances appertaining thereto; insurance against loss or damage by water entering through leaks or openings in buildings, or from the breakage or leakage of a sprinkler, pumps, water pipes, plumbing and all tanks, apparatus, conduits and containers designed to bring water into buildings or for its storage or utilization therein, or caused by the falling of a tank, tank platform or supports, or against loss or damage from any cause (other than causes specifically enumerated below in Class 3) to such sprinkler, pumps, water pipes, plumbing, tanks, apparatus, conduits or containers; insurance against loss or damage which may result from the failure of debtors to pay their obligations to the insured; and

insurance of the payment of money for personal services under contracts of hiring.

- (i) Other Casualty Risks. Insurance against any other casualty risk not otherwise specified under Class 3, which may lawfully be the subject of insurance and may properly be classified under Class 2.
- (j) Contingent Losses. Contingent, consequential and indirect coverages wherein the proximate cause of the loss is attributable to any one of the causes enumerated under Class 2. Such coverages shall, for the purpose of classification, be included in the specific grouping of the kinds of insurance wherein such cause is specified.
- (k) Livestock and Domestic Animals. Insurance against mortality, accident and health of livestock and domestic animals.
- (l) Legal expense insurance. Insurance against risk resulting from the cost of legal services as defined under Class 1(c).

Class 3. Fire and Marine, etc.

- (a) Fire. Insurance against loss or damage by fire, smoke and smudge, lightning or other electrical disturbances.
- (b) Elements. Insurance against loss or damage by earthquake, windstorms, cyclone, tornado, tempests, hail, frost, snow, ice, sleet, flood, rain, drought or other weather or climatic conditions including excess or deficiency of moisture, rising of the waters of the ocean or its tributaries.
- (c) War, riot and explosion. Insurance against loss or damage by bombardment, invasion, insurrection, riot, strikes, civil war or commotion, military or usurped power, or explosion (other than explosion of steam boilers and the breaking of fly wheels on premises owned, controlled, managed, or maintained by the insured.)
- (d) Marine and transportation. Insurance against loss or damage to vessels, craft, aircraft, vehicles of every kind, (excluding vehicles operating under their own power or while in storage not incidental to transportation) as well as all goods, freights, cargoes, merchandise, effects, disbursements, profits, moneys, bullion, precious stones, securities, choses in action, evidences of debt, valuable papers, bottomry and respondentia interests and all other kinds of property and interests therein, in respect to, appertaining to or in connection with any or all risks or perils of navigation, transit, or transportation, including war risks, on or under any seas or other waters, on land or in the air, or while being assembled, packed, crated, baled, compressed or similarly prepared for shipment or while awaiting the same or during any delays, storage, transshipment, or reshipment incident thereto, including marine builder's risks and all personal property floater risks; and for loss or damage to persons or property in connection with or appertaining to marine, inland marine, transit or transportation insurance, including liability for

loss of or damage to either arising out of or in connection with the construction, repair, operation, maintenance, or use of the subject matter of such insurance, (but not including life insurance or surety bonds); but, except as herein specified, shall not mean insurances against loss by reason of bodily injury to the person; and insurance against loss or damage to precious stones, jewels, jewelry, gold, silver and other precious metals whether used in business or trade or otherwise and whether the same be in course of transportation or otherwise, which shall include jewelers' block insurance; and insurance against loss or damage to bridges, tunnels and other instrumentalities of transportation and communication (excluding buildings, their furniture and furnishings, fixed contents and supplies held in storage) unless fire, tornado, sprinkler leakage, hail, explosion, earthquake, riot and civil commotion are the only hazards to be covered; and to piers, wharves, docks and slips, excluding the risks of fire, tornado, sprinkler leakage, hail, explosion, earthquake, riot and civil commotion; and to other aids to navigation and transportation, including dry docks and marine railways, against all risk.

