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OFFICE OF  
INSURANCE COMMISSIONER

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HEARINGS UNIT  
Fax: (360) 664-2782

Patricia D. Petersen, OIC  
Patricia D. Petersen  
Chief Hearing Officer

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

Nicole Kelly  
Paralegal  
(360) 725-7002  
[nicolek@oic.wa.gov](mailto:nicolek@oic.wa.gov)

BEFORE THE STATE OF WASHINGTON  
OFFICE OF INSURANCE COMMISSIONER

In the Matter of the Redomestication of: )  
)  
NATIONAL MERIT )  
INSURANCE COMPANY )  
)  
A Washington Domestic Insurer. )  
\_\_\_\_\_ )

Docket No. 10-0235  
NOTICE OF HEARING ON  
APPLICATION FOR  
REDOMESTICATION

**TO:** Margaret L. O'Hara  
Vice President and Secretary  
National Merit Insurance Company  
500 S. Broad  
Meriden, CT 06450

**COPY TO:** Mike Kreidler, Insurance Commissioner  
Michael G. Watson, Chief Deputy Insurance Commissioner  
James T. Odiorne, CPA, JD, Deputy Commissioner, Company Supervision Div.  
Ronald Pastuch, Holding Company Manager, Company Supervision Division  
Gayle Pasero, CPCU, Company Licensing Manager, Company Supervision Div.  
Carol Sureau, Esq., Deputy Commissioner, Legal Affairs Division  
Marcia G. Stickler, Esq., Staff Attorney, Legal Affairs Division  
Office of the Insurance Commissioner  
PO Box 40255  
Olympia, WA 98504-0255

On August 20, 2010, National Merit Insurance Company ("National Merit") filed an Application for Redomestication ("Application") with the Washington State Insurance Commissioner ("OIC"), requesting the OIC's approval to transfer its corporate domicile

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from Washington State to the state of Illinois. National Merit's Application, which includes detailed information about the company and its affiliates including its reasons for applying to redomesticate to Illinois; Articles of Reorganization; Amended and Restated Bylaws; Resolution of Board of Directors Approving the Redomestication and Articles of Reorganization; Resolution of Board of Directors approving the Amended and Restated By-Laws; Record-Keeping Plan of Operation; Shareholder approval of the Redomestication; and other information are included in the hearing file and are published on the OIC's website at <http://www.insurance.wa.gov/orders/hearings.shtml>. National Merit is directed to immediately submit executed copies of its Articles of Reorganization and its Amended and Restated By-Laws (those included in its Application are unsigned).

National Merit was originally incorporated as Rainier Insurance Company in Washington in 1980, and changed its name to National Merit Insurance Company in 1984. National Merit is authorized in Washington as a domestic insurer to conduct accident and health, property and casualty insurance. In its October 13, 2010 letter accompanying its Application, National Merit advises the OIC that it desires to redomesticate to Illinois in order to simplify administration of the companies within the Unitrin Direct operating segment; National Merit further advises the OIC that Unitrin Direct currently has six companies domiciled in Illinois and redomesticating National Merit to Illinois enhances management of the operating segment by consolidating financial and legal reporting, financial examinations and other management and reporting responsibilities which will, in turn, reduce operating expenses for the companies and enhance its operating capabilities.

On December 1, 2010, pursuant to RCW 48.04.010(1), Gayle Pasero, CPCU, Company Licensing Manager in the OIC's Company Supervision Division, filed said Application with the undersigned with the request that she conduct the adjudicative proceeding herein and enter the final order approving or disapproving National Merit's Application for Redomestication.

