



OFFICE OF
INSURANCE COMMISSIONER

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Hearing Unit, D/C
Patricia D. Peterson
Chief Hearing Officer

In the Matter of

No. G10-0235

THE APPLICATION FOR
REDOMESTICATION OF
NATIONAL MERIT INSURANCE COMPANY

TESTIMONY OF GAYLE D. PASERO

I, Gayle D. Pasero, declare:

1. I am the Company Licensing Manager in the Company Supervision Division for the Washington State Insurance Commissioner and make this declaration in my official capacity.
2. My duties as Company Licensing Manager include the review of applications from insurance companies for admission, redomestication, and merger. I received a Bachelor of Arts degree from Washington State University and also earned my Chartered Property Casualty Underwriter (CPCU) designation. I have worked in the insurance industry for 29 years.
3. If the proposed redomestication is approved, the result will be that National Merit Insurance Company will be domiciled in the state of Illinois instead of the state of Washington.
4. In the course of my duties, pursuant to RCW 48.07.210(2), I have reviewed the Application for Redomestication of National Merit Insurance Company.
5. The Notice of Hearing on the Application for Redomestication entered on February 10, 2011, which contains information concerning the proposed redomestication and the public hearing to be held concerning it, was published in its entirety on the Commissioner's web site since, at least, February 10, 2011 and remained there continuously through the date of hearing, March 7, 2011. Attached as Exhibit A is a copy of the Notice of Hearing as published on the Commissioner's web site. Based upon this, in my opinion, all requirements of law for reasonable notice have been met.

6. In the Notice of Hearing as published, all interested individuals and entities were advised of their right to submit either support for , or objections to , the proposed redomestication by letter on or before 10:00 am on March 7, 2011. No such communications have been received by the Commissioner as of the date of the hearing.

7. As of December 2010, total gross annual written premiums for National Merit Insurance Company was \$10,475,589 with \$6,869,643 written in Washington State.

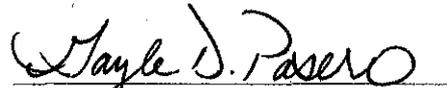
8. There are no known lawsuits against National Merit Insurance Company.

9. If the application is approved, National Merit Insurance Company will be qualified to be admitted to do business in Washington as a foreign insurer.

10. In my opinion, the Application for Redomestication of National Merit Insurance Company meets the Requirements of RCW 48.07.210(2) in that, if approved, the redomestication will be fair, equitable, and consistent with law and that no reasonable objection exists. Items considered in the analysis of this company included review of its financial condition, business plan, qualifications of the directors and officers and general contractual agreements. In my opinion, redomestication of National Merit Insurance Company from the state of Washington to the state of Illinois is in the best interests of the public and the company's Washington policyholders.

11. I declare under penalty and perjury under the laws of the state of Washington that the foregoing is true and correct.

Executed at Tumwater, Washington on this 3rd day of March, 2011.



Gayle D Pasero



Notice

Mike Kreidler
Washington Insurance Commissioner
Web page: www.insurance.wa.gov

For More Information, Contact:
Public Affairs: (360) 725-7055

11-2

2/10/2011

Hearing set for redomestication of National Merit

Olympia, Wash.—A hearing on the redomestication of National Merit Insurance Company has been scheduled for March 7 at 10 a.m. in Tumwater, WA. [More information](#)

Tell a friend |

MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON



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

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HEARINGS UNIT
Fax: (360) 664-2782

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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

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,

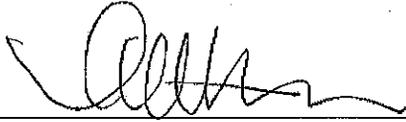
IT IS HEREBY ORDERED that the adjudicative proceeding in this matter shall commence on **Monday, March 7, 2011, at 10:00 a.m., Pacific Standard Time.** All parties will be contacted by Nicole Kelly, Paralegal to the undersigned at that time.

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ENTERED AT TUMWATER, WASHINGTON, this 10th 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. Odiorné, CPA, JD, Ronald Pastuch, and Gayle Pasero, CPCU.

DATED this 10th day of February, 2011.


NICOLE KELLY