- (e) Vehicle. Insurance against loss or liability resulting from or incident to the ownership, maintenance or use of any vehicle (motor or otherwise), draft animal or aircraft, excluding the liability of the insured for the death, injury or disability of another person.
- (f) Property damage, sprinkler leakage and crop. Insurance against the liability of the insured for loss or damage to another person's property or property interests from any cause enumerated in this class; insurance against loss or damage by water entering through leaks or openings in buildings, or from the breakage or leakage of a sprinkler, pumps, water pipes, plumbing and all tanks, apparatus, conduits and containers designed to bring water into buildings or for its storage or utilization therein, or caused by the falling of a tank, tank platform or supports or against loss or damage from any cause to such sprinklers, pumps, water pipes, plumbing, tanks, apparatus, conduits or containers; insurance against loss or damage from insects, diseases or other causes to trees, crops or other products of the soil.
- (g) Other fire and marine risks. Insurance against any other property risk not otherwise specified under Class 2, which may lawfully be the subject of insurance and may properly be classified under Class 3.
- (h) Contingent losses. Contingent, consequential and indirect coverages wherein the proximate cause of the loss is attributable to any of the causes enumerated under Class 3. Such coverages shall, for the purpose of classification, be included in the specific grouping of the kinds of insurance wherein such cause is specified.
- (i) Legal expense insurance. Insurance against risk retention resulting from the cost of legal services as defined under Class 1(c).

ARTICLE 6

The corporate powers of the Company shall be exercised by, and its business and affairs shall be under the control of, a Board of Directors composed of not less than three (3) nor more than twenty-one (21) natural persons who are at least eighteen (18) years of age and at least three (3) of whom are residents and citizens of the State of Illinois. The number of Directors to be elected from time to time shall be governed by the by-laws of the Company. The regular term of a Director shall be one year, and until a successor is duly elected and qualified.

In all elections for Directors, every shareholder of common shares shall have a right to vote in person or by proxy for the number of shares owned by the holder for as many persons as there are Directors to be elected or to cumulate such shares and give one candidate as many votes as the number of Directors multiplied by the number of shares of stock shall equal, or to distribute them on the same principle among as many candidates as the holder shall think fit.

Vacancies in the Board of Directors shall be filled by the shareholders at a meeting specially called for that purpose or at an annual meeting of the shareholders.

The Directors shall have the power to adopt and amend the by-laws of the Company not inconsistent with these Articles of Reorganization or provisions of law pertaining to the Company.

At any shareholders' meeting, a majority of the outstanding shares represented either in person or by proxy shall constitute a quorum for the transaction of business; provided that in case there shall be less than a quorum present at any meeting, those present may adjourn the meeting from time to time until a quorum is attained or may adjourn sine die.

ARTICLE 7

The amount of the Company's authorized capital shall be \$3,000,000, consisting of 30,000 shares of common stock having a par value of \$100.00 per share. There are 30,000 shares of common stock issued and outstanding as of the effective date of these Articles of Reorganization, and the Board of Directors shall have the authority to issue additional shares, not to exceed the authorized number of shares, or to reduce the issued and outstanding shares, without restating these Articles of Reorganization. The Company shall be conducted on the stock plan.

No present or future holder of common stock of the Company shall, as such holder, have any right to purchase or subscribe for any shares of stock of the Company of any class, or obligations or instruments which the Company may issue or sell that shall be convertible into or exchangeable for or entitle the holders thereof to subscribe for or purchase any shares of the Company of any class, other than such rights as the Board of Directors in its discretion may determine; all such pre-emptive rights being by each and all such present and future holders expressly waived and denied.

ARTICLE 8

All dividends or other distributions shall be paid from the earned surplus of the Company, and such dividends shall be declared at the direction of the Board of Directors.

ARTICLE 9

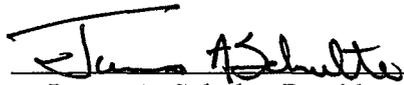
The Company shall be bound by all the terms and provisions of the Illinois Insurance Code.