The redomestication of National Merit is controlled by Title 48 RCW and, specifically, RCW 48.07.210(2). Pursuant to RCW 48.07.210(2), *[t]he commissioner shall approve any proposed transfer of domicile unless the commissioner determines after a hearing, pursuant to such notice as the commissioner may require, that the transfer is not in the best interests of the public or the insurer's policyholders in this state.* Upon transfer of domicile, the insurer ceases to be a domestic insurer of this state. If otherwise qualified under the laws of this state, the commissioner shall admit the insurer to do business in this state as a foreign insurer. If the OIC fails to approve a proposed transfer of domicile, the OIC shall state his reasons for failure to approve the transfer in an order issued after the hearing.

In its Application, National Merit advises that it wishes to redomesticate because its parent company and other affiliates are domiciled in Illinois along with a significant portion of its administrative offices. National Merit also advises that it still intends to conduct its insurance business in Washington State as a foreign insurer and believes that it will qualify

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and become licensed as such without interruption. As above, National Merit's details and explanations are included in the hearing file and are published on the OIC's website.

Accordingly, **YOU ARE HEREBY NOTIFIED that a hearing will be held commencing on Monday, March 7, 2011, at 10:00 a.m. Pacific Standard Time.** At the request of National Merit and by authority given to the undersigned pursuant to RCW 34.05.449(3), the hearing will be held by telephone. The purpose of this hearing, which will include all parties, is to consider the Application for Redomestication of National Merit. Pursuant to RCW 48.07.210, approval of these applications are conditioned, in part, upon a finding by the undersigned, based upon evidence presented by testimony and documents at the hearing, that there has been reasonable notice given, and that the redomestication is in the best interest of the public and National Merit's Washington policyholders. In this regard, one or more authorized representatives of National Merit shall appear as a witness to testify as to 1) whether, and why, the proposed redomestication is in the best interests of the public; 2) whether, and why, the proposed redomestication is in the best interests of Washington policyholders including whether their rights and privileges under their National Merit contracts are protected; and 3) whether, and why, the proposed redomestication is in the best interests of the company. An acceptable duly authorized representative would be an officer, director or in-house counsel of National Merit.

Testimony from the OIC is expected regarding whether, and why, the OIC believes 1) such proposed redomestication is in the best interests of the public; 2) this proposed redomestication is in the best interests of Washington policyholders including whether their rights and privileges under their National Merit contracts are protected; and 3) this proposed redomestication is in the best interests of the public; and 4) reasonable public notice of this Application and hearing has been given.

All written testimony is expected to be filed at least 3 business days prior to the date of the hearing.

The OIC will appear pro se, represented by Marcia G. Stickler, Esq., Staff Attorney of his Legal Affairs Division. Ms. Stickler's address is Office of the Insurance Commissioner, Legal Affairs Division, P.O. Box 40255, Olympia, WA 98504-0255 and her telephone number is (360) 725-7048. National Merit Insurance Company will be represented by Margaret L. O'Hara, Vice President and Secretary of National Merit Insurance Company. Ms. O'Hara's address is 500 South Broad, Meriden, Connecticut 06450 and her telephone number is (312) 661-4542.

Patricia D. Petersen, Presiding Officer, who serves as Chief Hearing Officer for the Office of the Insurance Commissioner, has been designated to hear and determine this matter. Her address is Office of Insurance Commissioner, P.O. Box 40255, Olympia, Washington 98504-0255. Her telephone number is (360) 725-7105. All interested individuals and entities who have questions or concerns concerning this proceeding should direct them to

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her paralegal, Nicole Kelly, at the same address. Ms. Kelly's telephone number is (360) 725-7002. **Please note that any interested individual or entity may indicate his/her or its support, or objection, to this proposed redomestication by submitting a letter to the undersigned at the above address by U.S. Mail or by fax to the undersigned at (360) 664-2782 on or before 9:00 a.m., Pacific Standard Time, on March 7, 2011., Interested individuals and entities may include in their letters a request to be included in the hearing by telephone or in person in order to present their positions orally.**

The hearing will be held under the authority granted by the Office of the Insurance Commissioner by Chapter 48.04 RCW and RCW 48.07.210. As above, RCW 48.07.210 indicates the findings which must be made before approval will be given to this proposed redomestication.