ARTICLE 10

Upon the effective date of the reorganization of the Company, these Articles of Reorganization shall become the Articles of Incorporation of the Company, and the Company shall continue in existence as, and thereafter be, a domestic stock insurance company of the State of Illinois.

These Articles of Reorganization have been executed in triplicate this 22nd day of February, 2011, and are effective upon approval by the Illinois Department of Insurance and upon entry of order of approval of redomestication by the Washington State Office of the Insurance Commissioner.

NATIONAL MERIT INSURANCE
COMPANY

By: 
James A. Schulte, President

ATTEST:


Margaret L. O'Hara, Secretary

STATE OF ILLINOIS)
) ss.
COUNTY OF COOK)

These Articles of Reorganization were executed in duplicate and acknowledged and sworn to before me this 22nd day of February, 2011, by James A. Schulte and Margaret L. O'Hara, the President and Secretary, respectively, of National Merit Insurance Company.


Print Name: Kristine J. Heykoop
Notary Public in and for said County and State

My commission expires:

8/25/2014



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2011 FEB 25 A 8:40

Hearings Unit, DIC
Patricia D. Petersen
Chief Hearing Officer

AMENDED AND RESTATED BY-LAWS
OF
NATIONAL MERIT INSURANCE COMPANY

ADOPTED: August 10, 2010
EFFECTIVE:

NATIONAL MERIT INSURANCE COMPANY

AMENDED AND RESTATED BY-LAWS

ARTICLE I
OFFICES

SECTION 1. **PRINCIPAL OFFICE**

The principal office of the company shall be in the City of Chicago, County of Cook, and State of Illinois. The company may have such other offices, either within or without the State of Illinois, as the business of the company may require from time to time.

SECTION 2. **REGISTERED OFFICE**

The registered office of the company will be maintained in the State of Illinois and may be, but need not be, identical with the principal office in the State of Illinois. The address of the registered office may be changed from time to time by the board of directors.

ARTICLE II
CORPORATE SEAL

The corporate seal of the company shall have inscribed thereon the name of the company and the words "Corporate Seal, Illinois."

ARTICLE III
MEETINGS OF SHAREHOLDERS

SECTION 1. **PLACE OF MEETINGS**

Meetings of shareholders shall be held at the principal office of the company, or at such other place, either within or without the State of Illinois, as shall be determined by the board of directors.

SECTION 2. **ANNUAL MEETINGS**

Annual meetings of shareholders shall be held on the last Friday of April of each year at 10:00 a.m., if not a legal holiday, and if a legal holiday, then on the next succeeding business day, for the purpose of electing directors and for the transaction of such other business as may be brought before the meeting. If the election of directors shall not be held on the day designated herein for any annual meeting, or at any adjournment thereof, the board of directors shall cause the election to be held at a meeting of shareholders as soon thereafter as is conveniently possible.

SECTION 3. **SPECIAL MEETINGS**

Special meetings of shareholders, for any purpose or purposes, unless otherwise prescribed by statute or by the articles of incorporation, may be called by the president and shall be called by the president or secretary at the request in writing of a majority of the board of directors, or at the request in writing of shareholders owning not less than one-fifth (1/5) of the

outstanding shares of the company entitled to vote at any such meetings. Any and all business may be transacted at such special meetings, unless both the call and the notice thereof limit the meetings to the business referred to in such call and notice and shall specifically exclude from consideration any and all other business not referred to therein.

SECTION 4. QUORUM

The presence, in person or by proxy, of the holders of a majority of the outstanding shares entitled to vote shall constitute a quorum at all meetings of the shareholders for the transaction of business, except as otherwise provided by statute or the articles of incorporation. When a quorum is present or represented by proxy at any meeting, the affirmative vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one which, by express provision of statute or the articles of incorporation, requires a different vote, in which case such express provision shall govern and control the vote required. Should a quorum not be present at any meeting of shareholders, the shareholders entitled to vote at any such meeting, present in person or by proxy, shall have the power to adjourn the meeting from time to time without notice other than an announcement at the meeting until a quorum shall be present. At such adjourned meeting at which a quorum is present, any business may be transacted which would have been transacted at the meeting originally noticed.

SECTION 5. NOTICE OF MEETINGS

Written or printed notice of the annual or any special meeting of shareholders stating the place, day and hour of the meeting and the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than forty (40) days before the date of the meeting, personally, by mail or by electronic means, by or at the direction of the president, the secretary, or the officer or persons calling the meeting to each shareholder of record entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the shareholder at his address as it appears on the records of the company with postage prepaid thereon. If delivered personally or by electronic means, such notice shall be deemed delivered when actually received.

SECTION 6. WAIVER OF NOTICE

A waiver of notice of any meeting, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

SECTION 7. ACTION WITHOUT A MEETING

Any action required or permitted to be taken at a meeting of shareholders may be taken without a meeting if a written consent thereto is signed by all the shareholders, and such written consent is filed with the minutes of proceedings of the shareholders.

SECTION 8. PROXY

At all meetings, a shareholder may vote either in person or by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. No proxy shall be valid after

eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

SECTION 9. VOTING OF SHARES

In all elections for directors, every shareholder shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected or to cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or to distribute them on the same principle among as many candidates as he shall see fit.

ARTICLE IV
BOARD OF DIRECTORS

SECTION 1. NUMBER, ELECTION AND TERM OF OFFICE

The business, property and affairs of the company shall be managed and controlled by a board of directors, consisting of not less than three (3) nor more than eight (8) members, the specific number to be established by resolution of the board from time to time.

The members of the board of directors shall be elected at the annual meeting of shareholders. Directors shall hold office for a term of one year and until their respective successors shall have been elected and qualified.

SECTION 2. ANNUAL MEETINGS

Annual meetings of the board of directors for the transaction of any and all business as is brought before the meeting, including, but not limited to, the election of officers, shall be held at the place of and immediately succeeding the annual meeting of shareholders, at which directors shall be elected as provided in Section 2 of Article III hereof; provided, however, that if for any reason the shareholders fail to elect directors at any such annual meeting of shareholders, then, and in such event, the annual meeting of the board of directors shall be held at the place of and immediately succeeding the special meeting of the shareholders convened for the election of directors as provided by law and at which directors shall be elected.

SECTION 3. SPECIAL MEETINGS

Special meetings of the board of directors shall be held whenever called by the president or by a majority of the members of the board of directors at the principal office of the company, or at such other place either within or outside the State of Illinois as the president or the majority of the board shall designate.

SECTION 4. QUORUM

A majority of the board of directors shall be necessary at all meetings to constitute a quorum for the transaction of any business, and the act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the board of directors. Should less than a majority of the board of directors be present at any meeting, those present may adjourn the meeting from time to time until a quorum is present.

SECTION 5. NOTICE OF MEETINGS

No notice of the annual meetings need be given to the members of the board of directors.

The secretary shall give, or cause to be given, to members of the board of directors written or printed notice of special meetings. Any such notice shall be given personally, by mail or by electronic means at least twenty-four (24) hours before the time of such meeting to each director. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the director at his address as it appears on the records of the company with postage thereon prepaid. If delivered personally or by electronic means, such notice shall be deemed delivered when actually received.

SECTION 6. WAIVER OF NOTICE

A waiver of notice of any meeting signed by any director, whether before or after the meeting, shall be deemed equivalent to the giving of such notice. Attendance of any director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends the meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

SECTION 7. ACTION WITHOUT A MEETING

Any action required or permitted to be taken at any meeting of the board of directors may be taken without a meeting if a written consent setting forth the action so taken is signed by all members of the board and such written consent is filed with the minutes of proceedings of the board of directors.

SECTION 8. PARTICIPATION BY ELECTRONIC MEANS

At any meeting of the directors, any member of the board may participate in and act at said meeting through the use of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other. Participation in such meeting shall constitute attendance and presence in person at the meeting of the person or persons so participating.