The basic facts relied upon are those set forth in the above referenced Application for Redomestication of National Merit Insurance Company, with attachments, which has been filed with the OIC. The Application, with attachments, will be made part of the record of this proceeding. The OIC has not taken, and will not take, any position on this matter prior to entry of the hearing order.

The hearing will be governed by the Administrative Procedure Act, Chapter 34.05 RCW, and the model rules of procedure contained in Chapter 10-08 WAC. All parties may be represented at the hearing. They may examine witnesses and fully respond and present evidence and argument on all issues involved.

As required by RCW 34.05.434(2)(i), you are advised that a party who fails to attend or participate in any stage of the proceeding may be held in default in accordance with Chapter 34.05 RCW.

Pursuant to WAC 10-08-040(2) and in accordance with Chapter 2.42 RCW, if a limited English speaking or hearing impaired or speech impaired party or witness needs an interpreter, a qualified interpreter will be appointed. There will be no cost to the party or witness therefore, except as may be provided by Chapter 2.42 RCW. A Request for Interpreter form is attached to the original of this Notice, with instructions thereon.

This Notice is provided pursuant to RCW 48.04.010 and RCW 34.05.434.

Based upon the above activity,

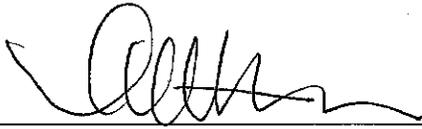
**IT IS HEREBY ORDERED** that the adjudicative proceeding in this matter shall commence on **Monday, March 7, 2011, at 10:00 a.m., Pacific Standard Time.** All parties will be contacted by Nicole Kelly, Paralegal to the undersigned at that time.

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ENTERED AT TUMWATER, WASHINGTON, this 10<sup>th</sup> day of February, 2011, pursuant to Title 48 RCW and specifically RCW 48.04 and 48.07.210, Title 34 RCW and regulations applicable thereto.



PATRICIA D. PETERSEN  
Presiding Officer

Declaration of Mailing

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 through normal office mailing custom, a true copy of this document to the following people at their addresses listed above: Margaret L. O'Hara, Mike Kreidler, Michael G. Watson, Carol Sureau, Esq., Marcia G. Stickler, Esq., James T. Odiorne, CPA, JD, Ronald Pastuch, and Gayle Pasero, CPCU.

DATED this 10<sup>th</sup> day of February, 2011.

  
NICOLE KELLY



OFFICE OF  
INSURANCE COMMISSIONER

HEARINGS UNIT

Fax: (360) 664-2782

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

Nicole Kelly  
Paralegal  
(360) 725-7002  
[nicolek@oic.wa.gov](mailto:nicolek@oic.wa.gov)

To request an interpreter, complete and mail this form to:

Chief Hearing Officer  
Office of Insurance Commissioner  
P.O. Box 40255  
Olympia, WA 98504-0255

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**REQUEST FOR INTERPRETER**

I am a party or witness in Matter No. 10-0235, before the Insurance Commissioner. I NEED AN INTERPRETER and request that one be furnished.

Please check the statements that apply to you:

I am a non-English-speaking person. I cannot readily speak or understand the English language. My primary language is \_\_\_\_\_ (insert your primary language). I need an interpreter who can translate to and from the primary language and English.

I am unable to readily understand or communicate the spoken English language because:

- I am deaf.
- I have an impairment of hearing.
- I have an impairment of speech.

[Please state below or on the reverse side any details which would assist the Commissioner or Presiding Officer in arranging for a suitable interpreter or in providing appropriate mechanical or electronic amplification, viewing, or communication equipment.]

Date: \_\_\_\_\_

Signed: \_\_\_\_\_

Please print or type your name: \_\_\_\_\_

Address: \_\_\_\_\_

Telephone: \_\_\_\_\_