SECTION 9. VACANCIES

Any vacancies occurring on the board of directors, and any directorship to be filled by reason of any increase in the number of directors, may be filled by an election at an annual meeting of shareholders, or at a special meeting of shareholders called for that purpose. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office.

SECTION 10. REMOVAL

The entire board of directors or any individual director may be removed from office, with or without cause, at any meeting of the shareholders by a vote of the holders of a majority of the shares entitled to vote for directors.

SECTION 11. COMPENSATION

Directors, as such, shall not receive any stated salary for their services, but, by resolution of the board a fixed sum and expenses of attendance, if any, may be allowed for attendance at any annual or special meeting of the board; provided, that nothing herein contained shall be construed to preclude any director from serving the company in any other capacity and receiving compensation therefor.

**ARTICLE V
COMMITTEES OF THE BOARD**

EXECUTIVE COMMITTEE

SECTION 1. ELECTION AND DUTIES

The board of directors, by resolution passed by a majority of the board, may elect an executive committee composed of three (3) or more directors who shall serve at the pleasure of the board. Except as herein or by resolution of the board of directors otherwise provided, or as provided under Illinois statutes, the executive committee, during the intervals between the meetings of the board of directors, shall possess and may exercise all of the powers of the board of directors in the management of the business and affairs of the company. The executive committee shall keep full and complete records of its proceedings. All actions taken by the executive committee shall be reported to the board of directors at its meeting next succeeding such action and shall be subject to revision and alteration by the board of directors; provided that, no rights of third persons shall be affected by any such revision or alteration. Vacancies on the executive committee shall be filled by the board of directors, but during the temporary absence of a member of the executive committee, the remaining members of the executive committee may appoint a member of the board of directors to act in the place of such absent member.

SECTION 2. MEETINGS

Meetings of the executive committee may be held on twenty-four (24) hours notice to each member of the committee personally, by mail or by electronic means. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the member at his address as it appears on the records of the company with postage prepaid thereon. If delivered personally or by electronic means, such notice shall be deemed delivered when actually received.

A majority of the executive committee shall be necessary to constitute a quorum for the transaction of any business, and, unless otherwise set forth in the resolutions of the board of directors, a majority of members present at a meeting and not disqualified from voting shall constitute the acts of the committee. When all of the members of the executive committee shall be present at any meeting, however called or noticed, or shall sign a written consent thereto, the acts of such committee shall be valid as if legally called and noticed.

INVESTMENT COMMITTEE

SECTION 3. ELECTION AND DUTIES

The board of directors, by resolution passed by a majority of the entire board, may elect an investment committee composed of three (3) or more directors who shall serve during the pleasure of the board. The committee shall have full power to buy, sell, invest and/or reinvest in any securities authorized by the Illinois Insurance Code. The actions of a majority of the members of the committee in the purchase or sale of any security shall be binding upon the company. Vacancies on the investment committee shall be filled by the board of directors, but during the temporary absence of a member of the investment committee, the remaining members of the investment committee may appoint a member of the board of directors to act in the place of such absent member. The committee shall keep a record of its actions which shall be reported at the next board meeting succeeding such actions for which formal reports have been prepared and are available.

ADDITIONAL COMMITTEES OF THE BOARD

SECTION 4. APPOINTMENT AND DUTIES

A majority of the board of directors may authorize one or more committees in addition to the executive and investment committees and appoint members to serve on such committee or committees, the members of which may or may not, at the board's discretion unless otherwise required by law, be members of the board of directors. Each such committee shall have three (3) or more members and shall exercise such authority and carry out such duties as may be required by law or as are set forth in resolutions of the board of directors appointing the committee and which are not reserved to the full board by Illinois statutes. Committee members so elected shall serve for a one-year term at the discretion of the board of directors and may be removed by the board of directors. The board of directors may increase or decrease the number of members of any committee at any time, provided that no committee shall at any time have fewer than three (3) members. A majority of members of a committee shall constitute a quorum and, unless otherwise set forth in resolutions of the board of directors, a majority of those members present at a meeting and not disqualified from voting shall constitute the acts of the committee. Any additional committees appointed by the board shall keep a record of its actions which shall be reported to the board of directors as the board may require from time to time.

MEETING PROCEDURES

SECTION 5. WAIVER OF NOTICE, ACTION WITHOUT A MEETING AND PARTICIPATION BY ELECTRONIC MEANS

The provisions of Sections 6, 7 and 8 of Article IV of these by-laws regarding Waiver of Notice, Action Without a Meeting and Participation by Electronic Means, respectively, shall be applicable and available to any committee elected or appointed pursuant to these by-laws with respect to any of its proceedings.

ARTICLE VI
OFFICERS

SECTION 1. ELECTION

At the meeting of the board of directors following each annual meeting of shareholders of the company, the directors shall elect from among their number a chairman of the board and a president, and shall elect, in addition thereto, whether or not members of the board, one or more vice presidents (the number thereof to be determined by the board of directors), a secretary, a treasurer and such other officers with such titles and duties as the board of directors may deem proper and appropriate, all of which such elected officers shall constitute the executive officers of the company. Any two offices may be held by the same person. All of such persons so elected shall hold office at the pleasure of the board or until the meeting of the directors following the next annual meeting of the shareholders and until their respective successors shall have been duly elected and qualified. The board may delegate the powers or duties of such officer to any other officer, except where otherwise provided by statute, for the time being, provided a majority of the entire board concurs therein.

Subject to the rights of the board of directors at any time, and from time to time, to change their duties as the needs of the company may, in the judgment of the board, require, the executive officers named hereafter shall in general have the following duties and responsibilities:

SECTION 2. THE CHAIRMAN OF THE BOARD

The chairman of the board shall, when present, preside at meetings of the board of directors and the shareholders. He may assist the board of directors and other officers in the formulation of the policies of the company, and shall be available to other officers for consultation and advice. He shall have such other powers and duties as may, from time to time, be prescribed by the board of directors.

SECTION 3. THE PRESIDENT

The president shall be vested with all of the powers and shall be required to perform all of the duties of the chairman of the board in the event of the chairman's absence or inability to act. He shall have the general and active management of the business of the company and shall see that all orders and resolutions of the board of directors are carried into effect, subject, however, to the right of the directors to delegate any specific powers, except such as may be by statute exclusively conferred on the president, to any other officer or officers of the company.

The president may appoint assistant or such other officers of the company as he deems necessary or advisable to assist the executive officers of the company elected by the board of directors, and he may prescribe such duties for such assistant or other officers as he deems appropriate from time to time. Such appointments shall be subject to confirmation by the board of directors, but until acted upon by the board, the appointees shall have such powers as may be designated by the president.

SECTION 4. THE VICE PRESIDENT

The vice president or vice presidents shall be vested with all the powers and be required to

perform all the duties of the president in his absence, together with such other duties as may be prescribed by the board of directors or the president. All elected vice presidents shall serve and perform the duties designated to them in the order of their election unless otherwise prescribed or limited by resolution of the board of directors.

SECTION 5. THE SECRETARY

The secretary shall do all things required by law to be done by or incident to the office of secretary, or which by general usage appertain to said office, including, but not limited to, retention of custody of the corporate seal, attendance at and keeping minutes of all meetings of shareholders and the board of directors, and shall perform like duties for all committees when required and record such minutes in books maintained for such purposes. The secretary shall give, or cause to be given, notices required by law or these by-laws of all meetings of shareholders, directors or committees and shall perform such other duties as may be prescribed by the board of directors, the executive committee or the president. Except as may otherwise be directed by the board of directors, the executive committee, or the president, any of the duties of the secretary may be delegated by the secretary to any assistant secretary who shall perform such duties under the direction and supervision of the secretary.

SECTION 6. THE TREASURER

The treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the company and shall deposit all moneys and other valuable effects in the name and to the credit of the company in such depositories as may be designated or permitted by the board of directors.

The treasurer shall do all things required by law to be done by or incident to the office of treasurer. He shall disburse the funds of the company, including disbursements as may be ordered by the board of directors, taking proper vouchers for such disbursements, and shall render to the president and the board of directors, when requested to do so, an account of all his transactions as treasurer and of the financial condition of the company.

Upon request, the treasurer shall give the company a bond in such sum and with such surety or sureties as shall be satisfactory to the board of directors for the faithful performance of the duties of his office and for the restoration to the company, in case of his death, resignation or retirement, of all books, papers, vouchers, money, securities and other property of whatever kind or nature in his possession or under his control belonging to the company.

SECTION 7. VACANCIES

Except as provided for the appointment of assistant officers by the president of the company in Section 3 of this Article VI, any vacancy occurring in any officer position of the company by death, resignation or otherwise shall be filled by the board of directors.

SECTION 8. REMOVAL OF OFFICERS

Any officer elected or appointed as above provided may be removed by the board of directors, or in the case of appointed officers by the president or the board, whenever in the board's or the president's judgment the best interests of the company would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so

removed.

ARTICLE VII **CERTIFICATES OF STOCK**

SECTION 1. INDIVIDUAL CERTIFICATES.

Every shareholder shall be entitled to have a certificate, signed by the president or a vice president and the secretary or an assistant secretary of the company, certifying the number of shares owned by him of the company.

SECTION 2. AUTHENTICATION

Whenever any certificate is countersigned or otherwise authenticated by a transfer agent or transfer clerk, or by a registrar, then a facsimile of the signatures of the officers or agents of the company may be printed or lithographed upon such certificate in lieu of the actual signatures. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers of the company, whether because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the company, such certificate or certificates may nevertheless be adopted by the company and be issued and delivered as though the person or persons who signed such certificate or certificates, or whose facsimile signature or signatures shall have been used thereon, had not ceased to be the officer or officers of the company.

SECTION 3. REPLACEMENT

The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the company alleged to have been lost, destroyed or mutilated upon such terms and indemnity to the company as the board of directors may prescribe.

SECTION 4. REGISTERED HOLDER

The company shall be entitled to treat the registered holder of any shares as the absolute owner thereof and shall not be bound to recognize any equitable or other claim to, or interest in, such shares, on the part of any other person, whether or not it shall have actual or other notice thereof, except as may be expressly provided under Illinois statutes.

ARTICLE VIII **DIVIDENDS**

The board of directors of the company, in accordance with the laws of the State of Illinois, may declare and pay dividends on its outstanding shares in cash, securities or other property owned by the company, or in its own shares.

ARTICLE IX **FISCAL YEAR**

The fiscal year of the company shall be the calendar year.

ARTICLE X
AMENDMENTS TO BY-LAWS

SECTION 1. **AMENDMENT BY BOARD**

The company's board of directors, by the affirmative vote of a majority of the members present, at any meeting, may alter, amend or repeal these by-laws except to the extent that any of the following applies:

(a) The articles of incorporation or any provision of the Illinois statutes, reserves that power exclusively to the shareholders; or

(b) The shareholders in adopting, amending or repealing a particular by-law provide within the by-laws that the board of directors may not amend, repeal or re-adopt that by-law.

SECTION 2. **AMENDMENT BY SHAREHOLDERS**

The company's shareholders may amend or repeal the company's by-laws or adopt new by-laws at any time.

ARTICLE XI
INDEMNIFICATION OF DIRECTORS AND OFFICERS

SECTION 1. **NON-DERIVATIVE ACTIONS**

The company shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the company) by reason of the fact that he is or was a director, officer, employee or agent of the company, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner he reasonably believed to be in, or not opposed to the best interests of the company, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the company or, with respect to any criminal action or proceeding, that the person had reasonable cause to believe that his conduct was unlawful.

SECTION 2. **DERIVATIVE ACTIONS**

The company shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the company to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the company, or is or was serving at the request of the company as a director, officer, employee or agent of another company, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and

reasonably incurred by such person in connection with the defense or settlement of such action or suit, if such person acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the company, provided that no indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the company, unless, and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses as the court shall deem proper.

SECTION 3. EXPENSES

To the extent that a director, officer, employee or agent of a company has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in subsections 1 or 2 of this Article XI, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

SECTION 4. CONDITIONS FOR INDEMNIFICATION

Any indemnification under subsections 1 and 2 of this Article XI (unless ordered by a court) shall be made by the company only as authorized in the specific case, upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth in subsections 1 or 2 of this Article XI. Such determination shall be made: (i) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding; or (ii) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion; or (iii) by the shareholders.

SECTION 5. EXPENSE ADVANCES

Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the company in advance of the final disposition of such action, suit or proceeding, as authorized by the board of directors in the specific case, upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount, unless it shall ultimately be determined that he is entitled to be indemnified by the company as authorized in this Section.

SECTION 6. NON-EXCLUSIVE RIGHTS

The indemnification provided by this Article XI shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any by-law, agreement, vote of shareholders or disinterested directors, or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such a person.

SECTION 7. INSURANCE

The company may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the company, or who is or was serving at the request of the company as a director, officer, employee or agent of another company, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his status as such, whether or not the company would have the power to indemnify such person against such liability under the provisions of this Article XI.

SECTION 8. REPORT TO SHAREHOLDERS

If the company has paid indemnification or has advanced expenses to a director, officer, employee or agent, the company shall report the indemnification or advance in writing to the shareholders with or before the notice of the next shareholders meeting.

SECTION 9. DEFINITION OF COMPANY

For purposes of this Article XI, references to “the company” shall include, in addition to the surviving company, any merging company (including any company having merged with a merging company) absorbed in a merger which, if its separate existence had continued, would have had the power and authority to indemnify its directors, officers and employees or agents, so that any person who was a director, officer, employee or agent of such merging company, or was serving at the request of such merging company as a director, officer, employee or agent of another company, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article XI with respect to the surviving company as such person would have with respect to such merging company if its separate existence had continued.

SECTION 10. OTHER DEFINITIONS

For purposes of this Article XI, references to “other enterprises” shall include employee benefit plans; references to “fines” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “serving at the request of the company” shall include any service as a director, officer, employee or agent of the company which imposes duties on, or involves services by such director, officer, employee, or agent with respect to any employee benefit plan, its participants, or beneficiaries. A person who acted in good faith and in a manner he or she reasonably believed to be in the best interests of the participants and beneficiaries of any employee benefit plan shall be deemed to have acted in a manner “not opposed to the best interest of the company” as referred to in this Article XI.

ARTICLE XII **MISCELLANEOUS**

Unless the context of these by-laws otherwise requires, words of any gender are deemed to include any other gender.

These Bylaws have been executed in triplicate this 22nd day of February, 2011, and are effective upon approval by the Illinois Department of Insurance and upon entry of order of approval of redomestication by the Washington State Office of the Insurance Commissioner.

NATIONAL MERIT INSURANCE
COMPANY

By: James A. Schulte
James A. Schulte, President

ATTEST:

Margaret L. O'Hara
Margaret L. O'Hara, Secretary

STATE OF ILLINOIS)
) ss.
COUNTY OF COOK)

These Articles of Reorganization were executed in duplicate and acknowledged and sworn to before me this 22nd day of February, 2011, by James A. Schulte and Margaret L. O'Hara, the President and Secretary, respectively, of National Merit Insurance Company.

Kristine J. Heykoop
Print Name: Kristine J. Heykoop
Notary Public in and for said County and State

My commission expires:

8/25/14

